

ASX Release**COMPANY UPDATE & APPENDIX 4C
QUARTER ENDED 31 DECEMBER 2019**

Dear Shareholder,

The quarter ending 31st December 2019 delivered significant milestones for the Company from the completion of a placement raising \$6.2m to the news that TALi was able to access CPT reimbursement codes in the USA. These events have now assisted the Company in positioning itself as a leading global player in the segment of ATTENTION.

The quarter also saw the completion of data collection for the CRC-P project occur. In addition, the Company screened children via the schools' program for TALi Detect. Data from both activities is now being independently analysed. Results of that analysis are imminent and shareholders will be updated appropriately.

Focus during the quarter was on pre-registering schools for the delivery of TALi from Term 1 2020 in Australia and the continued expansion of marketing activities to schools in the USA and UK. This enables the Company to build a pre-qualified potential customer base. The Company expects conversions to commence during the current quarter with revenues from activities to be reflected from the current quarter onward.

Total cash receipts in 2Q FY20 of \$8K. Net operating cash outflows for the December quarter were \$0.1 million (down from \$0.8 million outflows in Q1 FY20), reflecting continued development on TALi Detect, expansion of marketing and sales activities and the proceeds from the R&D Tax Incentive totaling A\$0.8 million.

The Company ended the quarter with net cash at bank of \$6.1 million (up from \$1.5 million as at 30 September 2019). On the 25th of November the Company completed a \$6.2M placement. The Company is undertaking marketing and sales activities to ensure operations and growth will be expanded during the coming quarters.

The Company has recognised for some time that the market opportunities within the USA and UK markets can make TALi a true global tech success story. In line with this strategy, significant post quarter developments are occurring in particular the announcement of the 15th January 2020 relating to the achievement of Google for Education Partner certification by TALi. This combined with other partner activities the Company is undertaking will assist with the expansion of TALi on a global basis in particular within the US health and education sectors.

All the above combined with an investment in the intellectual property and product portfolio of the Company should ensure TALi is positioned to be a significant player in the segment of Attention and technology solutions that assist children early in life. The Company thanks shareholders for the ongoing support and looks forward to a growth oriented 2020.

End

ABOUT TALi DIGITAL

TALi Digital Limited (ASX: TD1) is a leading early childhood technology business targeting ATTENTION in children through its breakthrough TALi platform. TALi combines evidence based proprietary algorithms inside a game-based program to assess and strengthen core attention in early childhood (www.talihealth.com).

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Appendix 4C Quarterly cash flow 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, 01/12/19

Name of entity

TALi DIGITAL LIMITED

ABN

53 108 150 750

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8	23
1.2 Payments for		
(a) research and development	-	-
(b) advertising and marketing	(76)	(149)
(c) leased assets	-	-
(d) staff costs	(272)	(761)
(e) administration and corporate costs	(169)	(276)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(39)	(39)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	750	912
1.8 Other (provide details if material)		
- Professional	(149)	(270)
- Legal	-	(8)
- Insurance	(25)	(51)
- Intellectual property	(41)	(71)
- Other working capital	(112)	(195)
1.9 Net cash from / (used in) operating activities	(125)	(882)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (see item 10)	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	(357)	(562)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses (see item 10)	-	-
(c) property, plant and equipment	-	-
(c) investments	-	-
(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)	-	-
2.6 Net cash from / (used in) investing activities	(359)	(564)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,200	8,200
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	(457)	(564)
3.5	Proceeds from borrowings	-	178
3.6	Repayment of borrowings	(594)	(594)
3.7	Transaction costs related to loans and borrowings	(1)	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	5,418	7,219
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,450	341
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(125)	(882)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(359)	(564)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,148	7,219
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,114	6,114
5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	100	71
5.2	Call deposits	6,014	1,379
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)	6,114	1,450

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	33
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

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 of \$71k.

7. Financing facilities available <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) Bank guarantee	100	-
7.4 Total financing facilities	100	-
7.5 Unused financing facilities available at quarter end		-

- 7.1 A loan facility was in place at the beginning of the period with Innovation Structured Finance Co., LLC serviced via Radium Capital and was an advance on 80% of the Company's R&D Tax Incentive for the financial year 18/19. The interest rate for the loan facility was 14% per annum, 1.16% per month, compound interest payable by the 31st of October 2019. The facility was been in place since 20 April 2019. It was secured by the expected R&D Tax Incentive offset for the 2018/2019. The loan facility was repaid in full on 9 October 2019.
- 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)	(125)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	6,114
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	6,114
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

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

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

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:

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:

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: 31 January 2020
Mr Glenn Smith
Managing Director

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.