ASX: CVB

31 October 2024

Appendix 4C & quarterly activity report – period ended 30 September 2024

Summary of key activities

- CurveBeam AI received purchase orders (POs) for three (3) HiRise™ devices in Q1 FY25, level with the prior corresponding period of three (3) in Q1 FY24.
- Capital raising (ANREO & Placement) completed in Q1 FY25 of A$11.54m.
- Following the recent FDA clearance of the enhanced HiRise™, the Company completed key validation steps for robotic surgical systems at two US based sites with the enhanced HiRise™.
- Four (4) data sets submitted were successfully processed – CurveBeam AI management is very satisfied with the image quality and has received positive feedback to date.
- The Company has now received vendor instructions for completing the validation of the enhanced HiRise™ for robotic surgical systems and is in the process of agreeing the final actions. The Company will resume the validation process for robotic surgical systems shortly and will update the market on the revised timeline as soon as possible.
- CurveBeam AI maintains a target of mid-CY25 for FDA clearance of the bone mineral density (BMD) software module through a revised regulatory strategy.
- The Company continued to implement cost cutting measures across the business. FY24 expenses were reduced from circa A$24m to A$19.8m in December 2023. With further cuts now implemented, cash overheads across the Company have been reduced to circa A$17m per year.

Melbourne, Australia & Hatfield, Pennsylvania: CurveBeam AI Limited (ASX: CVB, "**CurveBeam AI**" or the "**Company**"), a developer of point-of-care specialised medical imaging (CT) equipment and AI-enabled SaaS-based clinical assessment solutions, is pleased to announce its Appendix 4C and quarterly activity report for the period ended 30 September 2024 (**Q1 FY25**).

Purchase Orders and Receipts

During Q1 FY25 CurveBeam AI received POs for three (3) HiRise™ devices, flat on the prior corresponding period (pcp) of three (3) POs. Two HiRise™ POs were from Europe, and one was from the US.

Receipts from customers for Q1 FY25 were A$2.41m, up from A$1.953m in Q4 FY24. As noted in the Company's quarterly activity report to 30 June 2024, the Company has carried A$4.9m of POs

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into FY25, and thus there remains A$2.5m to be received from earlier POs, in addition to POs received in FY25.

The revenue recognition cycle of the Company averages two-to-four months from PO to install and full payment.

Enhanced HiRise™ & Sales Pipeline

During the quarter, key steps were made in finalising the validation of the enhanced HiRise™ for knee and hip procedures, including for robotic aided surgical systems.

The following milestones were achieved with the enhanced HiRise™ during the quarter:

- FDA 510(k) clearance was received for the enhanced HiRise™ (announced 15 July 2024).
- The Company completed key validation steps for robotic surgical systems at two US-based sites with the enhanced HiRise™. Both sites have imaged patients on the enhanced HiRise™ and management is both very satisfied with the image quality and with the positive feedback received to date. Four (4) data sets submitted were successfully processed.
- The Company has now received vendor instructions for completing the validation and is in the process of agreeing the final actions. The Company will resume the validation process for robotic surgical systems shortly and will update the market on the revised timeline as soon as possible.
- The Company remains confident of completing the enhanced HiRise™ validation for patient specific custom cut guides for a major robotic aided surgical system.

BMD Software Module Development

The Company continues to target FDA 510(k) clearance for the BMD SaaS module on the enhanced HiRise™ in mid-CY25. The scanning delays is impacting on the timeline for the existing strategy to meet this milestone. The Company is now looking at a two-step regulatory process to meet the milestone target. CurveBeam AI has filed for a Q-Submission meeting with the FDA to discuss the submission of a BMD module for multidetector CT (MDCT) scans. The meeting will be conducted in December 2025, and the Company will give a further update following this meeting on the proposed strategy. Using retrospective scans, the CurveBeam AI BMD module and predicate device can be tested for substantial equivalence to target an initial FDA clearance for the BMD module on MDCT scans. The second step would then target a special 510(k) filing for expanding the use of the BMD module from MDCT scans to HiRise™.

Cashflows from Operations and Runway

Cashflows from operations for Q1 FY25 was A$4.7m versus A$4.6m in Q4 FY24. The movement reflected an A$0.45m increase in receipts from customers, and an increase in cash outflows from operations of A$0.639m.

Material movements in cash outflows for the quarter included reduced HR outlays of A$0.389m, reduced admin and corporate costs of A$0.576m, increased R&D costs of A$0.220m, and increased product manufacturing and operating costs of A$1.225m primarily relating to inventory increases to support the demand expected when HiRise™ does achieve validation with the vendor for robotic surgical systems. However, to conserve cash, action has been taken with key suppliers to pause further cash outflows for inventory in Q2 until clarity emerges on the validation process.

The cash on hand at the end of Q1 was A$10.132m, equating to 2.13 quarters of cash at the level of net cash outflow from operations for the quarter. However, the closing cash position needs to be looked at in light of two other recent receipts in Q2:

- At the EGM on 3rd October 2024, shareholders approved the A$2.0m investment by KP Rx that was part of the capital raising in August but deferred until the issue of shares was approved by shareholders. The investment was received by the Company on 30th October 2024, with the shares to be issued to KP Rx today.
- The Company received yesterday it's FY24 R&D tax incentive of A$1.833m, less repayment of it R&D loan balance of A$0.887m, that has provided a net cash injection of A$0.946m.

Thus, in Q2 of FY25, there will be A$2.946m added to the cash balance outside other routine movements.

Organisation Structure and Costs

Since the Company's IPO in August 2023, the board and management have been closely managing discretionary expenditure, has avoided as much as possible new staff appointments, and has not replaced a number of positions where staff have left, enabling the business to run as lean as possible until sales growth start to meet expectations. As reported in the Company's Annual Report, senior leadership also made sacrifices of base salary to equity in H2 of FY24.

It has been a balance for management to conserve organisational capacity to deliver on value creation, and the ability to meet customer demands as they come and running lean to preserve capital as much as possible.

The board and management have taken further action this week to make some targeted redundancies in parts of the organisation where they can be affected without harming organisational capacity, and to implement other HR related adjustments to costs, that together total A$1.9m reduction in HR spend annually.

Following the changes, the cash overheads to run the business are reduced to A$17.0m per year.

The organisation has been working with an intense focus to resolve the HiRise™ validation process for robotic surgical systems and continues to do everything possible to keep the Company's development programs on a path to delivering value. Careful thought went into assuring that the organisation remains poised to deliver value creation outcomes as soon as possible.

Use of Funds (Listing Rule 4.7C.2)

The table below shows the Company's actual use of funds since the date of the Company's admission up to 30 September 2024 against the updated use of funds schedule included in the Pre-Quotation Disclosure released to ASX on 21 August 2023.

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Use of Funds	Per Pre-Quotation Disclosure*	% of funds raised	Use of Funds for the period to 30 September 2024**	% of funds used
Sales and marketing	13,165	*45%*	5,029	*19%*
New product development and R&D	4,203	*14%*	7,861	*29%*
Intellectual property costs	1,947	*7%*	607	*2%*
Costs of the Offer	3,469	*12%*	3,021	*11%*
Other working capital ***	6,456	*22%*	10,280	*38%*
Total	**29,240**		**26,798**	

* As disclosed on Pre-Quotation Disclosure released on 21 August 2023, this reflects the Offer Proceeds of $25,000k, along with $4,240k cash on hand prior to receipt of Offer Proceeds.

** Use of Funds includes proceeds from listing date through to the quarter ending 30 September 2024, so will not reconcile to the Appendix 4C movements which are for the entire fifteen months up to September 2024.

*** Other working capital is comprised of the following items: Inventory, Corporate & Administration, Finance, Quality & Regulatory, Warranty/Technical Support, IT, and Lease Payments.

The Company continues to apply funds to meet the business objectives that sit behind the use of funds statement. The Board continues to believe that the Company is still on track to meet its business objectives, though sales and marketing expenditure is slower than initially planned, with management applying investment carefully where traction can be achieved.

Payments to related parties (Listing Rule 4.7C.3)

In accordance with Listing Rule 4.7C.3 and as outlined in Section 6.1 of the Appendix 4C, the Company made payments to related parties totaling A$214,000, comprising executive and non-executive directors' fees, salary, and superannuation.

Definitions

As previously noted, CurveBeam AI's key metrics are defined and interpreted as follows:

- Purchase order – a signed purchase order (PO) for a CT scanner (device). The Company considers POs to be a key metric as it reflects actual sales at any given time.
- Receipts from customers – any cash consideration received from a customer by CurveBeam AI. This can include initial deposits required at the time of an order being placed.
- Revenue – Revenue is recognised after the device (e.g., HiRise™) is delivered, installed and training has been completed. Depending on the customer site requirements, there can be several months' delay from a signed purchase order to recognition of revenue. Thus, revenue may not be reflective of sales progress in each period.

The Company will report on POs and cash receipts in its Appendix 4C (quarterly) lodgments, while revenue will be reported in Appendix 4E (full year report) and Appendix 4D (half year report).

Release approved by the Board of Directors.

About CurveBeam AI Limited

CurveBeam AI (ASX:CVB) develops, manufactures and sells specialised medical imaging (CT) scanners, coupled with AI SaaS-based clinical assessment solutions, to support medical practitioners in the management of musculoskeletal conditions. The Company's flagship CT scanner, HiRise™, performs weight bearing CT scans as well as traditional non weight bearing CT scans, providing a range of advantages over the use of traditional CT or MRI devices. CurveBeam

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AI has more than 70 employees with its corporate office, AI and IP functions located in Melbourne, VIC, Australia and global operations headquarters in Hatfield, Pennsylvania, USA.

For further information go to https://curvebeamai.com

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
CURVEBEAM AI LIMITED (ASX : CVB)	
ABN	**Quarter ended ("current quarter")**
32 140 706 618	**30 September 2024**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	2,410	2,410
1.2	Payments for		
	(a) research and development	(376)	(376)
	(b) product manufacturing and operating costs	(2,582)	(2,582)
	(c) advertising and marketing	(392)	(392)
	(d) leased assets	-	-
	(e) staff costs	(2,926)	(2,926)
	(f) administration and corporate costs	(939)	(939)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	58	58
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(4,747)**	**(4,747)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	(148)	(148)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	128	128
2.6	**Net cash from / (used in) investing activities**	**(20)**	**(20)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,584	9,584
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(740)	(740)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payments of lease liabilities)	(121)	(121)
3.10	**Net cash from / (used in) financing activities**	**8,723**	**8,723**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	6,448	6,448
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,747)	(4,747)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(20)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,723	8,723
4.5	Effect of movement in exchange rates on cash held	(272)	(272)
4.6	**Cash and cash equivalents at end of period**	**10,132**	**10,132**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	10,132	6,448
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**10,132**	**6,448**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	214
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**-**	**-**

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,747)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,132
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,132
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.13

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

31st October 2024

Date: .....

Ura P Auckland – Chief Financial Officer

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.