

ASX Release

**TALi US LICENSE AGREEMENT, INDIA MARKET ACTIVITIES, SOLID CASH POSITION
APPENDIX 4C**

HIGHLIGHTS

- **Strategic Licensing Agreement** executed with Akili Interactive for the United States (US) market to support long term revenue and profitability
- **Recruitment of Chief Marketing Officer** with further key leadership position recruitment underway to drive strategy, commercialisation, marketing and sales
- TALi granted \$500,000 **non-dilutive R&D financing facility** with Invest Victoria **further enhancing the cash position of the Company**
- **Lower net operating cash outflow for Q1 FY22 of \$0.5 million** (inclusive of \$0.8 million R&D tax refund)
- **Closing cash balance of \$2.2 million** plus Invest Victoria financing (\$0.5 million) **provides >4 quarters of cash** and ensures TALi can continue commercialisation objectives
- **Launch of full marketing campaign for TALi in India** commences in current quarter (Q2 FY22) in combination with additional international partner negotiations

TALi Digital Ltd (ASX: TD1, “TALi” or “the Company”), a leading global digital health business is pleased to provide the following quarterly activities report, together with its Appendix 4C for the quarter ended 30 September 2021 (Q1 FY2022).

TALi’s Managing Director and CEO, Mr. Glenn Smith said “During the quarter the Company completed a significant and value accretive transaction that places TALi at the centre of the global digital therapeutics ecosystem.

The Strategic Licensing Agreement with Akili Interactive Labs, Inc. (Akili) [[full ASX release here](#)] recognises the value of the TALi patented technology platform, generates future milestone and royalty payments and provides important validation for additional potential partner/license agreements in the sector over future periods.

The continued strengthening of our go-to-market leadership, initiation of our marketing campaigns in India (that have been delayed by COVID-19), as well as our marketing plans for Australia, New Zealand and Singapore will further assist the Company to deliver on commercialisation targets set by the Board”.

COMMERCIALISATION AND OPERATIONS UPDATE



OPPORTUNITY

Attention screening & training

DETECT & TRAIN modules in early childhood (3 to 8 years)

Prescription digital therapeutics

ADHD and ASD indications

Targets early childhood populations

New clinical indications

Additional cognitive function & decline

Mild Cognitive Impairment (decline) R&D program - potential initial target



STAGE

In-Market

Marketing & sales expansion planned from Q2 FY22

Underway

Akili licence agreement with go-to-market expected to commence 2023

Additional partnerships in negotiation

To be commenced

Targeting initiation from Q3 FY22

Funding via grants & other non-dilutive funding



CHANNELS

Consumer Early childhood care + Education Healthcare (B2B2C model)

Target markets - AU, NZ, Singapore and India

Primarily healthcare via prescription

Optimal patient care, reimbursement options and higher margins available

Proposed healthcare model

Additional opportunities via digital delivery direct to consumer also available

Strategy

TALi is a leading global digital therapeutics business. We believe in healthy, happier minds. A unique differentiator for TALi is the patented and evidence based platform technology it has built that underpins the delivery of digital game based cognitive care programs. This platform technology sets TALi up to deliver a suite of care programs to novel and “at risk” populations on a global basis.

The initial target population is in the early childhood segment where the Company has commercialised a digital game based attention screening and training program (“TALi”). The objective for the TALi program is widespread adoption. Early detection and intervention of attention related issues (>130 million children in first-world countries have severe attention issues) will deliver real world brain health and learning benefits to children allowing them to thrive in childhood.

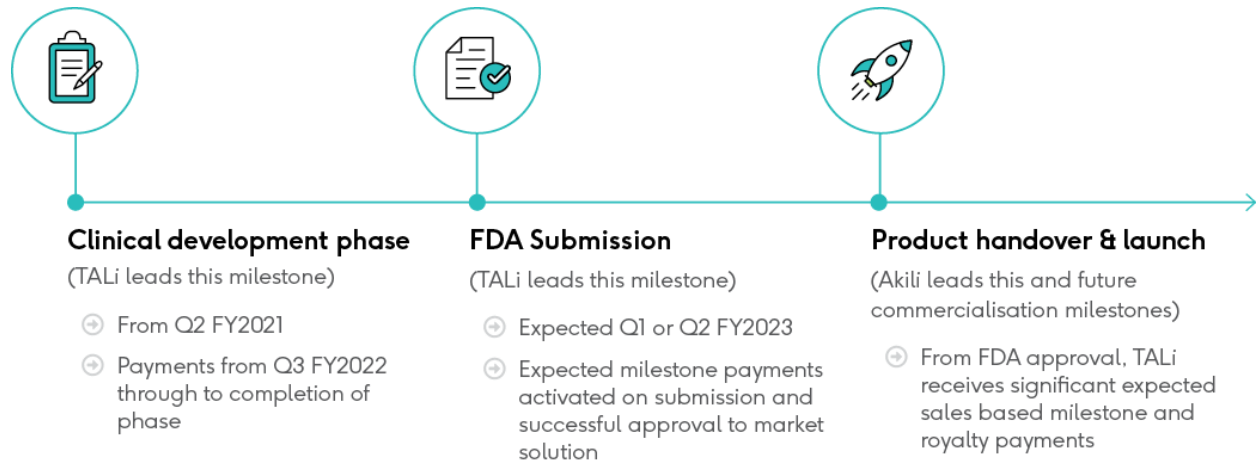
The subsequent, reduction in the incidence of attention related mental health issues as a result of early intervention has proven and sustained economic benefits. The Company also has a strategic partnership and license strategy for prescription digital therapeutics in paediatric ADHD and ASD along with an additional R&D program in cognitive function and decline, across all age groups.

Akili – TALi Partnership Indicative Timeline – US Market¹

During Q1 FY22, TALi executed a Strategic Licensing Agreement with Akili, a global peer in the digital therapeutics segment. This agreement will see TALi, in partnership with Akili, bring to market in the US a digital therapeutic targeted at and labelled for, the treatment of ADHD in early childhood populations.

¹ May be subject to change based on clinical development program endpoints, partner product requirements, US regulator advice, force majeure and other unforeseen events

A program of clinical development along with a process to deliver a submission to the US Food and Drug Administration (FDA) to seek approval to market the solution has been initiated as per the agreement between the parties and will be completed over the forward periods. The program is on schedule with Akili expected to make their first co-development payment to TALi during the January – March 2022 (Q3 FY22) period.



Times Group Partnership - Indian Market Indicative Timeline²

Given the material impact of COVID-19 in India earlier in the year, TALi deferred its 'live-launch' of the TALi programs in this market. During Q1 FY22, TALi has made the necessary preparations to commence the full roll-out of the print and radio campaigns to occur in India in Q2 FY22. Approximately US\$1.45 million of the US\$2.0 million pre-paid advertising credits with our advertising partner, The Times Group of India, remains for use in this market. The Company will provide updates as appropriate in forward periods in respect of the progress of the India marketing campaigns.



² Government program strategy dependent on successful government tender being awarded to TALi

Key personnel

During the quarter recruitment of key personnel to drive the commercialisation of TALi in a range of markets continued. The Company is pleased to announce that Mary Colt has joined TALi as Chief Marketing Officer (CMO). Ms Colt has significant marketing and company growth experience via CMO and GM positions in the personal care, health and wellness segments with a global marketing focus.

Ms Colt previously held the position of Marketing Director (ANZ) at ResMed with responsibility for both wholesale (healthcare) and retail (consumer) marketing initiatives.

The addition of Ms Colt to the leadership team marks a significant increase in resource capability and experience in TALi. The Company is committed to further additions to the leadership team, advisory board and corporate entity board in the year ahead.

FINANCE UPDATE**Non-dilutive financing agreement with Invest Victoria**

TALi has recently executed a \$500,000 non-dilutive financing facility with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative. The amount of this facility relates to TALi's expected R&D spend in FY22 and will further support TALi in executing the commercialisation of its digital therapeutics strategy in global markets.

The Victorian Government's R&D Cash Flow Loan Initiative is administered by Invest Victoria. It is designed to support innovative Victorian Companies who are investing in R&D activity to develop products, services and technologies vital to the State's future economy. The initiative offers low-interest loans of between \$0.25-4.0 million on up to 80% of a Company's forecast R&D Tax Incentive rebate for the period ending 30 June 2022. Interest on the facility is variable at the "TCV 11am" loan interest rate (currently 0.265% p.a).

COVID-19 impact statement

As per previous quarterly reports the Company confirms that the COVID-19 pandemic has had a material impact on the commercialisation activities of the Company. As examples, the severe COVID-19 crisis in India delayed the launch of TALi with our in market partner the Times Group and the interim shift to home-schooling on a global basis restricted marketing and sales opportunities in that segment.

The Company has sought to proactively manage the financial and operational impacts on the businesses during the COVID-19 pandemic and welcomes the changing health and economic environments in key markets for the Company.

Outlook - sufficiently funded to execute partnership strategy

TALi reported net operating cash outflow for Q1 FY22 of \$0.5 million, an improvement from the operating cash outflow of \$0.9 million in the preceding quarter (Q4 FY21), reflecting the R&D tax incentive received during the quarter (\$0.8 million).

TALi's staff costs as well as administrative and corporate costs increased in Q1 FY22 as a result of the investment required to execute the Strategic Licensing Agreement with TALi's US partner, Akili, during the period.

As at 30 September 2021, TALi had a closing cash balance of \$2.2 million, and will receive a further \$0.5 million of cash inflows via the non-dilutive financing facility with the Victoria Government during Q2 and Q3 FY22. Estimated quarters of funding available, Item 8.5 in the Appendix 4C attached is >4 quarters of cash.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C includes Director fees and salary (including superannuation) for the CEO and Managing Director and related parties.

The Board confirms that TALi is sufficiently funded to continue to execute its commercialisation and growth strategy without a capital raise.

The Company looks forward to providing the market further updates on commercialisation activities of the Company as appropriate and in future quarterly activities reports.

Release authorised by:

The Board of TALi Digital Limited

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About TALi Digital

TALi [TALi Digital Limited (ASX: TD1)] is a digital health company delivering diagnostic and therapeutic solutions to enhance cognitive function and behaviour. The Company has built a patented platform technology with our first solution targeting cognitive attention skills during early childhood via the evidence and game-based screening (DETECT®) and training (TRAIN®) modules. This program is complementary to existing diagnosis and therapy and places TALi at the forefront of patient experience and early intervention for attention related conditions. We believe in healthy, happier minds – they start here with TALi.

A continuous innovation focus will see the Company deliver a series of product developments in ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder) along with a core research program exploring applications for at populations afflicted with Mild Cognitive Decline (MCI has been found to often been a precursor to recognizing Alzheimer's disease and other forms of dementia). At TALi, our vision is to deliver a personalised digital experience to enhance cognitive care. Learn more at talidigital.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 2021

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	4	4
1.2 Payments for		
(a) research and development	(29)	(29)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(56)	(56)
(d) leased assets	-	-
(e) staff costs	(716)	(716)
(f) administration and corporate costs	(489)	(489)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	796	796
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(493)	(493)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4)	(4)

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	51	51
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)	(36)	(36)
3.10	Net cash from / (used in) financing activities	15	15

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	2,727	2,727
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(493)	(493)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15	15
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,245	2,245

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	1,295	1,777
5.2	Call deposits	950	950
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)	2,245	2,727

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	105
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

The amount at 6.1 includes Director fees and salary (including superannuation) for the CEO and Managing Director and Non-executive Directors.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(493)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,245
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,245
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.6
<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: 29th day of October 2021

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.