

Control Bionics Limited and controlled entities

ABN: 45 115 465 462

Annual Report

For the year ended 30 June 2024

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CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CORPORATE DIRECTORY

Directors as at the date of this report

Mr Roger David Hawke
Mr Peter Shann Ford
Mr Damian Lismore
Mr Jeremy Steele
Prof Robert Heard

Company secretary

Mr Brett Crowley

Registered office

Level 4, 11-13 Pearson Street
Cremorne VIC 3121
Phone +61 3 9897 3576

Principal place of business

Level 4, 11-13 Pearson Street
Cremorne VIC 3121
Phone +61 3 9897 3576

Share register

Automic Registry Services
Level 5, 126 Phillip Street
Sydney NSW 2000
Phone +61 2 9698 5414

Auditor

BDO Audit Pty Ltd
Collins Square | Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008

Stock exchange listing

Control Bionics Limited shares are listed on the Australian Securities Exchange (ASX code: CBL)

Website

www.controlbionics.com

Corporate Governance Statement

<https://www.controlbionics.com/wp-content/uploads/2023/09/2023-CBL-Corporate-Governance-6.pdf>

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CHAIRMAN'S MESSAGE

We are pleased to present Control Bionics' fourth Annual Report as a publicly listed company on the Australian Securities Exchange (ASX).

Control Bionics is at the forefront of technology-based solutions for the Assistive Technology (AT) sector with continued success of our range of communications solutions including the market leading NeuroNode, our flagship Trilogy system, and the recent launch of the unique and innovative NeuroStrip which is set to expand our reach beyond the disability markets. Our DROVE autonomous wheelchair controller has also now been approved by the Therapeutic Goods Administration (TGA) and is ready for sales in Australia, with ongoing work for similar approvals in the US market.

First, let me thank the Control Bionics team who strive every day to better the lives of our current customer base, delivering life changing solutions to the substantial number of people in our communities who have an impairment due to disease, disability, or serious injury. We are incredibly proud of our team and our business as we continue to make a difference to people around the world with our communications solutions; and will do likewise with mobility solutions as we commence sales of our DROVE wheelchair controller during the coming financial year.

It is incredible to see the impact on our clients and their friends, family, colleagues and carers when our technology provides them with a voice or delivers a degree of independent mobility in their home environment.

FY24 has been a momentous year for the company with many successful outcomes for our strategic initiatives despite the unexpected revenue headwinds created by our major funding partner, the National Disability Insurance Scheme (NDIS) in Australia including:

- Successful development of NeuroStrip and initial commercial trials.
- TGA approval of our DROVE wheelchair module as a Class I Medical Device, now ready for sale in Australia.
- Initial success with "NeuroNode Only" sales strategy in Japan, paving the way for entry into other new markets.
- Achieved key milestones for US Medicare Healthcare Common Procedure Coding System (HCPCS) code approval for NeuroNode to enable greater sales flexibility in that market, including "NeuroNode Only" sales.
- Reviewed a number of new opportunities for NeuroStrip in the med-tech sector leveraging the expertise of our independent non-executive Director Professor Robert Heard.
- Upgraded the software for NeuroNode and NeuroStrip to further improve the efficiency, effectiveness and ease of operation, and the flexibility to support new applications.
- Progress toward new distribution agreements in new and existing markets. Contracts signed in the USA and Japan, and negotiations continue in the UK, Europe and Canada as we expand our global footprint.
- Generated awareness at major national and global conferences including "AI For Good" in Geneva.
- Continued to navigate the need to raise capital in a timely manner, and attracting new shareholders to the register through strategic private placements.

Despite the success of our strategic agenda, including substantial growth in our sales pipeline, the financial results have been below expectations, primarily due to delays in processing of Australian customer orders through the NDIS.

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CHAIRMAN'S MESSAGE

The issues within the NDIS have been well documented but the unfortunate consequence is a delay in order processing which has had a substantial impact on our clients who are unable to access their life changing technology needs, and a deferral of the revenue and cash to businesses such as ours, which required the company to raise additional capital. This is an industry-wide issue affecting many companies and their clients and is slowly being resolved. In Australia, this issue has impacted on around \$1m in sales.

In Q3, we also experienced delays with a major 3rd party billing partner in the USA, deferring revenue and cash in that market. This latter situation has improved already, and we finished Q4 with record results in the USA.

With the improving situation in both primary markets and the raft of initiatives in place, we expect to see sufficient growth in FY25 to maintain our average CAGR of around 20% despite the relatively low revenue growth in FY24. The business continues to manage its cost base tightly with Group overheads expected to remain largely flat from FY23 through to FY25.

We continue to focus on key success factors of growth, diversification and innovation. Our goal in the primary disability business is to deliver near term EBITDA positive operations in each of our key geographic markets, plus diversification into new products and new markets in FY25 to provide further sources of growth. Diversification outside the disability markets with NeuroStrip is also an important component in reducing our reliance on the insurance markets which have very long and unpredictable payment cycles. Likewise we intend to be a wholesaler of products including DROVE wheelchair controller, NeuroNode and NeuroStrip in relevant markets to further manage these risks.

Innovation remains a key aim as we continue to deliver the most advanced assistive technology (AT) solutions to clients around the world, and be a compelling, leading, global player in AT markets while delivering growth to the company and its shareholders. Over the past year we have:

- Focused on the further development of our software assets to provide the NeuroNode with improved operating characteristics, including an extended battery life, improved reliability and a simpler software interface.
- Enabled the NeuroNode to be unbundled as a separate product for Japan (in Japanese) and subsequently for other markets. NeuroNode Only sales have successfully commenced in Japan.
- Completed the development and testing of the DROVE wheelchair controller, which is now ready for sale in Australia.
- Released version 1 of the NeuroStrip and associated App and commenced initial trials with relevant partners in med-tech and consumer markets.
- Continued the development of NeuroStrip to provide relevant hardware, software and encapsulation solutions for the many potential commercial applications.

Thank you also to our Shareholders for their continued support as we raise capital to maintain the needs of the business as we grow. We also welcome some new substantial shareholders to the register. We will continue to prudently manage our balance sheet and raise additional capital if required for operational needs or potentially for targeted acquisitions that can accelerate our growth.

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CHAIRMAN'S MESSAGE

We look forward to enabling more life-changing connections for our clients, their families, friends, and support networks in the coming year.

A handwritten signature in black ink, appearing to read 'R. Hawke', written over a horizontal line.

Roger David Hawke, Chairman, 27 August 2024

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

The directors present their report together with the financial statements, on the consolidated entity referred to hereafter as the 'Group' or 'Control Bionics') consisting of Control Bionics Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors names

The following persons were directors of Control Bionics Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Roger David Hawke

Mr Peter Shann Ford

Mr Damian Lismore

Mr Jeremy Steele

Prof Robert Heard

Principal activities

During the year, the principal activities of the Group continued to be the development, commercialisation, and sale of assistive communications technology systems within the disability sector. The Group's core systems include NeuroNode Trilogy, NeuroNode Duo and Eye-gaze Duo. These systems allow people with speech and movement difficulties to control a computer for speech generation, electronic communications (e.g., email, social media), entertainment and external control of other devices.

Control Bionics is currently commercialising its most recent advancement in its technology, the NeuroStrip®. This wearable, miniaturised EMG device provides the business with the opportunity to enter new markets such as health diagnostics, sports performance and rehabilitation to name only a few potential markets.

The Group recently received TGA approval to market DROVE – the autonomous wheelchair module. DROVE allows powered users the independence to operate their wheelchairs in their own homes for the first time, and will commence sales in Australia in FY25.

No significant change in the nature of these activities occurred during the year.

Dividends paid, recommended and declared

No dividends were paid during the financial year.

Results

The loss of the Group for the year after providing for income tax amounted to \$5,913,779 (2023: \$5,631,141).

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Review of operations

We are delighted to report another year of growth for Control Bionics. The quality of our solutions, combined with our skilled staff ensured that the business continued its revenue growth and importantly increased the number of customers who benefit from using our life changing Control Bionics Trilogy product line.

For the current financial year, the Group reported revenue of \$6,355,368 (2023: \$6,114,112) and a net loss after tax of \$5,913,779 (2023: loss \$5,631,141).

Key highlights include:

- Strategic success – the Group made significant progress across many key initiatives as the platform for renewed growth in FY25 and beyond. This includes: substantial enhancements to our software and hardware offerings, preliminary approval for a Medicare/Medicaid insurance code for the NeuroNode in the US, new contract wins, TGA approval for DROVE and commencement of customer trials for the NeuroStrip.
- Revenue – in a challenging macro and operating environment, the business reported revenue growth of 3.5%. Significant issues with the NDIS approval process resulted in delays in converting our growing sales pipeline in Australia into revenue.
- Cost control – in an environment where revenue growth has been challenging, the business reduced costs in its three sales operations, whilst bolstering R&D spent to support future growth.
- North America – whilst the US operations experienced issues during the course of FY24 that impacted our ability to grow revenue, there were a number of important wins in the US market. In particular the General Services Administration contract win, being awarded the ALS Association grant of ~\$575k for DROVE and the preliminary approval for an insurance code for the NeuroNode all will provide growth opportunities for the coming financial year.
- Australia – the delays in NDIS approvals materially impacted the revenue reported in Australia. The team did however continue to grow the pipeline of opportunities with more than \$1.1m in revenue either with the NDIS for approval, or will shortly be with the NDIS.
- Research and development – Control Bionics is currently commercialising its most recent advancement in its technology, the NeuroStrip®. This wearable, miniaturised EMG device provides the business with the opportunity to enter new markets such as health diagnostics, sports performance and rehabilitation to name only a few potential markets.
- DROVE – The group announced TGA approval of DROVE as a Class I medical device in June 2024. In addition our US business was awarded an ~\$575k grant from the ALS Association (US) to fund the FDA application process.
- NeuroNode Only – the Group made inroads on distribution of the NeuroNode as a standalone device during FY24. Our operations in Japan are growing and following software enhancements during FY24 the Group is in discussions with potential European distribution partners.

As at 30 June 2024, the Group had \$980,760 of cash. Total net cash used in operations activities for the year was \$4,911,898 (2023: \$4,536,085). Cash from financing activities for the year was \$5,427,699 (2023: \$706,429) primarily resulting from capital raising activities and the receipt of funding against the business' expected FY24 R&D Tax Incentive.

DIRECTORS' REPORT

Risk Management

Key Risks

The Company, through its Board and Management take a proactive approach to identifying and managing risk. The Board assumes responsibility for identifying risks and ensuring the management develop actions and activities to mitigate, manage and address these risks. Assessment of risk is made alongside consideration of opportunities to ensure a balanced view of business management. The Company has an Audit and Risk Committee (ARC) which is a committee of the Board established in accordance with the Company's constitution. As its role pertains to Risk management, the committee is responsible for:

- a. preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- b. regularly reviewing and updating the risk profile;
- c. ensuring that the Company has an effective risk management system;
- d. assessing and ensuring that there are internal controls for determining and managing key risk areas, such as, for example:
 - a. non-compliance with laws, regulations, standards, and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws (as relevant to the Company from time to time);
 - i. important judgements and accounting estimates;
 - ii. business licence requirements;
 - iii. litigation and claims;
 - iv. fraud and theft; and
 - v. relevant business risks not dealt with by other Board committees;
- e. receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- f. conducting investigations of breaches or potential breaches of any internal controls, and incidents within the risk areas above, particularly in relation to accounts and financial reporting;
- g. evaluating the independence of external auditors;
- h. examining and evaluating the effectiveness of the external auditors and making improvements;
- i. encouraging voluntary reporting by employees to the Committee of breaches of Company policies, and incidents within the risk areas above;
- j. assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
- k. meeting periodically with key management, external auditors, and compliance staff to understand the Company's control environment;
- l. overseeing the preparation of a summary of the main internal and external risk sources that could adversely affect the Company's prospects for future financial years, for inclusion in the operating and financial review section of the directors' report; and
- m. ensuring that the Company has appropriate internal audit systems and controls in place.

The ARC meets regularly with management to monitor and manage risk and the material financial, operational, and strategic risks being actively managed by the company are set out below:

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DIRECTORS' REPORT

Financial Risks

Financing Risk

The business is currently not generating sufficient cash receipts to cover its costs. During the year ended 30 June 2024, the Company completed capital raising activities which raised \$5,094,273 and will continue to examine other capital raising options to ensure the business remains funded through to cashflow break even.

Fiduciary Risk

The risk of fraud/inappropriate conduct leading to significant loss and/or reputational damage is managed through a variety of means including a delegation matrix, dual sign-off, bank and system access and controls. We engage a third party to manage our cyber risk and the business undertakes an external audit of its financial statements.

Receivables Risk

Operating in the US health system is complex and comes with inherent risk around collectability of certain receivables. The Company mitigates this through a highly skilled team and close receivables management. Our years of experience and reputation, combined with pre-approvals before shipping ensure this risk is well managed.

Operational and Strategic Risks

Cyber Security Risk

The risk of a serious breach of our systems and customer information is mitigated through both internal and external control measures. These include outsourcing our systems and cyber risk to a specialised 3rd party, internal controls such as dual factor authentication for all bank payments and managing key company intellectual property on highly secure third-party systems. As at the date of this report, there have been no material cyber issues in the Company.

Supply Chain Risk

The Company is reliant on third parties to supply us with both completed and partially completed products for sale. We have dedicated resource to manage our suppliers and ensure that we mitigate the risks associated with reliance on these companies to have stock when we require it. We continually examine alternate suppliers.

Intellectual Property Risk

The risk of Control Bionics' IP being lost, copied, or infringed by a third party is mitigated and managed through a combination of active surveillance, use of legal specialists, secure warehousing of key source code and the ownership of key patents.

Market Risk

Control Bionics currently operates in a niche part of the healthcare market. The business mitigates its reliance on Payor mix by ensuring strong relationships with those market participants. The Company is actively pursuing opportunities to diversify both its revenue and supply base to mitigate any potential risk in the future.

DIRECTORS' REPORT

Operational and Strategic Risks (continued)

Staff Risk

As a small business Control Bionics is reliant on a limited number of people to ensure our successful growth. In addition, we operate in part of the health industry that supports individuals with complex medical issues that can be confronting at times. To mitigate these risks Control Bionics has an established performance management process and rewards key staff with incentives. We also offer an Employee Assistance Program to provide staff with access to third party assistance and counselling.

Significant changes in state of affairs

Other than the developments reported elsewhere in this report, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2023.

Matters subsequent to the end of the financial year

On 30 July 2024, the Nomination and Remuneration Committee recommended and the Board granted 2,924,528 options under the Employee Options Scheme at a strike price of \$0.053 per share, vesting over 5 years in 4 equal tranches of 731,132 options each in years 2 to 5.

On 31 July 2024, the company issued 10 million ordinary fully paid shares at a price of \$0.0525 per share.

On 19 August 2024, the company announced that the US Centers for Medicare & Medicaid Services approved a new HCPCS code identifying the NeuroNode as a Reimbursable Medical Device in the United States. The new code becomes effective 1 October 2024 and allows for ~US\$4,300 reimbursement for customers covered by Medicare and Medicaid that was not previously available.

There are no other matters subsequent to the end of the financial year to report.

Likely developments and expected results of operations

Control Bionics will continue to introduce new commercial models to grow organically and commercialise new technologies that are consistent with the company's vision.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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DIRECTORS' REPORT

Information on directors

Mr Roger David Hawke	Non-Executive Director and Chairman
Qualifications	BEng, MES, MBA, MAICD
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Chairman of the Nomination & Remuneration Committee
Interest in shares and options	2,344,638 ordinary shares
Interests in options	None
Contractual rights to shares	None
Experience and expertise	Roger has over 35 years of experience in the telecommunications and technology space, having retired after 8 years as CEO & Managing Director of Crown Castle Australia/Axicom, and brings a high level of experience particularly in Technology, Operations, Sales and Management.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Information on directors (Continued)

Mr Peter Shann Ford	Non-Executive Director (from 15 August 2023)
Qualifications	Graduate 1OTU Officer Training Unit, 2nd Lieutenant, Australian Army, with 3RAR
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	20,003,433 ordinary shares
Interests in options	None
Contractual rights to shares	None
Experience and expertise	Peter is the Founder and a Non-Executive Director of Control Bionics Limited. He completed National Service as an infantry officer with The Third Battalion, Royal Australian Regiment, before moving to the USA as a news anchor with CNN in Atlanta. While at CNN, he was also contracted for three years as a computer programmer and analyst with the US Veterans Administration Rehabilitation Research and Development Laboratory - one of the first of its kind in the United States.

As a result Peter began consulting to doctors, therapists and disability clients developing innovative Assistive Technology for communication, bionics and robotics.

He was inspired by Professor Stephen Hawking who was paralysed and unable to speak due to Motor Neuron Disease (MND). In 2000, Peter identified that a patient's disabled muscles still emitted small electromyography (EMG) signals that could be used to reliably control a computer. With an EMG clinical monitor from Therapeutic Alliances Inc (TAI), Peter created code to use a patient's signals to generate computerised text and speech, patenting the technology as NeuroSwitch.

In 2001 Prof. Hawking invited Peter to demonstrate the technology in Cambridge, and shortly after, asked to have a NeuroSwitch on his powered wheelchair. He met with Peter and TAI CEO, James Schorey, and they installed NeuroSwitch along with specialized software Peter wrote using Prof. Hawking's famous robotic voice. Over the next five years Peter Beta-tested each new iteration of NeuroSwitch with Prof. Hawking at Cambridge University.

As he evolved the technology Peter began working with doctors, therapists and clients in Australia, New Zealand, the USA and Europe. In 2005, Lindsay Phillips, Chairman of Phoenix Development Fund in Australia, invested one million dollars and Control Bionics was born.

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DIRECTORS' REPORT

Information on directors (Continued)

Mr Damian Lismore	Non-Executive Director
Qualifications	BA (Hons), GAICD, CA ANZ, FCA (Ireland)
Other current directorships	None
Former directorships (last 3 years)	Non-Executive Director of LBT Innovations Limited (ASX:LBT).
Special responsibilities	Chairman of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	813,334 ordinary shares
Interests in options	None
Contractual rights to shares	None
Experience and expertise	Damian has held a number of directorships and has extensive commercial, international, and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his executive career, he held senior management roles in listed companies on the ASX and Nasdaq. He continues to act as an advisor to CEOs, boards, and business owners. Damian joined the Control Bionics Board in September 2020.
Mr Jeremy Steele	Executive Director and Chief Executive Officer (Appointed 19 January 2023)
Qualifications	BCom, ASIA, AICD, FGLF
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	None
Interest in shares	1,856,060 ordinary shares
Interests in options	2,315,789 options
Contractual rights to shares	None
Experience and expertise	Jeremy Steele has more than 25 years of global corporate experience. His expertise crosses many industries relevant to his role at Control Bionics, including 10 years in the healthcare industry. Jeremy has held a wide range of senior positions and prior to joining Control Bionics he was Chief Executive of CardioScan, a leading global provider of outsourced Cardiac Diagnostics. CardioScan operates in 10 countries and Jeremy led the business through its international growth, taking the business from its base in Australia to operations across the world. Jeremy has invested in and worked with many businesses across his career including Aesop and FastTrack – both internationally successful. Jeremy has significant experience across the business spectrum including digital transformation, building high growth businesses, financial management, analysis, and reporting.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES**45 115 465 462****DIRECTORS' REPORT****Information on directors (Continued)**

Prof Robert Heard	Non-Executive Director (Appointed 4 May 2023)
Qualifications	BSc (Hons), MD, FRCP, FRACP
Other current directorships	None
Former directorships (last 3 years)	None
Special responsibilities	Member of the Audit & Risk Committee Member of the Nomination & Remuneration Committee
Interest in shares	852,270 ordinary shares
Interests in options	None
Contractual rights to shares	None
Experience and expertise	Rob is a clinical and academic neurologist. He is currently Conjoint Professor of Neurology at Newcastle University. He has had a long research career and has made major contributions in the field of multiple sclerosis. He is an active investor in biotechnology and pharmaceutical sectors. Rob has been a key contributor to our efforts to deliver new products for the med-tech sector. This is his first directorship.

Company secretary

Mr Brett Crowley has held the role of Company Secretary since September 2020. Brett is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong. He is a former Senior Legal Member of the NSW Guardianship Tribunal and the NSW Civil and Administrative Tribunal. Brett has extensive ASX-listed company experience. He is currently a director or company secretary of five ASX-listed companies.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

Directors	Directors' meetings		Audit & Risk committee meetings		Nomination & Remuneration committee meetings	
	Attended	Held	Attended	Held	Attended	Held
Mr Roger David Hawke	10	11	6	6	1	1
Mr Peter Shann Ford	10	11	5	5	-	-
Mr Damian Lismore	10	11	6	6	-	1
Mr Jeremy Steele	11	11	-	-	-	-
Prof Robert Heard	9	11	6	6	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

DIRECTORS' REPORT

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation;
- Additional information; and
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Executive rewards are competitive in the markets in which Control Bionics operates;
- Executive remuneration has an appropriate balance of fixed and at risk reward;
- Remuneration is linked to Control Bionics' performance and the creation of shareholder value;
- Executive remuneration is fair and appropriate, having regard to the performance of the Group and the relevant executive; and
- Remuneration outcomes comply with relevant legal requirements.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having sustainable revenue growth as a core component of plan design;
- focusing on sustained growth in the business in both existing and new markets likely to create increased shareholder wealth, as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

DIRECTORS' REPORT

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. As disclosed in the Corporate Governance Statement, initially, and until a different amount is determined, the Board has determined that the maximum aggregate non-executive directors' remuneration is \$400,000 per annum.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay, consulting fees and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave and medical insurance in some markets.

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue, EBITDA, profit contribution, new market development, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Share-based incentives issued to executives in the 2024 financial year are set out in Note 31.

DIRECTORS' REPORT

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group and measures that are linked to growth in earnings and shareholder wealth. Cash bonus and incentive payments are dependent on defined financial, operational, and personal performance targets (KPIs) being met. Some adjustments to cash bonuses and incentive payments may be made at the discretion of the Board.

Measures for the 2024 financial year included: Revenue, EBITDA, Net Profit or Loss after income tax, and cash balances and management.

In addition to the financial metrics, the Board also considers the achievement of non-financial milestones or KPIs. For the year ended 30 June 2024, the following milestones were assessed as part of the Executive performance KPIs:

- Improve sales performance in current markets of Australia and North America and grow a sustainable business in Japan;
- Progress on key strategic objectives of the business including product development and capital raising initiatives to meet operational and investment needs; and
- Maintain a safe, happy and well-informed workforce with low turnover.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. The key management personnel of the Group consisted of the following directors of Control Bionics Limited:

- Mr Roger David Hawke - Chairman
- Mr Peter Shann Ford - Executive Director
- Mr Damian Lismore - Non-Executive Director
- Mr Jeremy Steele - Executive Director, Chief Executive Officer
- Prof Robert Heard - Non-Executive Director

And the following persons:

- Mr Todd Tyler - US Country Manager
- Ms Shannon Boothroyd - Chief Financial Officer (Appointed 13 May 2024)
- Mr Dominik Kucera - Interim Chief Financial Officer (Resigned 31 May 2024)

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DIRECTORS' REPORT

Details of remuneration (continued)

	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity settled options	Total
2024	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors							
Mr Roger David Hawke	68,182	-	-	7,500	-	-	75,682
Mr Peter Shann Ford ¹	193,330	-	-	23,333	315	-	216,978
Mr Damian Lismore	47,000	-	-	-	-	-	47,000
Prof Robert Heard	42,534	-	-	4,679	-	-	47,213
Executive Directors							
Mr Jeremy Steele	331,540	82,875	-	-	-	74,480	488,895
Other Key Management Personnel							
Mr Todd Tyler	283,428	-	-	-	-	17,431	300,859
Ms Shannon Boothroyd ²	29,615	-	-	3,296	-	1,096	34,007
Mr Dominik Kucera ³	190,163	-	-	-	-	-	190,163
	1,185,792	82,875	-	38,808	315	93,007	1,400,797
2023							
Non-Executive Directors							
Mr Roger David Hawke	68,181	-	-	7,159	-	-	75,340
Mr Damian Lismore	47,000	-	-	-	-	-	47,000
Mr Lindsay John Phillips ⁴	35,606	-	-	3,739	-	-	39,345
Mr Robert Heard ⁵	7,088	-	-	744	-	-	7,832
Executive Directors							
Mr Robert William Wong ⁶	246,707	-	-	18,686	(21,279)	-	244,114
Mr Peter Shann Ford	192,220	-	-	20,183	3,346	-	215,749
Mr Jeremy Steele ⁷	146,667	37,240	-	-	-	22,758	206,665
Other Key Management Personnel							
Mr Todd Tyler	267,300	40,094	-	-	-	7,451	314,845
Mr Dominik Kucera ⁸	168,300	-	-	-	-	-	168,300
	1,179,069	77,334	-	50,511	(17,933)	30,209	1,319,190

¹ Represents remuneration from 1 July 2023 to both 15 August 2023 as an employee and to 30 June 2024 as a non-executive officer and includes termination payments of \$85,975.

² Represents remuneration from 13 May 2024

³ Represents remuneration from 1 July 2023 to 31 May 2024

⁴ Represents remuneration from 1 July 2022 to 4 May 2023

⁵ Represents remuneration from 4 May 2023

⁶ Represents remuneration from 1 July 2022 to both 19 January 2023 as an executive director and to 31 March 2023 as an employee

⁷ Represents remuneration from 19 January 2023

⁸ Represents remuneration from 19 July 2022

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Details of remuneration (continued)

There were no benefits or remuneration paid or accrued during the financial year or the comparative prior year for:

- Non-monetary short-term benefits
- Equity settled shares as share-based payments; and
- Equity settled options as share-based payments.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors</i>						
Mr Roger David Hawke	100%	100%	0%	0%	0%	0%
Mr Damian Lismore	100%	100%	0%	0%	0%	0%
Mr Peter Shann Ford	100%	100%	0%	0%	0%	0%
Prof Robert Heard	100%	100%	0%	0%	0%	0%
Mr Lindsay John Phillips	n/a	100%	0%	0%	0%	0%
<i>Executive Directors</i>						
Mr Jeremy Steele	68%	71%	17%	18%	15%	11%
Mr Robert William Wong	n/a	100%	n/a	0%	n/a	0%
<i>Other Key Management Personnel</i>						
Mr Todd Tyler	94%	85%	0%	13%	6%	2%
Ms Shannon Boothroyd	97%	n/a	0%	n/a	3%	n/a
Mr Dominik Kucera	100%	100%	n/a	n/a	n/a	n/a

Cash bonuses are dependent on meeting defined performance measures.

The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Group performance and link to remuneration'.

The maximum bonus values are established at the start of each financial year and amounts payable are determined at the end of the financial year by the Nomination and Remuneration Committee.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2024	2023	2024	2023
Executive Directors				
Mr Jeremy Steele	50%	50%	50%	50%
Mr Robert William Wong	n/a	0%	n/a	0%
Other Key Management Personnel				
Mr Todd Tyler	0%	50%	100%	50%
Ms Shannon Boothroyd	0%	n/a	n/a	n/a
Mr Dominik Kucera	n/a	n/a	n/a	n/a

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Jeremy Steele
Title:	Chief Executive Officer
Agreement commenced	19 January 2023
Term of agreement	Ongoing
Details	Total Fixed Remuneration for the year ended 30 June 2024 of \$331,500 inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 50% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. A sign-on LTI award of 2,000,000 options have been granted. There is an ability to participate in employee share options as set out in Note 31 of this report. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Name:	Mr Todd Tyler
Title:	US Country Manager
Agreement commenced	8 September 2021
Term of agreement	Ongoing
Details	Total Fixed Remuneration comprising base salary of US\$187,200 for the year ended 30 June 2024 plus matching 401(k) contributions of up to 3% of base salary, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 30% as per Nomination and Remuneration Committee approval and KPI achievement and a sign on LTI award of up to 30% of base salary. There is an ability to participate in employee share options as set out in Note 31 of this report. There is a 15-day termination notice by the employee or immediate termination right by the company, and standard non-solicitation and non-compete clauses.
Name:	Ms Shannon Boothroyd
Title:	Chief Financial Officer
Agreement commenced	13 May 2024
Term of agreement	Ongoing
Details	Total Fixed Remuneration (pro rata) for the year ended 30 June 2024 of \$220,000 exclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A cash bonus of up to 25% of Fixed Remuneration as per Nomination and Remuneration Committee approval and KPI achievement. A sign-on LTI award of 500,000 options have been granted. There is an ability to participate in employee share options as set out in Note 31 of this report. There is a 6-month termination notice by either party and standard, non-solicitation and non-compete clauses.
Name:	Mr Peter Shann Ford
Title:	Non-Executive Director
Agreement commenced	Agreement commenced 12 October 2020
Term of agreement	Transferred to Non-executive director on 15 August 2023
Details	Prior to the date of transition to the Non-Executive Director role, the agreement provided for Total Fixed Remuneration (pro rata) of \$190,000, inclusive of superannuation, to be reviewed annually by the Nomination and Remuneration Committee. A discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement. There was a 6-month termination notice by either party and standard non-solicitation and non-compete clauses.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Name:	Mr Dominik Kucera
Title:	Interim Chief Financial Officer
Agreement commenced	19 July 2022
Term of agreement	Ceased 31 May 2024
Details	Total Fixed Remuneration for the year ended 30 June 2024 comprising base fee of \$1,300 per day plus GST. There was a 1-month termination notice by either party and standard non-solicitation and non-compete clauses.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Share-based compensation

Issue of shares

No shares were issued to directors or other key management personnel as part of compensation during the year ended 30 June 2024.

Options

Mr Todd Tyler was granted 309,598 options, to expire on 10 August 2028 with an exercise price of \$0.095.

Mr Jeremy Steele was granted 315,789 options, to expire on 11 October 2028 and with an exercise price of \$0.095.

Ms Shannon Boothroyd was granted 500,000 options, to expire on 13 May 2029 and with an exercise price of \$0.045.

Terms and conditions of the above options are explained in Note 31 to this report.

No other options were granted, exercised or lapsed for directors and other key management personnel during the year ended 30 June 2024.

Additional information

The parent entity was admitted to the ASX in 2020. The key financial metrics of the Group for the four published financial years from admittance to 30 June 2024 are summarised below:

	2024	2023	2022	2021
	\$	\$	\$	\$
Sales revenue (including rental and trials)	5,350,774	5,642,386	4,501,890	3,972,119
EBITDA	(4,920,499)	(4,737,231)	(5,577,450)	(3,220,674)
Loss after income tax	(5,913,779)	(5,631,141)	(6,101,224)	(3,550,826)
Available cash	980,760	935,503	5,214,003	12,331,109
Share price at financial year end (\$)	\$0.052	\$0.087	\$0.225	\$0.695

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals/ Balance on resignation*	Balance at the end of the year
Ordinary shares				
Mr Roger David Hawke	1,008,478	1,336,160	-	2,344,638
Mr Peter Shann Ford	19,623,433	380,000	-	20,003,433
Mr Damian Lismore	155,000	658,334	-	813,334
Mr Jeremy Steele	454,545	1,401,515	-	1,856,060
Prof Robert Heard	227,270	625,000	-	852,270
	21,468,726	4,401,009	-	25,869,735

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Option holdings

	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr Jeremy Steele	2,000,000	315,789	-	-	2,315,789
Mr Todd Tyler	365,636	309,598	-	-	675,234
Ms Shannon Boothroyd	-	500,000	-	-	500,000
	2,365,636	1,125,387	-	-	3,491,023

Other transactions with key management personnel and their related parties

Executive Director Mr Steele and Non-Executive Directors Mr Hawke, Mr Lismore and Prof Heard received underwriting fees of \$3,848 in total pursuant to individual underwriting agreements related to a rights issue that was completed in January 2024. All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

Options

Shares under option

Unissued ordinary shares of Control Bionics Limited under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
13/02/2020	749,202	0.450	13/02/2025
08/09/2022	365,636	0.220	08/09/2027
19/01/2023	2,000,000	0.164	19/01/2028
10/08/2023	724,459	0.095	10/08/2028
11/10/2023	315,759	0.095	11/10/2028
13/05/2024	1,000,000	0.100	13/05/2026
13/05/2024	1,000,000	0.150	13/05/2026
13/05/2024	500,000	0.045	13/05/2029
20/05/2024	500,000	0.100	20/05/2027
30/07/2024	2,924,528	0.053	20/05/2029

Shares issued on exercise of options

There were no ordinary shares of Control Bionics Limited issued during or since the end of the financial year as a result of the exercise of an option.

Indemnification of officers

The Group has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification of auditors

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Officers of the Group who are former partners of BDO Audit Pty Ltd

There are no officers of the Group who are former partners of BDO Audit Pty Ltd.

Rounding of amounts

The group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Auditor

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Chairman:

A handwritten signature in black ink, appearing to read 'R. Hawke', is written over a horizontal line.

Mr Roger David Hawke

Dated this 27th day of August 2024



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DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF CONTROL BIONICS LIMITED

As lead auditor of Control Bionics Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Control Bionics Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'Katherine Robertson'. The signature is fluid and cursive, with the first name 'Katherine' and last name 'Robertson' clearly distinguishable.

Katherine Robertson
Director
BDO Audit Pty Ltd
Melbourne, 27 August 2024

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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GENERAL INFORMATION

The financial statements cover Control Bionics Limited as a Group consisting of Control Bionics Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Control Bionics Limited's functional and presentation currency.

Control Bionics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 4, 11-13 Pearson Street Cremorne VIC 3121 Australia	Level 4, 11-13 Pearson Street Cremorne VIC 3121 Australia

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2024. The directors have the power to amend and reissue the financial statements.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 \$	2023 \$
Revenue and other income			
Revenue	4	5,350,774	5,642,386
Other income	5	<u>1,004,594</u>	<u>471,726</u>
		<u>6,355,368</u>	<u>6,114,112</u>
Less: expenses			
Raw materials and consumables used		(1,454,121)	(1,930,791)
Depreciation and amortisation expense	6	(843,191)	(480,450)
Employee benefits expense		(5,449,029)	(5,093,972)
Finance costs	6	(56,283)	(21,332)
Impairment losses arising from other assests	11	(93,806)	(392,128)
Marketing and promotion		(460,674)	(616,560)
Research & development costs	6	(1,714,851)	(230,985)
Corporate travel		(586,837)	(429,839)
Legal fees, patents, and insurance		(258,572)	(368,516)
Professional fees		(724,598)	(510,132)
Foreign exchange gain / (loss)	6	4,172	(2,763)
Bad debt expense		(414,089)	(237,202)
General and administrative expense		<u>(217,268)</u>	<u>(1,430,583)</u>
		<u>(12,269,147)</u>	<u>(11,745,253)</u>
Loss before income tax expense		(5,913,779)	(5,631,141)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss after income tax expense for the year		<u>(5,913,779)</u>	<u>(5,631,141)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>(20,983)</u>	<u>66,568</u>
Other comprehensive (loss) / income for the year		<u>(20,983)</u>	<u>66,568</u>
Total comprehensive loss		<u>(5,934,762)</u>	<u>(5,564,573)</u>
		Cents	Cents
Basic earnings per share	30	(3.71)	(6.24)
Diluted earnings per share	30	(3.71)	(6.24)

The accompanying notes form part of these financial statements.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	2024 \$	2023 \$
Current assets			
Cash and cash equivalents	8	980,760	935,503
Trade and other receivables	9	2,186,704	1,808,220
Inventories	10	404,150	801,905
Other assets	11	<u>190,164</u>	<u>355,218</u>
Total current assets		<u>3,761,778</u>	<u>3,900,846</u>
Non-current assets			
Property, plant and equipment	12	851,698	596,852
Intangible assets	13	4,047,007	4,106,637
Right-of-use assets	14(a)	<u>366,827</u>	<u>123,359</u>
Total non-current assets		<u>5,265,532</u>	<u>4,826,848</u>
Total assets		<u>9,027,310</u>	<u>8,727,694</u>
Current liabilities			
Trade and other payables	15	1,567,488	1,201,536
Lease liabilities	14(b)	108,437	128,503
Borrowings	16	517,136	-
Employee benefits	17	<u>210,046</u>	<u>234,392</u>
Total current liabilities		<u>2,403,107</u>	<u>1,564,431</u>
Non-current liabilities			
Lease liabilities	14(b)	336,165	-
Employee benefits	17	<u>20,330</u>	<u>15,610</u>
Total non-current liabilities		<u>356,495</u>	<u>15,610</u>
Total liabilities		<u>2,759,602</u>	<u>1,580,041</u>
Net assets		<u>6,267,708</u>	<u>7,147,653</u>
Equity			
Issued capital	18	35,152,513	30,241,659
Reserves	19	394,351	271,371
Accumulated losses		<u>(29,279,156)</u>	<u>(23,365,377)</u>
Total equity		<u>6,267,708</u>	<u>7,147,653</u>

The accompanying notes form part of these financial statements.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Option Reserve \$	Total Equity \$
Consolidated					
Balance as at 1 July 2022	29,266,524	(17,734,236)	23,405	368,040	11,923,733
Loss for the year	-	(5,631,141)	-	-	(5,631,141)
Other comprehensive income for the year	-	-	66,568	-	66,568
Total comprehensive loss for the year	-	(5,631,141)	66,568	-	(5,564,573)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	-	39,243	39,243
Shares issued during the period, net of transaction costs	749,250	-	-	-	749,250
Exercise of options	225,885	-	-	(225,885)	-
Balance as at 30 June 2023	<u>30,241,659</u>	<u>(23,365,377)</u>	<u>89,973</u>	<u>181,398</u>	<u>7,147,653</u>
Balance as at 1 July 2023	30,241,659	(23,365,377)	89,973	181,398	7,147,653
Loss for the year	-	(5,913,779)	-	-	(5,913,779)
Other comprehensive loss for the year	-	-	(20,983)	-	(20,983)
Total comprehensive loss for the year	-	(5,913,779)	(20,983)	-	(5,934,762)
Transactions with owners in their capacity as owners:					
Shares issued during the period, net of transaction costs	4,910,854	-	-	-	4,910,854
Share based payments	-	-	-	136,963	136,963
Options issued in lieu of payment	-	-	-	7,000	7,000
Balance as at 30 June 2024	<u>35,152,513</u>	<u>(29,279,156)</u>	<u>68,990</u>	<u>325,361</u>	<u>6,267,708</u>

The accompanying notes form part of these financial statements.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,321,759	6,017,727
Receipts from government grants		785,668	282,199
Payments to suppliers and employees (inclusive of GST)		(10,975,225)	(10,834,820)
Interest received		12,183	20,141
Interest paid and other finance costs paid		<u>(56,283)</u>	<u>(21,332)</u>
Net cash used in operating activities	29(a)	<u>(4,911,898)</u>	<u>(4,536,085)</u>
Cash flow from investing activities			
Payments for intangible assets		(74,750)	(37,420)
Payments for property, plant and equipment	12	<u>(398,337)</u>	<u>(420,121)</u>
Net cash used in investing activities		<u>(473,087)</u>	<u>(457,541)</u>
Cash flow from financing activities			
Proceeds from issue of shares	18	5,094,273	749,250
Proceeds from borrowings	29(b)	648,449	-
Proceeds from sale of shares	11	-	113,500
Repayment of borrowings	29(b)	(131,313)	(48,196)
Transaction costs on issue of shares		(114,476)	-
Lease payments	29(b)	(47,496)	(108,125)
Net guarantee paid on new lease arrangements		<u>(21,738)</u>	<u>-</u>
Net cash generated by financing activities		<u>5,427,699</u>	<u>706,429</u>
Reconciliation of cash			
Net increase / (decrease) in cash and cash equivalents		42,714	(4,287,197)
Cash and cash equivalents at the beginning of the financial year		935,503	5,214,003
Effects of exchange rate changes on cash and cash equivalents		<u>2,543</u>	<u>8,697</u>
Cash and cash equivalents at the end of financial year		<u><u>980,760</u></u>	<u><u>935,503</u></u>

The accompanying notes form part of these financial statements.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION

General information

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Control Bionics Limited and its consolidated entities. Control Bionics Limited is a company limited by shares, incorporated and domiciled in Australia. Control Bionics Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors at the date of the directors' report.

Compliance with IFRS

The consolidated financial statements of Control Bionics Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Functional currency and presentation currency

The financial statements are presented in Australian dollars which is the group's functional and presentation currency.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the group's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

Accounting policies

The following accounting policies have been applied in the preparation and presentation of the financial report.

(a) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 26.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Control Bionics Limited ("Company" or "Parent Entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Control Bionics Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Going concern basis of accounting

The Group's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. As disclosed in the financial statements, the Group has incurred a net loss after taxes of \$5,913,779 and had net cash outflows from operating activities of \$4,911,898 for the year ended 30 June 2024.

The future viability of the Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales in FY2025 and ability to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Group, the Group may be required to delay, reduce, or eliminate research and development programs, reduce costs, or eliminate commercialisation efforts, cease operations, raise new equity, or pursue merger or acquisition strategies.

The Group had cash on hand balances available as at 30 June 2024 of \$980,760. Subsequent to year end the Group raised an additional \$525,000 through a strategic share placement. The group continues to expand its sales pipeline and is expecting a Research and Development Tax Incentive rebate in excess of \$750,000 in 1H25.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Going concern basis of accounting (continued)

The Group has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed to sustaining business growth. These forecasts indicate that the Group will require additional finance to fund its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

The potential requirement to raise additional finance or equity to fund operations creates a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, the directors are confident the Group will raise additional equity to fund operations and implement other risk mitigating factors disclosed above.

The financial statements do not reflect the situation should the Group be unable to continue as a going concern. If the going concern assumption is not valid, the consequence is the Group may be unable to realise the value of its assets including its intangible assets and discharge its liabilities in the ordinary course of business.

The Group believes that it has sufficient liquidity and options available to prepare the financial statements on a going concern basis at this time.

(d) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(e) Foreign currency translation

The financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Revenue recognition

The group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using the 'expected value' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

The primary performance obligation identified by the Group is the delivery of goods.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rental

Revenue from rental of goods is recognised over the period of the rental arrangement.

Technical support and product trials

Revenue from technical support and product trials is recognised over the period of the trial or support arrangement. Technical support is provided for 12 months from purchase and recognition of revenue is weighted towards the earlier months in line with when support services are utilised. Product trials vary in length dependent on the needs of the customer and the requirements of the jurisdiction in which the customer resides.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Revenue recognition (Continued)

Research and Development tax offset

The refundable component of the research and development tax offset is recognised as other income in the same year in which the associated expenses have been incurred. The receipt of the research and development tax offset is dependent on the submission and acceptance by the Australian Taxation Office of a research and development project description, and the Group fulfilling its requirement to lodge a company tax return for the relevant year.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(g) Government grants

Grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants have been presented on a gross basis in the consolidated statement of profit or loss and other comprehensive income.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted by the end of the reporting period.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Control Bionics Limited and its 100% owned Australian resident subsidiaries formed a tax Consolidated Group with effect from 1 December 2005. Control Bionics Limited is the head entity of the tax Consolidated Group. All tax liabilities will be recognised in the head entity in the absence of any tax sharing agreement.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(h) Income tax (Continued)

No amounts have been recognised in the financial statements as no tax is payable.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Terms for trade receivables in the ordinary course of business require settlement within 30-90 days, however terms for specialised "Insurance" sales in the United States may require extension of up to 180 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(l) Inventories

Inventories represent:

- Finished goods for sale
- Finished goods under construction
- Elements of finished goods held for future production
- Spare parts for finished goods that have previously been sold

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects has been assigned by using specific identification of their individual costs.

Where inventories of items are interchangeable, the Group has elected to assign costs to inventories on the basis of weighted average costs. This cost formula has been implemented as management is of the opinion that the weighted average basis will provide more relevant information, and result in a more accurate carrying amount of inventory at the end of each reporting period.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Class of fixed asset	Depreciation rates
Plant and equipment at cost	2-7 years
Trial and demonstration at cost	2-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(o) Intangible assets

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life and the amortisation method for an intangible asset with a finite useful life are reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the useful life or method, as appropriate, which is a change in accounting estimate.

Amortisation is calculated on a straight-line basis to write off the net cost of intangible assets over their expected useful lives as follows:

Class of intangible asset	Amortisation rate
Patents and trademarks	1-8 years
Intellectual property	15.5 years

Patents and trademarks

Patents and trademarks are capitalised at their purchase or registration cost and the resulting asset amortised over their effective lives.

Intellectual Property

Expenditure during the research phase of a project is recognised as an expense when incurred. Expenditure on intellectual property acquired from third parties is carried at cost less accumulated amortisation.

Impairment testing is performed when indicators of impairment are identified.

All intellectual property held as a non-current asset was acquired from third parties; no intellectual property was internally generated. The intellectual property held as a non-current asset at the year-end comprises proprietary plans, specifications, modelling, knowledge, techniques, software and machine code that enable the Group to develop the proprietary assistive technology used in its business.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

The majority of the intellectual property owned by the Group is represented by technical know-how which is an integral part of the product produced. Without this technical know-how, the Group would be unable to produce and market its product. For as long as the Group continues its current operations, that technical know-how will continue to be applied.

(p) Impairment of non-financial assets

Intellectual property and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Deferred revenue

Deferred revenue represents the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

(s) Borrowing

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(v) Employee benefits

Short-term employee benefits

Liabilities arising for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation plan

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Employee benefits (Continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(w) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 1: MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(x) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(z) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or (loss) attributable to the owners of Control Bionics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(aa) Goods and services tax ('GST') and other similar taxes

Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Determination of variable consideration for revenue recognition

Judgement is exercised in estimating variable consideration, which is determined using the expected value method, accounting for the amount that the Group expects to be entitled to under the contract. The variable consideration is estimated by management with regard to past experience and historical trends in relation to receipts from insurance customers in North America. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Impairment of intellectual property

The consolidated entity assesses impairment of intellectual property assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal (being the relief from royalty method), which incorporates a number of key estimates and assumptions.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Research and development tax offset

An estimate has been made of the refundable research and development tax offset due to the Group in respect of research and development activities conducted during the year. This estimate is based on a calculation of expenditure on eligible research and development activities.

Should this estimate be incorrect an adjustment is made to the following accounting period in respect of Other Income.

NOTE 3: OPERATING SEGMENTS

Identification of reportable operating segments

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance.

The Group has identified operating segments applicable to the sale of assistive communications technology systems within the disability sector. The reported loss for the combined segments within the sector before income tax of \$5,913,779 for the financial period (2023: \$5,631,141 loss).

The segment currently has operations in Australia and North America, market exploration in alternate geographical locations including Japan, a substantial corporate function in addition to a substantial Research and Development program. This is consistent with the internal reporting provided to the CODM and is aligned to the one major revenue stream.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services within each of the operating segments are as follows:

Australia (Aust)	Sales of systems, related units and components in Australia
North America (US)	Manufacture and sales of systems, units and components in North America
International	Activities undertaken to establish viable and additional operating markets, but not yet determined to be a material market segment in their own right
R&D (R&D)	Research activities undertaken in regards to the Group's products
Corporate	The provision of support, regulatory and infrastructure activities, and elimination elimination entries <u>above</u> the EBITDA line

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

2024
\$ **2023**
\$

NOTE 3: OPERATING SEGMENTS (CONTINUED)

	Aust	US	International	R&D	Corporate	Total
	\$	\$	\$	\$	\$	\$
2024						
Income	1,086,448	4,962,722	59,950	952,134	(705,886)	6,355,368
Expenses*	<u>(1,313,449)</u>	<u>(7,177,583)</u>	<u>(226,670)</u>	<u>(2,501,129)</u>	<u>(57,036)</u>	<u>(11,275,867)</u>
EBITDA	(227,001)	(2,214,861)	(166,720)	(1,548,995)	(762,922)	(4,920,499)
Interest						(56,283)
Depreciation & amortisation						(843,191)
Impairment of assets						<u>(93,806)</u>
Loss before income tax for the period						(5,913,779)
Income tax expense						-
Loss after income tax expense for the period						<u>(5,913,779)</u>
2023						
Income	1,226,497	4,888,363	14,460	412,807	(428,015)	6,114,112
Expenses*	<u>(1,215,712)</u>	<u>(7,648,463)</u>	<u>(239,605)</u>	<u>(1,181,618)</u>	<u>(565,945)</u>	<u>(10,851,343)</u>
EBITDA	10,785	(2,760,100)	(225,145)	(768,811)	(993,960)	(4,737,231)
Interest						(21,332)
Depreciation & amortisation						(480,450)
Impairment of assets						<u>(392,128)</u>
Loss before income tax for the period						(5,631,141)
Income tax expense						-
Loss after income tax expense for the period						<u>(5,631,141)</u>

* Elimination of intercompany income and expenses are carried within the Corporate segment

Segment assets and liabilities

The internal management reporting presented to key business decision makers report total assets and liabilities on the basis consistent with that of the consolidated financial statements. These reports do not allocate assets and liabilities based on the operations of each segment or by geographical location.

Under the current management reporting framework, total assets are not reviewed to a specific reporting segment or geographical location.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023
	\$	\$
NOTE 4: REVENUE FROM CONTRACTS WITH CUSTOMERS		
Sale of goods	5,065,353	5,255,986
Technical trials and support	<u>61,544</u>	<u>98,292</u>
	5,126,897	5,354,278
Lease of goods (rental)	<u>223,877</u>	<u>288,108</u>
	<u>5,350,774</u>	<u>5,642,386</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2024	2023
	\$	\$
Timing of revenue recognition		
Goods transferred at a point in time	5,065,353	5,336,899
Services transferred over time	<u>285,421</u>	<u>305,487</u>
	<u>5,350,774</u>	<u>5,642,386</u>

Geographical Regions

Australia	1,040,856	1,211,704
North America	4,249,968	4,416,222
Other	<u>59,950</u>	<u>14,460</u>
	<u>5,350,774</u>	<u>5,642,386</u>

The revenues referred to above are net of intercompany eliminations.

	2024	2023
	\$	\$
NOTE 5: OTHER REVENUE AND OTHER INCOME		
Interest income	12,183	20,141
Other income	40,290	38,778
Donations and grants	101,722	-
Research & development tax offset	<u>850,399</u>	<u>412,807</u>
	<u>1,004,594</u>	<u>471,726</u>

NOTE 6: EXPENSES

Losses before income tax includes the following specific expenses:

Depreciation		
- Plant and equipment	590,163	360,136
- Right-of-use-assets	<u>119,630</u>	<u>115,422</u>
Total depreciation	709,793	475,558

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 6: EXPENSES (CONTINUED)		
Amortisation		
- Intangible assets	133,398	4,892
Finance costs		
- Interest	56,283	21,332
Net foreign exchange (gain)/loss	(4,172)	2,763
Employee benefits		
- Share based payments	136,963	39,243
- Contributions to defined contribution pension funds	155,463	191,623
Net loss on disposal of non-current assets		
- Loss on disposal of other non current assets	4,315	-
Research and development costs	1,714,851	230,985

NOTE 7: INCOME TAX EXPENSE

The income tax expense for the year comprises current income tax expense and deferred tax expense. The current income tax expense for the year ended 30 June 2024 is Nil (2023: Nil).

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

A deferred tax asset (potential tax benefit) has not been recognised in the consolidated statement of financial position as the recovery of this benefit is uncertain. The Group has committed to invest in operational infrastructure (including sales staff) to grow sales. Until the success of that strategy is clear, directors have adopted a prudent approach to not recognise deferred tax assets this financial year.

The unused tax losses generated in the current financial year are not materially different from the Loss after income tax as shown in the Consolidated statement of profit or loss and other comprehensive income with the exception of the reduction in loss caused by adding back the expenses claimed and amounts received for the Research and Development Tax Incentive during the period.

	2024 \$	2023 \$
Unused tax losses for which no deferred tax assets have been brought to account		
Australian tax consolidated group	3,194,804	3,171,123
Control Bionics Inc (in relation to its tax year)	<u>13,534,447</u>	<u>11,328,485</u>
Total unused tax losses	<u><u>16,729,251</u></u>	<u><u>14,802,889</u></u>

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FOR THE YEAR ENDED 30 JUNE 2024**

	2024 \$	2023 \$
NOTE 8: CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank	<u>980,760</u>	<u>935,503</u>
NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables - not subject to credit loss	112,620	433,166
Trade receivables - subject to credit loss	<u>1,421,614</u>	<u>1,189,301</u>
Gross carrying value of trade receivables	<u>1,534,234</u>	<u>1,622,467</u>
Allowance for credit losses - discount on gross invoice value	(257,200)	(316,325)
Net carrying value of trade receivables	<u>1,277,034</u>	<u>1,306,142</u>
Bonds		
- Office deposit bond	77,924	56,186
Other receivables		
- GST refundable	47,424	31,467
- Government grants (R&D tax incentive)	<u>784,322</u>	<u>414,425</u>
	<u>2,186,704</u>	<u>1,808,220</u>

Trade receivables subject to credit loss

After analysis of the various sub-markets that the Group operates in, Management considers the only sector subject to any material credit loss is the Insurance sector for Control Bionics Inc.

Clients in this sector normally pay an invoice below the gross carrying value at varying %'s based on the individual client and this has been factored into the business model of the Group.

Clients in this sector have accounts settled through progressive payments over time, often from multiple insurers or sources for the same account.

As clients in this sector do not receive a formal invoice but pay on lodged and approved Claims, the gross carrying value for any invoice for these sector clients in the trade receivable ledger (which represents the Claim value) has been adjusted to the expected collectible value. As at 30 June 2024 the reduction in the face or gross carrying value of such invoices within the trade receivable ledger is \$257,200 (2023: \$316,325).

As at 30 June 2024, the Group has applied any credit loss directly to the individual invoice rather than carrying a separate gross provision for the reduction to estimated collectible value in the statement of financial position. There is no impact on the statement of consolidated statement of profit or loss and other comprehensive income through this change in process.

Management continues to monitor the ageing of receivables in the normal course of business.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

				2024	2023
				\$	\$
Trade receivables - subject to credit loss					
Gross value of trade receivables invoiced				1,644,399	1,541,485
Progressive payments made to the account at period end				(222,785)	(341,291)
Adjustments				-	(10,893)
Net carrying value at period end				<u>1,421,614</u>	<u>1,189,301</u>
Allowance for credit losses - discount on gross invoice value				(257,200)	(316,325)
Net carrying value of trade receivables subject to credit loss				<u>1,164,414</u>	<u>872,976</u>
	Expected credit losses		Carrying amounts subject	Allowance for expected	
			to credit loss; gross value	credit losses	
	2024	2023	2024	2024	2023
	%	%	\$	\$	\$
Consolidated					
3 to 6 months overdue	17%	22%	1,328,075	1,093,965	222,635
Over 6 months overdue	11%	18%	<u>316,324</u>	<u>447,520</u>	<u>34,565</u>
			<u>1,644,399</u>	<u>1,541,485</u>	<u>257,200</u>
					<u>316,325</u>

Allowance for expected credit losses

The Group has not recorded a separate provision in the consolidated statement of financial position for expected credit losses at the end of the financial period (2023: \$Nil).

	2024	2023
	\$	\$
Opening balance	-	84,613
Existing provisions written back to accounts receivable	-	(84,613)
Closing balance	<u>-</u>	<u>-</u>

NOTE 10: CURRENT ASSETS - INVENTORIES

CURRENT	
Components of inventory	<u>404,150</u> <u>801,905</u>

NOTE 11: OTHER ASSETS

CURRENT	
Prepayments	144,750 154,054
Share loan receivable	<u>45,414</u> <u>201,164</u>
	<u>190,164</u> <u>355,218</u>

On 23 December 2016, Rob Wong, then CEO, was granted options with an exercise price of \$0.21 and an expiry date of 23 December 2021. In line with listing rule requirements, these options and any shares

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

2024
\$
2023
\$

NOTE 11: OTHER ASSETS (CONTINUED)

issued on exercise became escrowed until 7 December 2022, being 2 years after the date that Control Bionics Limited listed on the ASX.

On 18 December 2021, then CEO Rob Wong entered into an arrangement with Control Bionics Limited to facilitate the exercising of the above 3,365,678 restricted employee options. These options were exercised on 23 December 2021 prior to expiry at \$0.21 per share, resulting in the total subscription amount outstanding of \$706,792. The subscription amount was to be paid on or before 7 March 2023. In the previous financial year, \$113,500 was repaid to the Group via sales of 1,031,818 shares at 11 cents per share and the balance was further reduced during the year by \$61,944 via transfer of 1,548,594 shares as a fee for placement at 4 cents per share.

In line with prudent accounting practice, the Group has impaired the loan by a total of \$93,806 during the financial period (2023: \$392,128) based on the existing share price at the time.

	Share volume 2024	Value \$ 2024	Share volume 2023	Value \$ 2023
Opening balance at beginning of the year	2,333,863	201,164	3,365,681	706,792
Additions	-	-	-	-
Sale of shares	-	-	(1,031,818)	(113,500)
Transfer in lieu of placement fee	(1,548,594)	(61,944)	-	-
Impairment	-	(93,806)	-	(392,128)
Closing balance at the end of the year	<u>785,269</u>	<u>45,414</u>	<u>2,333,863</u>	<u>201,164</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 12: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements		
At cost	41,769	41,731
Less accumulated depreciation	<u>(18,285)</u>	<u>(9,737)</u>
	<u>23,484</u>	<u>31,994</u>
Trial and demonstration equipment		
At cost	1,681,054	1,206,298
Less accumulated depreciation	<u>(906,885)</u>	<u>(725,654)</u>
	<u>774,169</u>	<u>480,644</u>
Plant and equipment		
At cost	189,822	197,355
Less accumulated depreciation	<u>(135,777)</u>	<u>(115,380)</u>
	54,045	81,975
Assets under construction	<u>-</u>	<u>2,239</u>
Total property, plant and equipment	<u><u>851,698</u></u>	<u><u>596,852</u></u>

Reconciliations of the written down values at the beginning and end of current and previous financial year are set out below:

<i>Leasehold improvements</i>		
Opening carrying amount	31,994	38,823
Depreciation expense	(8,631)	(8,217)
Net foreign currency exchange movements	<u>121</u>	<u>1,388</u>
Closing carrying amount	<u><u>23,484</u></u>	<u><u>31,994</u></u>
<i>Trial and demonstration equipment</i>		
Opening carrying amount	480,644	309,145
Additions	42,306	326,252
Disposals	(39,656)	(51,280)
Transfers from/(to) Assets under construction	384,261	191,521
Transfers from inventory	410,401	-
Depreciation expense	(534,451)	(303,934)
Other	12,346	-
Net foreign currency exchange movements	<u>18,318</u>	<u>8,940</u>
Closing carrying amount	<u><u>774,169</u></u>	<u><u>480,644</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 12: NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
<i>Plant and equipment</i>		
Opening carrying amount	81,975	105,411
Additions	2,025	-
Transfer from/(to) Assets under construction	11,640	21,727
Depreciation expense	(47,082)	(47,985)
Net foreign currency exchange movements	<u>5,487</u>	<u>2,822</u>
Closing carrying amount	<u><u>54,045</u></u>	<u><u>81,975</u></u>
<i>Assets under construction</i>		
Opening carrying amount	2,239	48,078
Additions	393,662	165,531
Transfer (from) / to other classes of plant and equipment	(395,901)	(213,248)
Net foreign currency exchange movements	<u>-</u>	<u>1,878</u>
Closing carrying amount	<u><u>-</u></u>	<u><u>2,239</u></u>
<i>Total property, plant and equipment</i>		
Carrying amount at 1 July	596,852	501,457
Additions	437,993	491,783
Disposals	(39,656)	(51,280)
Transfer from/(to) Inventory	410,401	-
Depreciation expense	(590,164)	(360,136)
Other	12,346	-
Net foreign currency exchange movements	<u>23,926</u>	<u>15,028</u>
Carrying amount at 30 June	<u><u>851,698</u></u>	<u><u>596,852</u></u>

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

	2024 \$	2023 \$
NOTE 13: NON-CURRENT ASSETS - INTANGIBLE ASSETS		
Patents and trademarks	104,564	29,814
Less: Accumulated amortisation	<u>(31,489)</u>	<u>(25,328)</u>
	73,075	4,486
Intellectual property	4,064,353	4,064,353
Less: Accumulated amortisation	<u>(131,106)</u>	<u>-</u>
	3,933,247	4,064,353
Computer software	50,594	51,576
Less: Accumulated amortisation	<u>(9,909)</u>	<u>(13,778)</u>
	<u>40,685</u>	<u>37,798</u>
Total intangible assets	<u>4,047,007</u>	<u>4,106,637</u>

Impairment testing

Intellectual property (IP) has been allocated to the following cash-generating unit:

Control Bionics Group	<u>3,933,247</u>	<u>4,064,353</u>
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During the year ended 30 June 2024, the directors determined that, after consideration of a number of general factors, the intellectual property asset should be subject to amortisation from 1 January 2024 for the remaining life of the patent protection that underpins these assets.

The general factors referred to above include the emergence of alternative technologies either internally or externally generated, utilisation of Artificial Intelligence, alternate neural pathway technologies and the age of the asset since original inception. The remaining life of the patent protection as at 1 January 2024 is 15.5 years which resulted in an amortisation charge of \$131,106 for the year ended 30 June 2024.

	2024 \$	2023 \$
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:		
Patents and trademarks		
Opening balance	4,486	7,368
Additions	74,750	-
Amortisation	<u>(6,161)</u>	<u>(2,882)</u>
Closing balance	<u>73,075</u>	<u>4,486</u>
Intellectual property		
Opening balance	4,064,353	4,064,353
Amortisation	<u>(131,106)</u>	<u>-</u>
Closing balance	<u>3,933,247</u>	<u>4,064,353</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 13: NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)		
Computer Software		
Opening balance	37,798	1,289
Additions	-	38,519
Amortisation / (reversal of)	3,869	(2,010)
Other	(982)	-
Closing balance	<u><u>40,685</u></u>	<u><u>37,798</u></u>
Total Intangible assets		
Opening balance	4,106,637	4,073,010
Additions	74,750	38,519
Amortisation	(133,398)	(4,892)
Other	(982)	-
Closing balance	<u><u>4,047,007</u></u>	<u><u>4,106,637</u></u>

NOTE 14: LEASES

(a) Right of use assets

Land and buildings - right-of-use	548,966	322,124
Accumulated depreciation	(182,139)	(198,765)
Total carrying amount of lease assets	<u><u>366,827</u></u>	<u><u>123,359</u></u>

Reconciliations of the carrying amount of lease assets at the beginning and end of the current and previous financial years are set out below:

Land and buildings - right of use

Opening carrying amount	123,359	232,443
Additions	363,008	-
Depreciation	(119,630)	(115,422)
Net foreign exchange differences	90	6,338
Closing carrying amount	<u><u>366,827</u></u>	<u><u>123,359</u></u>

Control Bionics Limited

On 15 February 2024, a new 3 year lease agreement commenced for Control Bionics Limited in Cremorne, Victoria. This represents a larger and better equipped head office and distribution centre for the Australian operation to support the future operations of the Australian Organisation.

The Group leases buildings for its offices and manufacturing facilities under agreements of two to four years with, in some cases, options to extend. Options to extend current leases have not been included in lease calculations as the Group did not have sufficient certainty at the time of commencement of the lease as to whether such options would be taken up. The leases have various escalation clauses. On renewal, the terms of the leases will be renegotiated.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 14: LEASES (CONTINUED)		
(b) Lease liabilities		
CURRENT		
Lease liabilities	<u>108,437</u>	<u>128,503</u>
NON CURRENT		
Lease liabilities	<u>336,165</u>	<u>-</u>
Total carrying amount of lease liabilities	<u><u>444,602</u></u>	<u><u>128,503</u></u>
Maturity analysis		
Less than one year	165,024	206,343
One to five years	<u>380,500</u>	<u>-</u>
Total committed cash payments	<u><u>545,524</u></u>	<u><u>206,343</u></u>
NOTE 15: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
CURRENT		
Trade creditors	609,667	548,578
Payroll and bonus accruals	166,724	232,477
Other taxes payable	63,683	59,309
Deferred revenue	315,523	224,279
Other current liabilities	<u>411,891</u>	<u>136,893</u>
	<u><u>1,567,488</u></u>	<u><u>1,201,536</u></u>
NOTE 16: CURRENT LIABILITIES - BORROWINGS		
CURRENT		
<i>Unsecured liabilities</i>		
Insurance funding arrangement	<u>87,542</u>	<u>-</u>
<i>Secured liabilities</i>		
Research & Development loan	<u>429,594</u>	<u>-</u>
	<u><u>517,136</u></u>	<u><u>-</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 16: CURRENT LIABILITIES - BORROWINGS (CONTINUED)

(a) Terms of borrowings

On 9 January 2024, Control Bionics Limited reactivated an insurance funding arrangement with The Bank of Queensland ("BOQ") whereby BOQ provide funding to renew policies. The outstanding balance of the insurance funding facility is \$87,542 at year end. Interest is payable at a rate of 4.35% and the funding facility is due for repayment on or before 31 December 2024.

During the year, the Group finalised a loan facility with Radium Capital secured against its eligible Research & Development Tax Incentive claim for the year ended 30 June 2024. The loan is for \$430,358 with an interest rate of 16% per annum and repayable on the earlier of the receipt of the tax incentive, estimated at \$784,322, or 31 December 2024.

	2024 \$	2023 \$
NOTE 17: CURRENT AND NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS		
CURRENT		
Annual leave	199,777	213,473
Long service leave	<u>10,269</u>	<u>20,919</u>
	<u>210,046</u>	<u>234,392</u>
NON CURRENT		
Long service leave	<u>20,330</u>	<u>15,610</u>
Aggregate employee benefits liability	<u>230,376</u>	<u>250,002</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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NOTES TO FINANCIAL STATEMENTS
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		2024 \$	2023 \$
NOTE 18: EQUITY - ISSUED CAPITAL			
Issued and paid-up capital			
199,286,776 (2023: 90,479,028) Ordinary shares	(a)	<u>35,152,513</u>	<u>30,241,659</u>

(a) Movements in ordinary share capital

	Issue price	2024		2023	
		Number	\$	Number	\$
Consolidated					
Opening balance		90,479,028	30,241,659	86,911,168	29,266,524
Shares issued:					
25 July 2022	\$0.210	-	-	3,567,860	749,250
Transfer of expense from share-based payment reserve		-	-	-	225,885
1 August 2023	\$0.095	11,929,890	1,133,342	-	-
29 November 2023	\$0.040	15,515,253	620,610	-	-
12 December 2023	\$0.040	26,947,463	1,077,899	-	-
19 January 2024	\$0.040	25,809,896	1,032,396	-	-
27 May 2024	\$0.043	28,605,246	1,230,026	-	-
Transaction costs		<u>-</u>	<u>(183,419)</u>	<u>-</u>	<u>-</u>
		<u>108,807,748</u>	<u>4,910,854</u>	<u>3,567,860</u>	<u>975,135</u>
At reporting date		<u>199,286,776</u>	<u>35,152,513</u>	<u>90,479,028</u>	<u>30,241,659</u>

Movements in share capital are consistent between the parent entity Control Bionics Limited and the Consolidated entity.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 18: EQUITY - ISSUED CAPITAL (CONTINUED)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise for working capital or when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

	Note	2024 \$	2023 \$
NOTE 19: EQUITY - RESERVES			
Foreign currency translation reserve	19(a)	68,990	89,973
Share option reserve	19(b)	<u>325,361</u>	<u>181,398</u>
		<u>394,351</u>	<u>271,371</u>

(a) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from translating non-monetary assets and liabilities at the current rate at the end of the reporting period rather than at historical rates.

Movements in reserve

Opening balance	89,973	23,405
Exchange differences on translation of foreign operations	<u>(20,983)</u>	<u>66,568</u>
Closing balance	<u>68,990</u>	<u>89,973</u>

(b) Share option reserve

The option reserve relates to share options granted by the Group to its employees under the arrangements outlined at Note 31.

Movements in reserve

Opening balance	181,398	368,040
Share based payments	136,963	39,243
Exercise of options	-	(225,885)
Option issued in lieu of payment	<u>7,000</u>	<u>-</u>
Closing balance	<u>325,361</u>	<u>181,398</u>

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20: FINANCIAL MANAGEMENT

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by the Chief Executive Officer (CEO) and senior executives under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits. The CEO and senior executives identify, evaluate, and look to mitigate financial risks within the Group's operating units.

(a) Foreign currency risk

The Group undertakes transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The carrying amount of the Group's foreign currency are denominated in \$USD and the financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2024	2023	2024	2023
	\$	\$	\$	\$
United States Dollar denominated	<u>856,765</u>	<u>986,440</u>	<u>(394,327)</u>	<u>(373,643)</u>
	<u>856,765</u>	<u>986,440</u>	<u>(394,327)</u>	<u>(373,643)</u>

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

<i>Impact of 10% movement in the Australian \$ exchange rate</i>	2024	2023
	\$ AUD	\$ AUD
10% weakening in rate - Gain / (loss) to profit and equity	69,812	92,428
10% strengthening in rate - (Loss) / gain to profit and equity	(63,466)	(84,025)

The actual foreign exchange gain for the year ended 30 June 2024 was \$4,172 (2023: loss of \$2,763)

(b) Interest rate risk

The Group is not exposed to any significant interest rate risk.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20: FINANCIAL MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group predominantly makes sales to individuals and deals with insurance institutions for payment of individual treatment plans. There are therefore no large or material customers or counterparties to whom the Group is significantly exposed. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the passing of a customer while waiting for approval of a claim, failure of a customer to engage in a repayment plan, no active enforcement activity, failure to receive full funds from insurance providers and a failure to make contractual payments for a period greater than 1 year.

(d) Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 20: FINANCIAL MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

The following table outlines the group's remaining contractual maturities for derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the derivative instruments, allocated to time bands based on the earliest date on which the group can be required to pay. Where amounts payable or receivable are not fixed, the amounts disclosed in the below table are determined on the basis of projected rates at the reporting date.

Year ended 30 June 2024	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Remaining Contractual maturities
	%	\$	\$	\$	\$
Trade & other payables	-%	1,520,064	-	-	1,520,064
Lease liability	10.00%	165,024	241,701	138,799	545,524
Borrowings	10.18%	<u>517,136</u>	<u>-</u>	<u>-</u>	<u>517,136</u>
		<u><u>2,202,224</u></u>	<u><u>241,701</u></u>	<u><u>138,799</u></u>	<u><u>2,582,724</u></u>
Year ended 30 June 2023					
Trade & other payables	-%	1,170,069	-	-	1,170,069
Lease liability	4.50%	206,343	-	-	206,343
Borrowings	-%	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>1,376,412</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,376,412</u></u>

(e) Price risk

The Group is not exposed to any significant price risk.

(f) Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(g) Financing arrangements

The Group has external borrowings of \$517,136 as at 30 June 2024 (2023: \$Nil).

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

2024
\$
2023
\$

NOTE 21: KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

Compensation received by key management personnel of the company

- short-term employee benefits	1,182,692	1,256,403
- post-employment benefits	38,808	50,511
- other long-term benefits	315	(17,933)
- share-based payments	<u>178,982</u>	<u>30,209</u>
	<u><u>1,400,797</u></u>	<u><u>1,319,190</u></u>

The key management personnel of the Group consists of the following directors of Control Bionics Limited:

Name	Position
Mr Roger David Hawke	Chairman
Mr Peter Shann Ford	Founder and Non-Executive Director
Mr Damian Lismore	Non-Executive Director
Mr Jeremy Steele	Executive Director, Chief Executive Officer
Prof Robert Heard	Non-Executive Director

The key management personnel also consisted of the following person/s:

Name	Appointment / resignation details	Position
Mr Todd Tyler	Appointed 8 September 2021	US Country Manager
Mr Dominik Kucera	Appointed 22 July 2022 / Resigned 31 May 2024	Interim Chief Financial Officer
Ms Shannon Boothroyd	Appointed 13 May 2024	Chief Financial Officer

2024
\$
2023
\$

NOTE 22: REMUNERATION OF AUDITORS

During the financial year the following fees were paid for services provided by BDO, the auditor of the company, its network firms and unrelated firms:

Audit services - BDO Audit Pty Ltd		
Audit or review of the financial statements	108,153	83,719
Other services - BDO Services Pty Ltd		
Preparation of Tax Return and other Tax services	10,000	8,000

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 23: CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2024 (2023: \$Nil)

NOTE 24: COMMITMENTS

The Group has no capital commitments at 30 June 2024 (2023: \$Nil)

NOTE 25: RELATED PARTY TRANSACTIONS

Parent Entity

Control Bionics Limited is the parent entity.

Subsidiaries

Interest in subsidiaries are set out in Note 27.

Key management personnel

Disclosures relating to key management personnel are set out in Note 21 and the Remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties.

	2024	2023
	\$	\$
Payment for employment services to related parties of Robert Wong*;	-	<u>96,646</u>

**Parties ceased being a related party on resignation of Robert Wong as a director on 31 March 2023*

Transactions with other related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Total expense claims payable to key management personnel and their related parties	<u>12,416</u>	<u>-</u>
	<u>12,416</u>	<u>-</u>

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rate.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

	2024 \$	2023 \$
NOTE 26: PARENT ENTITY DETAILS		
Set out below is the supplementary information about the parent entity:		
(a) Summarised statement of financial position		
Assets		
Current assets	1,844,529	1,392,900
Non-current assets	<u>4,362,557</u>	<u>4,093,800</u>
Total assets	<u>6,207,086</u>	<u>5,486,700</u>
Liabilities		
Current liabilities	1,498,684	290,562
Non-current liabilities	<u>1,282</u>	<u>773</u>
Total liabilities	<u>1,499,966</u>	<u>291,335</u>
Net assets	<u>4,707,120</u>	<u>5,195,365</u>
Equity		
Share capital	35,152,513	30,241,659
Retained earnings	(30,770,754)	(25,227,692)
Share based payments reserve	<u>325,361</u>	<u>181,398</u>
Total equity	<u>4,707,120</u>	<u>5,195,365</u>
(b) Summarised statement of comprehensive income		
Loss for the year	<u>(5,543,062)</u>	<u>(5,380,979)</u>
Total comprehensive loss for the year	<u>(5,543,062)</u>	<u>(5,380,979)</u>

(c) Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

(d) Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

(e) Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 27: INTERESTS IN SUBSIDIARIES

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

	Country of incorporation	Ownership interest held by the group	
		2024	2023
Subsidiaries of Control Bionics Limited:		%	%
Control Bionics Australia Pty Limited	Australia	100	100
Control Bionics Inc	USA	100	100

NOTE 28: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 30 July 2024, the Nomination and Remuneration Committee recommended and the Board granted 2,924,528 options under the Employee Options Scheme at a strike price of \$0.053 per share, vesting over 5 years in 4 equal tranches of 731,132 options each in years 2 to 5.

On 31 July 2024, the company issued 10 million ordinary fully paid shares at a price of \$0.0525 per share.

On 19 August 2024, the company announced that the US Centers for Medicare & Medicaid Services approved a new HCPCS code identifying the NeuroNode as a Reimbursable Medical Device in the United States. The new code becomes effective 1 October 2024 and allows for ~US\$4,300 reimbursement for customers covered by Medicare and Medicaid that was not previously available.

There has been no other matter or circumstance, which has arisen since 30 June 2024 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2024, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2024, of the group.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

	2024 \$	2023 \$
NOTE 29: CASH FLOW INFORMATION		
(a) Reconciliation of cash flow used in operations with loss after income tax		
Loss from ordinary activities after income tax	(5,913,779)	(5,631,141)
Adjustments and non-cash items		
Depreciation and amortisation	843,191	480,450
Impairment of receivables	93,806	392,128
Share-based payments	136,963	39,243
Net foreign exchange differences	(23,526)	57,871
Bad debt expense	414,089	237,202
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	(760,548)	(235,328)
(Increase) / decrease in prepayments	-	(69,085)
(Increase) / decrease in inventories	(48,421)	122,058
Increase / (decrease) in other non-current assets	-	(121,981)
Increase / (decrease) in trade and other payables	365,953	315,845
Increase / (decrease) in provisions	<u>(19,626)</u>	<u>(123,347)</u>
Cash flows used in operating activities	<u><u>(4,911,898)</u></u>	<u><u>(4,536,085)</u></u>
(b) Changes in liabilities arising from financing activities		
Balance at the beginning of the year	128,503	284,824
Proceeds from borrowings	648,449	-
Repayment of borrowings	(131,313)	(48,196)
Acquisition of leases	363,595	-
Repayments of leases	<u>(47,496)</u>	<u>(108,125)</u>
Balance at the end of the year	<u><u>961,738</u></u>	<u><u>128,503</u></u>

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

NOTE 30: EARNINGS PER SHARE

	Consolidated	
	2024 \$	2023 \$
Loss after income tax attributable to owners of Control Bionics Limited	<u>(5,913,779)</u>	<u>(5,631,141)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>159,393,290</u>	<u>90,234,654</u>
	Cents	Cents
Basic earnings per share	(3.71)	(6.24)
Diluted earnings per share	(3.71)	(6.24)

The number of ordinary shares used in the calculation of Diluted Loss per Share is the same as the number used in the calculation of Basic Loss per Share in the year ended 30 June 2024 and the prior year ended 30 June 2023, as potential ordinary shares are not considered dilutive as a loss was incurred in both years.

NOTE 31: SHARE BASED PAYMENTS

Equity-settled share-based payments

Options

Employee option plan

During the current financial year, there were 1,540,248 options issued to employees. No other share-based incentives were issued to executives or any other party in the 2024 financial year. In the prior year ended 30 June 2023, 2,365,636 options were issued to key management personnel.

Other

The Group issued 2,500,000 options to its corporate advisor as consideration of advisory fees and in lieu of share capital raise services provided. The grantee paid a nominal fee of \$.0001 per option for the options.

Historical Grants of Options

Grants on 13 February 2020

On 13 February 2020 the Group adopted an Employee Share Option Plan, capped at 5% of issued capital whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Employee Share Option Plan.

The number of options granted is at the Group's discretion and intended to reward those individuals' contributions to the performance of the Group. No additional amounts were paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Key details of the grants are outlined in the tables below.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Equity-settled share-based payments (Continued)

Options (Continued)

Vesting period and conditions

The vesting conditions of all employee options is that the employee is a member of the Group at each tranche vesting date. With the exception of the options granted on 13 February 2020, all employee options vest in four equal tranches beginning one-year from the grant date. The options granted on 13 February 2020 are fully vested. All options issued to the Group's corporate advisor were fully vested upon grant.

Exercise period

The exercise period of all options is any time from vesting date until the expiry date.

Valuation method

All options have been valued using the Black-Scholes method. The inputs used to determine the fair value of the options include the following:

- Risk free rate - a risk free rate of between 4.10% and 4.35% was used for all options issued in the 2024 financial year (prior years used a rate ranging between 2.04% and 3.10%)
- Volatility - 70% volatility was used in the 2024 financial year (prior years 50%)

All other key information used in the valuation is publicly available information that can be found in the relevant ASX announcements.

Entitlement to shares

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of Control Bionics Limited upon exercise of the option.

Other key information

All other key information with respect to the options issued during the year can be found in the tables below.

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Equity-settled share-based payments (Continued)

Options (Continued)

Accounting policy, including valuation methodology used to value options, is outlined in Note 1 and Note 2.

Set out below are summaries of options granted under the plan and in existence during the year.

2024

Grant date	Expiry date	Exercise price*	Fair value at grant date	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year
13/02/2020	13/02/2025	\$ 0.450	140,598	749,202	-	-	-	749,202
08/09/2022	08/09/2027	\$ 0.220	36,198	365,636	-	-	-	365,636
19/01/2023	19/01/2028	\$ 0.164	172,000	2,000,000	-	-	-	2,000,000
10/08/2023	10/08/2028	\$ 0.095	29,703	-	724,459	-	-	724,459
11/10/2023	11/10/2028	\$ 0.095	10,421	-	315,789	-	-	315,789
13/05/2024	13/05/2029	\$ 0.045	16,000	-	500,000	-	-	500,000
13/05/2024	13/05/2026	\$ 0.100	10,000	-	1,000,000	-	-	1,000,000
13/05/2024	13/05/2026	\$ 0.150	6,000	-	1,000,000	-	-	1,000,000
20/05/2024	20/05/2027	\$ 0.100	7,000	-	500,000	-	-	500,000
			<u>427,920</u>	<u>3,114,838</u>	<u>4,040,248</u>	<u>-</u>	<u>-</u>	<u>7,155,086</u>
Weighted average exercise price:			\$ -	\$ 0.10	\$ 0.06	\$ -	\$ -	\$ 0.16

2023

Grant date	Expiry date	Exercise price*	Fair value at grant date	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year
28/06/2017	28/07/2022	\$ 0.210	-	3,567,860	-	(3,567,860)	-	-
13/02/2020	13/02/2025	\$ 0.450	140,598	749,202	-	-	-	749,202
08/09/2022	08/09/2027	\$ 0.220	36,198	-	365,636	-	-	365,636
19/01/2023	19/01/2028	\$ 0.160	172,000	-	2,000,000	-	-	2,000,000
			<u>348,796</u>	<u>4,317,062</u>	<u>2,365,636</u>	<u>(3,567,860)</u>	<u>-</u>	<u>3,114,838</u>
Weighted average exercise price:			\$ -	\$ 0.25	\$ 0.17	\$ 0.21	\$ -	\$ -

The weighted average share price of options exercised during the period was Nil (2023: \$0.21).

The weighted average remaining contractual life for share options outstanding at the end of the period was 2.89 years (2023: 3.81 years).

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

Equity-settled share-based payments (Continued)

Options (Continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
13/02/2020	13/02/2025	749,202	749,202
08/09/2022	08/09/2027	91,409	-
19/01/2023	19/01/2028	500,000	-
13/05/2024	13/05/2026	1,000,000	-
13/05/2024	13/05/2026	1,000,000	-
20/05/2024	20/05/2027	500,000	-
		3,840,611	749,202

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED ENTITY DISCLOSURE STATEMENT
AS AT 30 JUNE 2024

Control Bionics Limited is required by Australian Accounting Standards to prepare consolidated financial statements in relation to the company and its controlled entities (the consolidated entity).

In accordance with subsection 295(3A) of the *Corporations Act 2001*, this consolidated entity disclosure statement provides information about each entity that was part of the consolidated entity at the end of the financial year.

Name of entity	Type of entity	Country of incorporation	Percentage of share capital held (if applicable)	Australian tax resident or foreign tax resident	Foreign tax jurisdiction (if applicable)
Control Bionics Limited	Body corporate	Australia	N/A	Australian	N/A
Control Bionics Australia Pty Ltd	Body Corporate	Australia	100	Australian	N/A
Control Bionics Inc.	Body Corporate	USA	100	Foreign	USA

At the end of the financial year, no entity within the consolidated entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity.

Basis of Preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295 (3A) of the Corporation Acts 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgment as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' DECLARATION

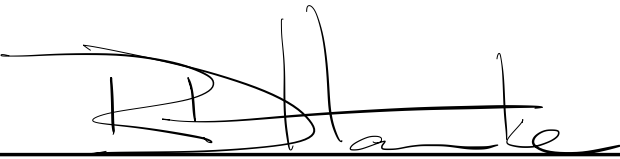
In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporation Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as described in note 1 to the financial statements
- the attached financial statement and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declaration required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors.

Director: 
Mr Roger David Hawke

Dated this 27th day of August 2024

Melbourne

INDEPENDENT AUDITOR'S REPORT

To the members of Control Bionics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in our audit
Carrying value of intangible assets The Group recognises material intellectual property assets of \$4.0m, as detailed in Note 13 to the financial statements. These intangible assets were historically assessed as having an indefinite useful life and was tested for impairment on an annual basis or earlier if impairment indicators were present. From 1 January 2024, management reassessed their indefinite life assumption and, due to change in circumstances, deemed it is appropriate to commence amortisation of the asset of the remaining patent life. This matter is considered significant to our audit given the material nature of these intangible assets to the Group and the judgement associated with the change in estimate and analysis of potential impairment indicators.	Our audit procedures in order to address this key audit matter included, but were not limited to: • Reviewed management's position paper and analysis of the change in accounting estimate of intellectual property from indefinite to finite life; • Consulted with our IFRS technical specialist in order to assess the appropriateness of the change in estimate from indefinite to finite life; • Reviewed management's assessment for any indicators of impairment and challenged the key assumptions and adherence to Accounting Standard AASB 136 <i>Impairment of Assets</i>; • Assessed the appropriateness of the amortisation policy and the useful life with reference to the remaining life term of the intellectual property; and • Assessed the adequacy of the disclosures in Note 13 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 23 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Control Bionics Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

A handwritten signature in blue ink. The signature starts with 'BDO' in a stylized, blocky font, followed by a cursive signature that appears to read 'Katherine Robertson'.

Katherine Robertson
Director

Melbourne, 27 August 2024

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
45 115 465 462

DISTRIBUTION OF EQUITABLE SECURITIES
FOR THE YEAR ENDED 30 JUNE 2024

The shareholder information set out below is applicable as at 2 August 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders	Ordinary shares	
		Total Shares	% of total shares issued
1 to 1,000	190	132,676	0.07 %
1,001 to 5,000	415	1,259,944	0.63 %
5,001 to 10,000	248	1,984,219	1.00 %
10,001 to 100,000	332	10,870,678	5.45 %
100,001 and over	133	185,039,259	92.85 %
	1,318	199,286,776	100.0 %
Holding less than as marketable parcel using the share price as at the end of the financial period	712		

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
45 115 465 462

EQUITY SECURITY HOLDERS
FOR THE YEAR ENDED 30 JUNE 2024

The shareholder information set out below is applicable as at close of trading on 2 August 2024.

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
PHOENIX DEVELOPMENT FUND LIMITED	31,269,581	15.69 %
NIGHTINGALE PARTNERS PTY LTD	20,843,151	10.46 %
PETER SHANN FORD	20,003,433	10.04 %
MR BRIAN GREGORY WALSH	9,103,818	4.57 %
SCINTILLA STRATEGIC INVESTMENTS PTY LTD	5,500,000	2.76 %
PHOENIX DEVELOPMENT FUND LIMITED	5,003,838	2.51 %
MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	5,000,000	2.51 %
DR RUSSELL KAY HANCOCK	5,000,000	2.51 %
LOIDL NOMINEES PTY LTD <LOIDL FAMILY A/C>	4,235,482	2.13 %
WINDWARD CAPITAL PTY LTD <S&L RIX SUPERFUND A/C>	3,595,179	1.80 %
NIGHTINGALE PARTNERS PTY LIMITED	3,351,414	1.68 %
R & R WONG HOLDINGS PTY LIMITED <R & R WONG FAMILY SUPER A/C>	3,325,885	1.67 %
NANDAROO PTY LIMITED	3,117,784	1.56 %
PACIFIC ATLANTIC COMMERCE PTY LTD <CORCILLUM SUPER FUND A/C>	3,102,627	1.56 %
IRONWOOD INVESTMENTS PTY LIMITED <PHILLIPS SUPER FUND A/C>	2,964,938	1.49 %
DIXSON TRUST PTY LIMITED	2,765,000	1.39 %
MR CRAIG GRAEME CHAPMAN & MRS JOANNE CHAPMAN <WEEVCHOOK FAMILY A/C>	2,500,000	1.25 %
MR CRAIG GRAEME CHAPMAN & MRS JOANNE CHAPMAN <CHAPPO'S SUPER FUND A/C>	2,500,000	1.25 %
HAFNIUM MANAGEMENT PTY LTD <HAFNIUM FAMILY A/C>	2,344,638	1.18 %
J STEELE INVESTMENT CORP <J STEELE SUPERANNUATION FUND>	1,856,060	0.93 %
SCINTILLA FUNDS MANAGEMENT PTY LTD	1,548,594	0.78 %
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	<u>1,525,000</u>	<u>0.77 %</u>
Top 20 Holders	140,456,422	70.49 %
Other equity holders	<u>59,210,354</u>	<u>29.70 %</u>
Total issued capital	<u>199,286,776</u>	<u>100 %</u>
	Number on issue	Number of holders
Options over ordinary shares issued	7,248,518	8

CONTROL BIONICS LIMITED AND CONTROLLED ENTITIES
45 115 465 462

EQUITY SECURITY HOLDERS
FOR THE YEAR ENDED 30 JUNE 2024

The shareholder information set out below is applicable as at close of trading on 2 August 2024.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
PHOENIX DEVELOPMENT FUND LIMITED	31,269,581	18.20 %
NIGHTINGALE PARTNERS PTY LIMITED	24,194,565	12.14 %
PETER SHANN FORD	20,003,433	10.04 %
Total substantial holders	75,467,579	40.38 %

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.