

ASX Release

**COMPANY UPDATE & APPENDIX 4C
QUARTER ENDED 30 SEPTEMBER 2020**

HIGHLIGHTS

- Completion of TALi Early Release Program to the Australian education system, with stronger than expected participant numbers, delivers foundation for FY20/21 commercial release
- Strong international partner pipeline forecast to deliver expansion of TALi activities from Oct-Dec quarter
- Marketing campaigns to scale up in Oct-Dec quarter to drive parent engagement and healthcare sales revenue
- Appointment of TALi's Expert Advisory Board advances the Company's academic rigour and frontline experience and will assist in cultivating local and international academic and commercial partnerships
- TALi DETECT and TALi TRAIN released on Indian app stores post quarter end
- Strong net cash position of \$2.5m as at 30 September 2020 plus \$682k R&D Tax offset received post quarter

TALi Digital Ltd (ASX: TD1, "TALi" or "the Company"), a leading digital health business is pleased to provide the following quarterly activities report, together with its Appendix 4C for the quarter ended 30 September 2020 (Q1 FY2021).

Commenting on the progress made in Q1 FY2021, TALi Digital Managing Director Mr Glenn Smith said "We made significant progress during the quarter as we work towards commercialising our technology platform in local and international markets. However, the impact of COVID-19 on social interaction and the broader economic situation impacted the ability for the company to significantly roll out the TALi products during the quarter. To this end completing the Schools Early Release Programme was an important milestone, considering the circumstances, that provided critical insights into the use and benefits of our platform".

"I also was delighted to welcome our new Expert Advisory Board members, who will provide important clinical and commercial guidance towards our strategy to drive revenue and to increase shareholder value. Further, having released TALi DETECT and TALi TRAIN on the Indian app stores post quarter end, I am excited about the opportunities for us to grow in this large market, which we aim to enter via a partnership in 2021".

Quarter Review

During the quarter TALi continued to progress the commercial roll out of the TALi DETECT and TRAIN product focussed on detecting and improving attention in early childhood. TALi products have been clinically validated and are regulatory cleared medical devices in the USA and European Union.

Encouragingly partner and customer pipelines remain strong and TALi anticipates the ability to drive commercialisation through the remainder of FY21. Whilst the quarter was slower than anticipated on commercialisation, it was still a busy quarter for TALi as the company completed the TALi DETECT Schools Early Release Programme, added to the quality of the advisory board and prepared to launch TALi DETECT and TALi TRAIN for download via the iOS and Android app stores in India (announced post quarter on the 14th October 2020).

TALi DETECT Schools Early Release Programme completion

In July TALi announced the successful completion of its Schools Early Release Programme ([“Schools Early Release”](#)) in partnership with 30 schools located in remote, regional and metropolitan areas of Australia.

While the Schools Early Release aimed to recruit 1000 students aged four to eight years from a balanced cohort of education providers to utilise TALi’s DETECT attention assessment program, the goal was surpassed by over 61% due to widespread interest in the product, with 1613 TALi DETECT assessments and 416 TALi TRAIN journeys following completion.

The Schools Early Release was completed during a period of reduced face-to-face learning in many parts of Australia due to COVID-19 and the assessment tool has provided teachers with the confidence to identify the students that may benefit from additional support and training, especially as classes transitioned to remote learning.

The Schools Early Release demonstrated that TALi can be deployed in any type of school in Australia and TALi is well advanced to expand the use of TALi DETECT in schools during the remainder of FY21.

Expert Advisory Board appointments

TALi announced new appointments to its [Expert Advisory Board](#), with members having world-leading experience in childhood attention disorders, balancing scientific excellence with commercial acumen. The Advisory Board meet on a quarterly basis and provide feedback to TALi on key matters pertaining to the collection and translation of clinical evidence, and to inform the ongoing development of the TALi technology platform. They will also help to cultivate local and international academic and commercial partnerships.

TALi welcomed the following members to the Expert Advisory Board:

- **Ms Sarah Michel (USA)**, an experienced life sciences manager and entrepreneur with experience in strategically planning and managing global health technology projects
- **Dr Scott Kollins (USA)**, a Professor in the Department of Psychiatry and Behavioural Sciences at the Duke University School of Medicine, specialising in ADHD and Substance Use Disorders
- **Professor Con Stough**, a Professor of Cognitive Neuroscience and Psychology at Swinburne University of Technology, an expert in cognition and human intelligence across the lifespan
- **Dr Phil Lambert**, an education industry expert with extensive local and international experience in curriculum development and reform.

TALi India app stores release

Following the quarter end, TALi announced that TALi DETECT and TALi TRAIN had been released for download via the [iOS and Android app stores in India](#).

TALi aims to enter the Indian market via a partnership model and the availability of both TALi DETECT and TALi TRAIN cognitive performance tools in the Indian app stores is the initial step in a strategic product rollout. India has the second-largest mobile subscription base, with ~1.2 billion subscribers and the second-largest internet subscription base with 560 million subscribers. The high level of penetration and mobile device utilisation presents a large target market and revenue opportunity for TALi.

The Company anticipates a full market launch in India during 2021 and is well progressed with partnership discussions to facilitate a market entry.

Financial Overview

Net operating cash outflow for the September 2020 quarter totalled \$1.4 million (versus \$1.1m of outflows in Q4 FY20) reflecting the continued development of the TALi product portfolio. The cash outflow included the acquisition of an IP portfolio for consideration of \$428k from Monash University. Following the quarter end the Company received an R&D Tax Incentive refund of \$682k.

Cash receipts for Q1 FY2021 were \$11k (Q1 FY2020: \$15k) as COVID-19 restricted the ability to roll out TALi DETECT through the Australian education and B2C sectors. TALi received Government grants and tax incentives including the final CRC-P grant and COVID-related government stimulus, totalling \$348k. Higher admin and corporate costs were the result of the initial scoping of additional potential international markets and progressing the execution of an agreement with an international partner for the TALi technology platform.

Aggregate amount of payments to related parties and their associates during the quarter was \$98k, which includes Director fees and salary (including superannuation).

Strong Cash Position

TALi remains in a robust financial position with significant capital to execute on the Company's business development and commercialisation plans for FY21 noting the ongoing impact of the COVID-19 pandemic on broader macro-economic and social conditions.

The Company ended the quarter with a cash balance of \$2.5 million.

Release authorised by:

TALi Digital Limited Board of Directors

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About TALi Digital

TALi Digital Limited (ASX:TD1) a leading health technology business is seeking to improve attention in early childhood through its breakthrough TALi platform. TALi combines evidence-based proprietary algorithms inside a game-based program to assess and strengthen core attention skills. Learn more at talihealth.com.

Appendix 4C

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

Name of entity

TALi DIGITAL LIMITED

ABN

53 108 150 750

Quarter ended ("current quarter")

30 September 2020

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	11	11
1.2 Payments for		
(a) research and development	(52)	(52)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(96)	(96)
(d) leased assets	-	-
(e) staff costs	(703)	(703)
(f) administration and corporate costs	(520)	(520)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	348	348
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,016)	(1,016)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(8)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	(428)	(428)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(436)	(436)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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 (repayment of lease liability)	(32)	(32)
3.10	Net cash from / (used in) financing activities	(32)	(32)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,946	3,946
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,016)	(1,016)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(436)	(436)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	(32)
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	2,461	2,461

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	213	149
5.2	Call deposits	2,248	3,797
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)	2,461	3,946

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	98
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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	100	-
7.4	Total financing facilities	100	-
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.		
	7.3 Bank guarantee funds secured in accordance with premises lease terms.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,016)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,461
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,461
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.4
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: 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.

Date: 29 October 2020

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 – e.g. 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.