

Control Bionics Limited

ABN: 45 115 465 462

Appendix 4D

And

Interim Report

For the half year ended 31 December 2023

Control Bionics Limited
Appendix 4D
Interim Report

1. Company details

Name of entity:	Control Bionics Limited
ABN:	45 115 465 462
Reporting period:	For the half year ended 31 December 2023
Previous period:	For the half year ended 31 December 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	2% to	2,964,239
Loss from ordinary activities after tax attributable to the owners of Control Bionics Limited	down	27% to	2,190,224
Loss for the half year attributable to the owners of Control Bionics Limited	down	23% to	2,275,718

Dividends

There were no dividends paid, recommended or declared during the half year period.

Comments

The loss for the Group after providing for income tax amounted to \$2,190,224 (31 Dec 2022: loss \$3,001,366). Further details about results and operations during the period can be found in the Directors' Report in the Control Bionics Limited Interim Report.

3. Net tangible assets

	31 December 2023 Cents	30 June 2022 Cents
Net tangible assets per ordinary security	<u>2.43</u>	<u>3.22</u>

4. Control gained over entities

Not applicable.

Control Bionics Limited
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5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. An unmodified opinion has been issued.

8. Attachments

Details of attachments (if any):

The Interim Report of Control Bionics Limited for the half year ended 31 December 2023 is attached.

9. Signed

Signed 

Date: 28 February 2024

Roger David Hawke
Chairman
Sydney

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Control Bionics Limited

ABN: 45 115 465 462

Interim Report

For the half year ended 31 December 2023

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 half year ended 31 December 2023 ("interim financial period").

Directors

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

Mr Roger David Hawke, Chairman
Mr Peter Shann Ford
Mr Damian Lismore
Mr Jeremy Steele, Managing Director
Prof Robert Heard

Principal activities

During the interim financial period, 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, Eye-gaze Duo and the miniaturisation of the core NeuroNode switch common to all systems, being the NeuroStrip. 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.
- the development of a patient directed electric wheelchair control system, "DROVE" linked into the key Neuro-group of products described above.

No significant change in the nature of these activities occurred during the interim financial period.

Review of Financials

For the current interim financial period, the Group reported revenue of \$2,964,239 (31 December 2022: \$2,898,931) and a net loss after tax of \$2,190,224 (31 December 2022: loss \$3,001,366).

Key components include:

- \$3.5 million in total revenue (1H FY23 \$3.0 million);
- EBITDA Loss \$1.8 million (1H FY23 \$2.5m);
- Accrued income of \$0.48m in R&D Tax Incentive for H1FY24 (1H FY23 \$Nil);
- \$2.7 million in Employee expenses (1H FY23 \$2.8m);
- Total operating costs of \$5.67 million (1H FY23 \$5.98m million)

DIRECTORS' REPORT

Review of Financials (Continued)

The Company continues to operate within a focused strategy to deliver long term growth as it moves towards breakeven in its key markets, whilst accessing future opportunities for new revenue growth outside of the core Augmentative and Assistive Communication ('AAC') market. Control Bionics' key strategic pillars remain as follows:

- Drive growth in the US to reach monthly breakeven revenue.
- Accelerate growth in Australia.
- Deliver first commercial sales of DROVE autonomous wheelchair control module.
- Drive NeuroNode sales globally as an unbundled accessory for any AAC system.
- Enhance our software to support growth.
- Assess opportunities to strengthen our 3rd party products that form part of our 'Trilogy' solution.
- Incorporation of the NeuroStrip into the current operating environment of the Company and into new business sectors where practical application can be identified.
- Build an organisation where our people are supported, rewarded, given opportunities to grow and are respected.

The business has made significant progress across each of these pillars over the last 6 months.

The key highlights for the half year and up to the date of this Directors' Report:

- Operating revenue for the half year to 31 December 2023 of \$3.0m was slightly up over the same period in FY23 (\$2.9m).
- Continued reduction in EBITDA losses (down 28% from a loss in H1FY23 of \$2.5m to a loss of \$1.8m in H1 FY24).
- The business launched the NeuroStrip in October 2023 and is currently producing the first commercial quantities for release into the market.
- Cash as at 31 December 2023 was \$1.3m (30 June 2023 \$0.936m)
- Cash was also bolstered by receipt of \$480k in a R&D refund and strong cash management, which saw a 30% reduction in cash used in operating activities relative to H1 FY23
- During the half year, the company raised a total of \$2.8m through 2 successful rights issues.
- Subsequent to the end of the half, the company raised a further \$1.032m through placement of the rights issue shortfall.
- After the end of the half year, Control Bionics announced it had been awarded a A\$575k (US\$ 379,492) grant in the US from the ALS Association to support our efforts to bring our autonomous wheelchair module, DROVE, to the US market.

Segments

- **North America**

North American sales grew almost 10% over the same period in FY23 whilst reducing expenses by 7% against the comparative period in FY23 as we continue to move towards a breakeven position. The US was without 3 sales people for more than 3 months which impacted growth. We now have a full complement of sales staff and are expecting stronger growth in the second half.

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DIRECTORS' REPORT

Review of Operations (Continued)

Segments (Continued)

- **Australia**

Significant delays in NDIS approvals negatively impacted the Australian business in H1FY24. The Australian team has a substantial backlog of submissions with the NDIS for approval, materially larger than has existed at any time in the business' history. We continue to work closely with the NDIS to support them to ensure our clients get access to this critical technology in a timely manner.

We understand this issue is being experienced across the industry.

- **International Markets**

We are now reporting revenue in Japan having restructured our operations there in Q1 FY24. Japan is our first market where we are selling the NeuroNode as an unbundled accessory for customers who have existing ACC equipment. This has been well received and our pipeline of opportunities in this market continues to grow.

- **Group research and development**

As foreshadowed in capital raises made through 2023, the business continues to invest in advancing its technologies to further revenue growth and diversification. The key programs pursued during the half-year were:

- Software – significant upgrades to both the firmware and software to enhance functionality, battery life and general useability.
- NeuroStrip – miniaturisation of our core NeuroNode technology. We announced this device at our AGM in October and we are currently in production of the first commercial quantities with an associated App developed to present real time data streamed from these devices for new applications outside the disability market.
- DROVE – external testing continued during the half as part of our Therapeutic Goods Administration assessment and is expected to conclude in 2H FY24. In January 2024, we announced we had been awarded a grant to assess how we might bring DROVE to the US. This grant totaled US\$379k.

Outlook

Group management expects growth in the second half over H1 FY24. It is difficult to accurately forecast the level of growth in Australia as it is unclear how quickly the NDIS will address issues with the backlog of approvals with them currently. The business has sufficient cash reserves to fund existing operations through calendar year 2024.

DIRECTORS' REPORT

Auditors Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

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 half-year ended 31 December 2023.

Matters subsequent to the end of the interim financial period

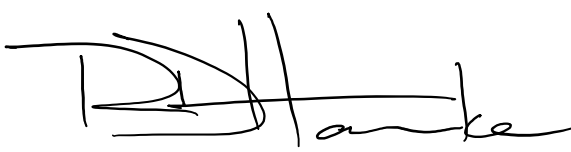
Subsequent to 31 December 2023, the Group has;

- completed a further Capital Raise in January 2024 with gross receipts of \$1,032,396,
- been awarded a research grant of \$USD 379,492 on 24 January 2024 by the US-based ALS Association related to the development of the Groups' autonomous wheelchair module (DROVE). The grant is payable in installments over the following 12 months commencing March 2024,
- determined that, after consideration of a number of factors, the intellectual property asset currently held in the balance sheet should be subject to amortization from 1 January 2024 for the remaining life of the patent protection that underpins these assets (refer to Note 6 accompanying the Financial Statements), and
- entered into a rental lease for new office accommodation in Melbourne for a period of 3 years and at standard market rates and conditions on 15 February, 2024.

There are no other matters subsequent to the end of the interim financial period to report other than those disclosed in Note 13 to these Interim Financial Statements

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Director: 
Roger David Hawke, Chairman

Dated this 28th day of February 2024

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

As lead auditor for the review of Control Bionic Limited for the half-year ended 31 December 2023, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Katherine Robertson
Director

BDO Audit Pty Ltd

Melbourne, 28 February 2024

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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 interim financial period. 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 is:

**Suite 5.01, 697 Bourke Road
Camberwell VIC 3124
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 28 February 2024. The directors have the power to amend and reissue the financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

	Note	31 Dec 2023 \$	31 Dec 2022 \$
Revenue	3	2,964,239	2,898,931
Other Income	4	521,239	83,791
		3,485,478	2,982,722
Less: expenses			
Raw materials and consumables used		(794,780)	(1,214,566)
Bad debt expense		(126,002)	(89,579)
Employee benefits expense		(2,736,817)	(2,821,842)
Depreciation and amortisation expense		(255,112)	(224,994)
Marketing and promotion		(171,363)	(279,058)
Research & development costs (non-staff)		(170,752)	(81,098)
Legal fees, patents, and insurance		(177,695)	(207,438)
Corporate travel		(273,508)	(184,684)
Professional fees		(326,291)	(260,546)
Foreign exchange gain/(loss)		8,228	19,248
Finance costs		(15,274)	(35,372)
General and administrative expense		(542,530)	(362,966)
Impairment of share loan to former director	5	(93,806)	(241,193)
		(5,675,702)	(5,984,088)
Loss before income tax expense		(2,190,224)	(3,001,366)
Income tax expense		-	-
Loss after income tax expense for the period		(2,190,224)	(3,001,366)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		(85,494)	40,408
Other comprehensive income/(loss) for the period		(85,494)	40,408
Total comprehensive loss		(2,275,718)	(2,960,958)
		Cents	Cents
Basic earnings/(loss) per share		(2.06)	(3.30)
Diluted earnings/(loss) per share		(2.06)	(3.30)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	Note	31 Dec 2023 \$	30 Jun 2023 \$
Current assets			
Cash and cash equivalents		1,314,163	935,503
Trade and other receivables		1,828,297	1,776,753
Inventories		518,215	801,905
Other current assets	5	185,642	355,218
Total current assets		3,846,317	3,869,379
Non-current assets			
Property, plant, and equipment		891,027	596,852
Intangible assets	6	4,113,304	4,106,637
Right of use assets	7(a)	75,036	123,359
Total non-current assets		5,079,367	4,826,848
Total assets		8,925,684	8,696,227
Current liabilities			
Trade and other payables		970,125	1,170,069
Lease liabilities	7(b)	32,199	65,839
Employee benefits		149,911	234,392
Total current liabilities		1,152,235	1,470,300
Non-current liabilities			
Lease liabilities	7(b)	46,515	62,664
Employee benefits		22,845	15,610
Total non-current liabilities		69,360	78,274
Total liabilities		1,221,595	1,548,574
Net assets		7,704,089	7,147,653
Equity			
Issued capital	8	33,037,728	30,241,659
Reserves	9	221,962	271,371
Accumulated losses		(25,555,601)	(23,365,377)
Total equity		7,704,089	7,147,653

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

	Issued Capital	Accum- ulated Losses	Foreign Currency Translation Reserve	Share Option Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2022	29,266,524	(17,734,236)	23,405	368,040	11,923,733
Loss for the period	-	(3,001,366)	-	-	(3,001,366)
Other comprehensive income for the period	-	-	40,408	-	40,408
Total comprehensive income for the period	-	(3,001,366)	40,408	-	(2,960,958)
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	8,311	8,311
Shares issued during the period, net of transaction costs	749,250	-	-	-	749,250
Exercise of options	355,866	-	-	(355,866)	-
Balance as at 31 December 2022	30,371,640	(20,735,602)	63,813	20,485	9,720,336
Balance at 1 July 2023	30,241,659	(23,365,377)	89,973	181,398	7,147,653
Loss for the period	-	(2,190,224)	-	-	(2,190,224)
Other comprehensive income for the period	-	-	(85,494)	-	(85,494)
Total comprehensive income for the period	-	(2,190,224)	(85,494)	-	(2,275,718)
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	36,085	36,085
Shares issued during the period, net of transaction costs	2,796,069	-	-	-	2,796,069
Balance as at 31 December 2023	33,037,728	(25,555,601)	4,479	217,483	7,704,089

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2023**

<i>GST Inclusive where applicable</i>	31 Dec 2023	31 Dec 2022
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	2,594,865	3,531,360
Receipts from governments grants	480,501	-
Cash payments in the course of operations	(4,765,931)	(5,944,275)
Interest received	6,802	10,812
Interest and related fees paid	(17,659)	(20,254)
Net cash provided by (used in) operating activities	(1,701,422)	(2,422,357)
Cash flows from investing activities		
Payments for intangible asset	(27,994)	-
Payments for property, plant and equipment	(509,571)	(334,233)
Payments for other non-current assets	(51,531)	-
Net cash provided by (used in) investing activities	(589,096)	(334,233)
Cash flows from financing activities		
Proceeds from the issue of shares	8 2,831,851	749,250
Transaction costs on issue of shares	8 (31,937)	-
Repayment of borrowings	-	(48,196)
Lease payments	(90,790)	(52,800)
Holding deposit paid on potential new lease arrangements	(20,020)	-
Net cash provided by (used in) financing activities	2,689,104	648,254
Reconciliation of cash		
Net increase/(decrease) in cash and cash equivalents	398,586	(2,108,336)
Cash and cash equivalents at financial period opening	935,503	5,214,003
Effects of exchange rate changes on cash and cash equivalents	(19,926)	(79,562)
Cash and cash equivalents at financial period end	1,314,163	3,026,105

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

These general purpose financial statements for the interim half year period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Group during the interim financial period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial period, unless otherwise stated

(b) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current interim financial period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Going Concern

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 \$2,190,224 and had net cash outflows from operating activities of \$1,701,422 for the half year ended 31 December 2023 (as at 31 December 2022 \$3,001,366 and \$2,422,357 respectively)

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 the second half of FY2024 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 has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed to sustaining business growth. These forecasts indicate that the Group may not 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 Group had cash on hand balances available as at 31 December 2023 of \$1,314,163 (30 June 2023 of \$935,503), raised \$1,032,396 through an Underwriting Issue in January 2024, a growing monthly balance of contracted products and services (at 31 December 2023 approximately \$150,000 for the half-year), an expanding sales pipeline and is expecting receipt of a Research and Development Tax Incentive rebate in excess of \$900,000 in 1H25 should the current rate of R&D expenditure be maintained. The Group has been awarded a Grant of \$USD 379,492 to further develop the DROVE product for the US market, with payments to be made in approximately two equal installments in 2H FY24 and 2H FY25.

The Group has the capacity for further supplemental capital raises through potential Rights Issues, as well as tapping into their 10% placement capacity to raise additional funds within the remainder of FY24 and into FY25.

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.

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.

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NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 2: 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 is \$2,190,224 for the interim financial period (2022 loss: \$3,001,366).

The sector currently has two functioning operations in two geographical locations: Australia and North America, other international markets, a 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.

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. Under the current management reporting framework, total assets are reviewed on a consolidated basis.

Types of products and services

The principal products and/or services of each of the geographical locations within the operating segment 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 (Int'l)	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 (Corp)	The provision of support, regulatory and infrastructure activities, and elimination entries <u>above</u> the EBITDA line

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2023**

NOTE 2: OPERATING SEGMENTS (Continued)

	Aust	US	I'natl	R&D	Corp	Total
31 Dec 2023	\$	\$	\$	\$	\$	\$
Income	671,734	2,650,527	10,600	483,301	(330,684)	3,485,478
Expenses *	(671,386)	(3,604,375)	(101,667)	(1,162,611)	228,529	(5,311,510)
EBITDA	348	(953,848)	(91,067)	(679,310)	(102,155)	(1,826,032)
Interest						(15,274)
Depreciation & amortisation						(255,112)
Impairment of assets						(93,806)
Loss before income tax for the period						(2,190,224)
Income tax expense						-
Loss after income tax expense for the period						(2,190,224)
31 Dec 2022						
Income	749,497	2,420,935	-	-	(187,710)	2,982,722
Expenses *	(728,457)	(3,890,914)	-	(711,813)	(151,345)	(5,482,529)
EBITDA	21,040	(1,469,979)	-	(711,813)	(339,055)	(2,499,807)
Interest						(35,372)
Depreciation & amortisation						(224,994)
Impairment of assets						(241,193)
Loss before income tax for the period						(3,001,366)
Income tax expense						-
Loss after income tax expense for the period						(3,001,366)

* Interest, Depreciation, Amortisation and Impairment are excluded from expenses in the above schedule due to joint use between segments of certain assets and expense components.

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
 31 DECEMBER 2023**

	31 Dec 2023	31 Dec 2022
	\$	\$

NOTE 3: REVENUE FROM CONTRACTS WITH CUSTOMERS

Sale of goods	2,812,551	2,722,201
Technical trials and support	30,724	31,993
Lease of goods (rental)	120,964	144,737
Revenue from contracts with customers	2,964,239	2,898,931

Disaggregation of revenue

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

Timing of revenue recognition (Australia)

Goods transferred at a point in time	528,570	540,197
Services transferred over time	151,688	176,730
	680,258	716,927

Timing of revenue recognition (North America)

Goods transferred at a point in time	2,283,981	2,182,004
	2,283,981	2,182,004
	2,964,239	2,898,931

The revenues referred to above are net of intercompany eliminations

NOTE 4: OTHER INCOME

Interest Income	6,802	10,812
Other Income	31,136	72,979
Research & development tax offset	483,301	-
	521,239	83,791

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**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
 31 DECEMBER 2023**

NOTE 5: OTHER ASSETS

	31 Dec 2023	30 Jun 2023
	\$	\$
Current		
Prepayments	78,284	154,054
Share loan receivable	107,358	201,164
	<u>185,642</u>	<u>355,218</u>

Share loan movement to 31 December 2023

	Share Price	Share Volume	Value \$
Opening Balance 1 July 2023	\$0.086	2,333,863	201,164
Impairment		-	(93,806)
Closing Balance 31 December 2023	\$0.046	<u>2,333,863</u>	<u>107,358</u>

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**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
 31 DECEMBER 2023**

NOTE 6: NON-CURRENT ASSETS – INTANGIBLE ASSETS

	31 Dec 2023	30 Jun 2023
	\$	\$
Patents and trademarks - at cost	29,814	29,814
Less: Accumulated amortisation	(26,580)	(25,328)
	<u>3,234</u>	<u>4,486</u>
Intellectual property	<u>4,064,353</u>	<u>4,064,353</u>
Computer software	50,594	51,576
Less: Accumulated amortisation	(4,877)	(13,778)
	<u>45,717</u>	<u>37,798</u>
Total intangible assets	<u>4,113,304</u>	<u>4,106,637</u>

Reconciliations of the written down values, on an accrual basis, at the beginning and end of the current and prior periods are set out below;

Patents and trademarks		
Opening balance	4,486	7,368
Amortisation	(1,252)	(2,882)
Closing balance	<u>3,234</u>	<u>4,486</u>
Intellectual property		
Opening balance	4,064,353	4,064,353
Closing balance	<u>4,064,353</u>	<u>4,064,353</u>
Computer software		
Opening balance	37,798	1,289
Acquisition	12,796	38,519
Amortisation	(4,877)	(2,010)
Closing balance	<u>45,717</u>	<u>37,798</u>
Total Intangible assets		
Opening balance	4,106,637	4,073,010
Acquisition	12,796	38,519
Amortisation	(6,129)	(4,892)
Closing balance	<u>4,113,304</u>	<u>4,106,637</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 6: NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

Impairment testing

Intellectual property (IP) with an indefinite useful life has been allocated to the following cash-generating unit:

	31 Dec 2023	30 Jun 2023
	\$	\$
Control Bionics Group	<u>4,064,353</u>	<u>4,064,353</u>

The recoverable amount of the Group's intellectual property has been determined based on fair value less costs of disposal, using a relief from royalty method. These calculations require the use of assumptions, including estimated future revenue, royalty rates and cost of maintenance. Calculations have been based on a detailed projection for the financial year ending 30 June 2024 approved by management and extrapolated for a further four years using realistic growth rates, together with a terminal value.

Subsequent to 31 December 2023 the directors have determined that, after consideration of a number of general factors, the intellectual property asset should be subject to amortization 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 AI, alternate neural pathway technologies and the age of the asset since original inception. These factors are subject to review by the directors over the course of the second half of the financial year ending 30 June 2024 to determine their validity and any further alteration to the above course of action.

The remaining life of the patent protection as at 31 December 2023 is 15.5 years, resulting in an expected annual charge of approximately \$262,000 on a "straight-line" amortization method. The charge to be reported in the full-year results for the financial year ending 30 June 2024 for the consolidated Group is expected to be approximately \$131,000.

The directors will provide a fuller description of the factors and the underpinning assumptions for its analytical model in the annual report for the financial year ending 30 June 2024.

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2023**

NOTE 7: RIGHT OF USE ASSETS – LEASED ASSETS

	31 Dec 2023	30 Jun 2023
	\$	\$
(a) Right of use assets		
Land and buildings - right-of-use	316,420	322,124
Accumulated depreciation	(241,384)	(198,765)
Total carrying amount of lease assets	75,036	123,359
Land and buildings - right of use		
Opening carrying amount	123,359	232,443
Depreciation	(42,619)	(115,422)
Net foreign exchange differences	(5,704)	6,338
Closing carrying amount	75,036	123,359
(b) Lease liabilities		
Current		
Lease liability	32,199	65,839
Non-current		
Lease liability	46,515	62,664
Total carrying amount of lease liabilities	78,714	128,503
Maturity analysis		
Less than one year	32,199	65,839
One to five years	46,515	62,664
	78,714	128,503

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.

The Group did not execute any new lease agreements during the interim financial period.

Subsequent to the end of the interim financial period being reported, the Company entered into a lease for new office accommodation in Melbourne for a period of 3 years, which commenced on 15 February 2024.

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2023**

NOTE 8: EQUITY – ISSUED CAPITAL

	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>144,871,544</u>	<u>90,479,028</u>	<u>33,037,728</u>	<u>30,241,659</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance at 30 June 2023		<u>90,479,028</u>		<u>30,241,659</u>
Rights Issue	1/8/2023	11,929,800	0.095	1,133,342
Issue expenses	1/8/2023			(11,457)
Rights Issue	29/11/2023	15,515,253	0.040	620,610
Issue expenses	29/11/2023			(15,480)
Underwriting Issue*	12/12/2023	26,947,463	0.040	1,077,899
Issue expenses +	12/12/2023			(8,845)
Balance at 31 December 2023		<u>144,871,544</u>		<u>33,037,728</u>

* Underwriting incomplete as at 31/12/23

+ Includes accrued expenses of \$3,845 paid in January 2024

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**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
 31 DECEMBER 2023**

NOTE 9: EQUITY – RESERVES

	31 Dec 2023	30 Jun 2023
	\$	\$
Foreign currency translation reserve	4,479	89,973
Share option reserve	217,483	181,398
	<u>221,962</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 interim financial period rather than at historical rates.

Movements in reserve

Opening balance	89,973	23,405
Exchange differences on translation of foreign operations	(85,494)	66,568
Closing balance	<u>4,479</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 in the 30 June 2023 Annual Report

Movements in reserve

Opening balance	181,398	368,040
Share based payments	36,085	39,243
Exercise of options	-	(225,885)
Closing balance	<u>217,483</u>	<u>181,398</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
 31 DECEMBER 2023**

NOTE 9: EQUITY – RESERVES (CONTINUED)

(c) Share options granted during the period

The following options were issued within the interim financial period;

Beneficiary	Members of Senior Management
Number of options	724,459
Grant date	10-Aug-23
Vesting period	4 equal tranches, one each at successive annual anniversaries of the grant date
Vesting conditions	Continued employment at each vesting period
Exercise period	Any time from vesting date to expiry date
Expiry date	10-Aug-28
Status	Active
Exercise price	\$0.095
Valuation method	Black-Scholes
Key valuation inputs	
Share price at grant	\$0.0799
Volatility	50%
Risk free rate	4.1%
Fair value at grant	Average \$0.015
Entitlement to shares	Each option converts to an ordinary share on payment of the exercise price
Beneficiary	Managing Director
Number of options	315,389
Grant date	10-Oct-23
Vesting period	4 equal tranches, one each at successive annual anniversaries of the grant date
Vesting conditions	Continued employment at each vesting period
Exercise period	Any time from vesting date to expiry date
Expiry date	10-Oct-28
Status	Active
Exercise price	\$0.095
Valuation method	Black-Scholes
Key valuation inputs	
Share price at grant	\$0.0680
Volatility	50%
Risk free rate	4.1%
Fair value at grant	Average \$0.010
Entitlement to shares	Each option converts to an ordinary share on payment of the exercise price

NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2023

NOTE 10: CONTINGENT LIABILITIES

The Group has no contingent liabilities at 31 December 2023 (30 June 2023: \$Nil)

NOTE 11: COMMITMENTS

The Group has no capital commitments at 31 December 2023 (30 June 2023: \$Nil).

NOTE 12: RELATED PARTY TRANSACTIONS

Parent Entity

Control Bionics Limited is the parent entity. Refer to the 2023 Annual Report for details of subsidiaries and key management personnel during the period. There have been no changes to subsidiaries and key management personnel in the current interim financial period.

Transactions with related parties

During the half year period, payments of \$686,426 (2022: \$365,260) were made for employment services to key management personnel of Control Bionics Limited. Payments of \$147,892 are included as termination benefits to director Peter Ford on transition from Executive to Non-executive director.

There were no other related party transactions.

Terms and conditions

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

NOTE 13: MATTERS SUBSEQUENT TO THE END OF THE INTERIM FINANCIAL PERIOD

Subsequent to 31 December 2023, the Group has;

- completed a further Capital Raise in January 2024 with gross receipts of \$1,032,396,
- been awarded a research grant of \$USD 379,492 on 24 January 2024 by the US-based ALS Association related to the development of the Groups' autonomous wheelchair module (DROVE). The grant is payable in installments over the following 12 months commencing March 2024,
- determined that, after consideration of a number of factors, the intellectual property asset currently held in the balance sheet should be subject to amortization from 1 January 2024 for the remaining life of the patent protection that underpins these assets (refer to Note 6 accompanying the Financial Statements), and
- entered into a rental lease for new office accommodation in Melbourne for a period of 3 years and at standard market rates and conditions on 15 February, 2024.

**NOTES TO FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2023**

NOTE 13: MATTERS SUBSEQUENT TO THE END OF THE INTERIM FINANCIAL PERIOD (CONTINUED)

There has been no other matter or circumstance which has arisen since 31 December 2023, other than the above, that has significantly affected or may significantly affect the financial periods subsequent to 31 December 2023 in regards to:

- (a) the operations, or
- (b) the results of those operations, or
- (c) the state of affairs,

of the Group.

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DIRECTORS DECLARATION

The directors of the company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 7 -24, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and
 - (c) giving a true and fair view of the financial position as at 30 June 2023 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, consistent with the assumptions set out in Note 1(c).

This declaration is made in accordance with a resolution of the Board of Directors.



Director: _____
Roger David Hawke, Chairman

Dated this 28th day of February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Control Bionics Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Control Bionics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(c) 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



Katherine Robertson
Director

Melbourne, 28 February 2024

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