

## ASX Release

### COMPANY UPDATE & APPENDIX 4C QUARTER ENDED 30 SEPTEMBER 2018

Novita Healthcare Limited (ASX: NHL) (“Novita” or the “Company”) a leading digital therapeutic and early childhood technology business has today released its Appendix 4C Quarterly Consolidated Statement of Cash Flows for the period ending 30 September 2018.

#### KEY HIGHLIGHTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

- TALI Health receives classification from the U.S Food and Drug Administration (FDA) for TALI Train, opening the door for product launch in the major market of the USA
- Cash receipts up 233% in 1Q FY19 (with \$63k cash received on invoice sales of \$94k in the quarter) on the back of TALI Train sales and completion of sales relating to Newly
- Providers numbers up 38% and active users (those completing TALI Train) up 300% on previous quarter
- International expansion with first clients in Hong Kong (early childhood centres) and Singapore (clinical centres) during the quarter
- The Company raised \$2.8 million a placement to sophisticated and institutional investors to fund the commercialisation and growth of TALI
- Appointment of Sue MacLeman to board as Chair and Non-Executive Director
- TALI Detect entered clinical trials phase in the current quarter

#### NOVITA OPERATIONS UPDATE

##### TALI HEALTH

###### TALI Train

The quarter saw adoption of TALI Train grow to 164 providers (up from 119 providers in the previous quarter and 54 the quarter before that). Revenue from TALI Train achieved during the quarter contributed to the cash receipts for the quarter with strong incremental growth expected in future quarters.

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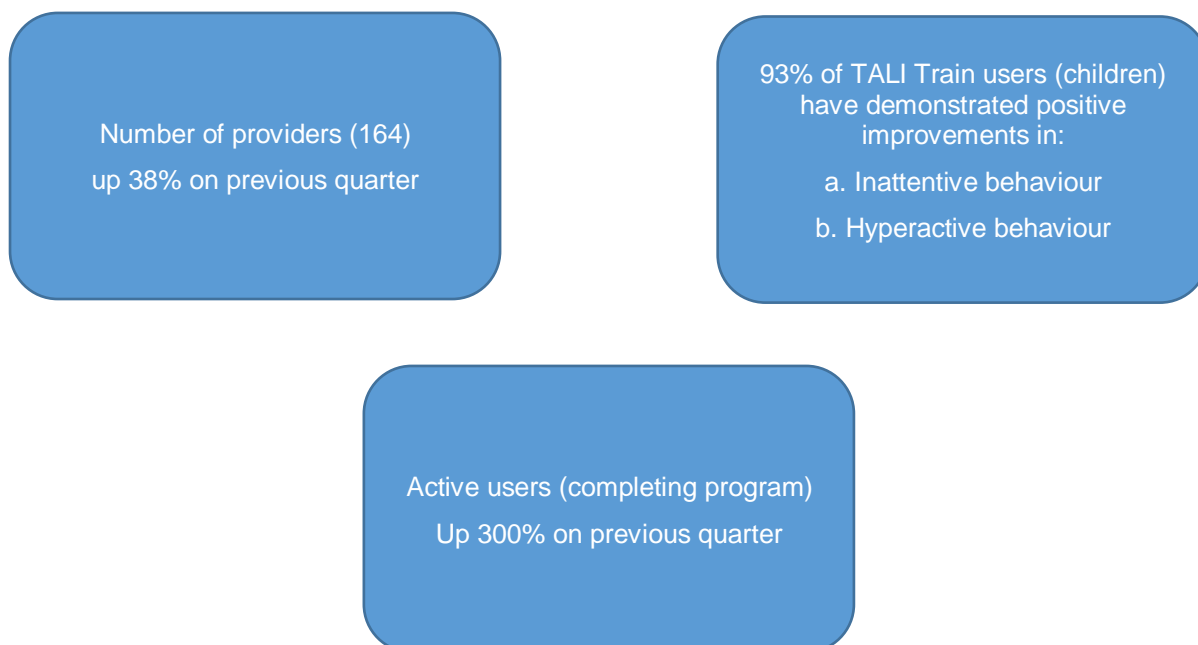
TALI Health accelerated activities scaling direct to education segment marketing and sales. This has led to strategic conversions in the independent school segment along with the state school segment. The strategy is to cement initial “key influencer” schools in the segment to assist in sector wide adoption of TALI Train during 2019 and beyond.

Media stories including in The Australian (<https://www.theaustralian.com.au/business/autism-therapy-marries-gaming-with-research/news-story/898489392e71ccc30e39f177434856ca>) helped to drive the awareness and recognition strategy for the brand along with providing a growth in leads for the business. This initial media has confirmed the viability of a direct to education and direct to consumer (parent) model for TALI Train with the rollout of these channels to accelerate in the current quarter.

TALI Health believes the capital raising undertaken by the parent company Novita in July will help accelerate marketing and sales activities for TALI Train and also facilitate international expansion. As part of the initial international pre-marketing activities TALI Health has been invited as one of approximately 20 “most innovative technologies” from across the world to the 2018 Annual International Conference on ADHD ([www.chadd.org](http://www.chadd.org)). The event is the biggest ADHD event of the year and a significant opportunity to meet with potential commercial partners in preparation for international market entry in 2019.

In Asia, initial sales have occurred in Hong Kong (early childhood centres) and Singapore (clinical centres). These sales occurred via inbound leads as a part of our integrated marketing activities initiated during the quarter. The Company expects markets in Asia to be of strategic significance to TALI Health.

### Key initial metrics for TALI Train (Figure 1)<sup>1</sup>



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<sup>1</sup> Users of TALI Train and their parent/guardian with 93% reporting positive improvements in inattentive behaviour and hyperactive behaviour post using TALI Train

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## Product Development (TALI Train)

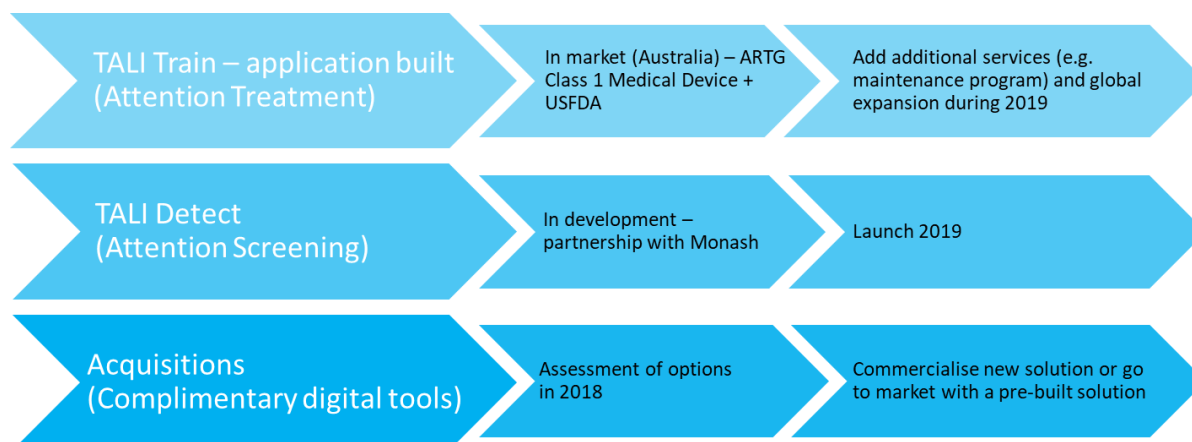


Figure 2. Development roadmap for TALI Health

During the quarter, TALI Health continued the development of TALI Train levels. This has been driven by feedback from clients (and parents) indicating a significant demand for continued use of TALI Train post the 5-week program. Gains achieved by children are well documented and in the majority of cases significant positive improvements have been achieved.

TALI Maintain will be delivered to market in 2019. These additional levels will allow those that complete the 5-week TALI Train program to continue use of the application on a monthly (or annual) recurring revenue model. The Company will update shareholders further closer to the TALI Maintain release date.

## Research and Development (TALI Detect)

The TALI Detect project continues on schedule with the project entering clinical trial phase during the quarter. Trials will be conducted in school and early learning centre environments where hundreds of children will participate. The objective of the trials is to provide evidence to allow TALI Health to build the product **TALI Detect - a game-based assessment of attention skills in early childhood**.

During the quarter Novita completed the scheduled quarterly review of the TALI Detect project and submitted the latest progress report to the Australian Federal Government's Co-operative Research Centre ('CRC') as part of the \$1.2m grant from the CRC.

## NEWLY UPDATE

### Progress update on Newly

The sale and share subscription as advised on 20th July 2018 for Newly was undertaken during the quarter. Subsequently, on 18<sup>th</sup> October 2018, the board advised shareholders that the sale of Newly Pty Ltd and parallel investment in HealthcareLink Pty Ltd had been completed with effect 18th October 2018 on the terms previously advised. The Company will update shareholders as appropriate on the performance of this investment.

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## **NOVITA FINANCIAL UPDATE**

### **Revenues and expenses**

Total cash receipts up 233% in 1Q FY19(\$63K up from \$27k in Q4 FY18). Net operating cash outflows for the September quarter were \$1.2 million (up from \$0.5 in Q4 FY18), reflecting continued development on TALI and expansion of expenses for the TALI Detect CRC-P.

### **Cash outlook**

The Company ended the quarter with net cash at bank of \$2.6 million (up from \$1.2 million as at 30 June 2018). On the 20th July the Company completed a \$2.78M placement. The Company also anticipates receiving an R&D tax rebate in the second quarter of the financial year, as a result of the Company's ongoing work in R&D activities.

The Company remains confident that the cash balance will be adequate to support the continued development and commercialisation of TALI.

## **NOVITA PEOPLE AND CULTURE**

The Company welcomed Sue MacLeman to the position of Chair and Non-Executive Director of Novita. Sue has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive with senior roles in corporate, medical, commercial and business development.

Sue has served as CEO and Board member of several ASX and NASDAQ listed companies in the sector and is currently Chair – Novita Healthcare Ltd, Chair – Anantara Lifesciences (ASX: ANR), Chair – MTPConnect (Medical Technology and Pharmaceuticals Industry Innovation Growth Centre MTPII-GC Ltd), Non-Executive Director – Oventus Medical Ltd (ASX: OVN), and veski. Sue is also appointed to a number of academic and government advisory committees.

## **OUTLOOK**

The Company's recent placement puts it in a strengthened cash position to continue building on the initial momentum from the national commercial roll-out of TALI Train. Additionally, it will assist with the overseas expansion for TALI Train and the pilot programs for TALI Detect (which continues as scheduled). Initial sales and completion rates for the TALI Train program are highly encouraging with the Company pleased with the product market fit to date.

## **ABOUT NOVITA**

Novita Healthcare Limited (ASX: NHL) is a leading digital therapeutic and early childhood technology business targeting ATTENTION in children through its breakthrough technology TALI. TALI Train uses proprietary algorithms inside a game-based learning application to improve core attention skills in early childhood ([www.talihealth.com](http://www.talihealth.com)).

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## CONTACT

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## Appendix 4C Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

NOVITA HEALTHCARE LIMITED

**ABN**

53 108 150 750

**Quarter ended ("current quarter")**

30 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	63	63
1.2 Payments for		
(a) research and development	(537)	(537)
(b) advertising and marketing	(74)	(74)
(c) leased assets	(18)	(18)
(d) staff costs	(533)	(533)
(e) administration and corporate costs	(125)	(125)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	337	337
1.8 Other (provide details if material)		
- GST refunds/(payments)	29	29
- Legal & professional	(151)	(151)
- Insurance	(68)	(68)
- Intellectual property	(19)	(19)
- Other working capital	(83)	(83)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,173)</b>	<b>(1,173)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(12)	(12)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	23	23
(d) intellectual property	-	-
(e) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>11</b>	<b>11</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	2,786	2,786
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(205)	(205)
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 (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>2,581</b>	<b>2,581</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,202	1,202
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,173)	(1,173)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	11	11
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,581	2,581
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>2,621</b>	<b>2,621</b>
<b>5. Reconciliation of cash and cash equivalents</b>		
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	59	217
5.2 Call deposits	2,562	985
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,621</b>	<b>1,202</b>
<b>6. Payments to directors of the entity and their associates</b>		
		<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2		22
6.2 Aggregate amount of payments to these parties included in item 2.1		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
- Year to date cash payments for Staff Costs include director fees \$22k.		

<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

<b>8.</b>	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)		
	- Bank guarantee	10	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

- Bank guarantee funds secured in accordance with premises lease terms.

<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Research and development	(200)
9.2	Advertising and marketing	(150)
9.2	Leased assets	-
9.4	Staff costs	(500)
9.5	Administration and corporate costs	(100)
9.6	Other (provide details if material)	
	- Legal & professional	(50)
	- Intellectual property	(10)
	- Transaction costs related to issues of shares, convertible notes or options	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(1,010)</b>

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1	Name of entity	N/A	N/A
10.2	Place of incorporation or registration	N/A	N/A
10.3	Consideration for acquisition or disposal	N/A	N/A
10.4	Total net assets	N/A	N/A
10.5	Nature of business	N/A	N/A



**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.

Signed:



Date: 30 October 2018  
Ms Sue MacLeman  
Chair

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.