

ASX Release

**CAPITAL RAISE, INTERIM CEO and CMO APPOINTED, OPERATIONS UPDATE
AND APPENDIX 4C**

HIGHLIGHTS

- Placement and Entitlement Offer raise \$3.22M
- CMO appointed in April and then as Interim CEO
- First co-development payment received in April 2022 from U.S. partner, Akili
- India and Australia marketing updates

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 March 2022 (Q3FY2022).

COMMERCIALISATION AND OPERATIONS UPDATE

Executive Officer changes

In March the Company announced the resignation of Chief Executive Officer (CEO), Glenn Smith (see ASX announcement 30 March 2022). On 27th April the Company announced that in addition to her appointment as Chief Medical Officer (see ASX announcement 5 April 2022) Dr Mary Beth Brinson had been appointed to the role of Interim Chief Executive Officer. In this role she will work with the Board and Executive team to complete the full operational review of the business with a renewed focus on the key deliverables which create shareholder value.

Dr Brinson was former Vice President, Global Clinical Affairs, with medical devices leader Cochlear Limited. She is a qualified Audiologist and has practiced in healthcare and academia in the U.S. and United Kingdom and is an Adjunct Fellow at Macquarie University in Sydney. She holds a Doctorate in Audiology from the University of Louisville in Kentucky, a Master of Business Administration from Rutgers University in New Jersey and a bachelor's degree in Audiology and Speech Pathology from the University of Georgia in the United States. Dr Brinson has held a number of senior clinical roles during a 16-year career at Cochlear including Director of Quality, Clinical and Regulatory Services and Director of Clinical Services, Research and Professional Training.

US Market – Akili Interactive Strategic Licensing Agreement¹

The first stage of TALi's Agreement with Akili, a Clinical Development Phase, is progressing. Preparatory work is underway on a pilot study with Duke Clinical Research Institute (DCRI), part of Duke University, as part of the pathway to regulatory approval in the U.S.

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

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Per the terms of the Agreement, TALi received the first co-development payment from Akili in April 2022. TALi expects to receive similar co-development payments from Akili during the remainder of Q4 FY22 and Q1 FY23 as part of the Clinical Development Phase¹.

A payment of USD\$2 million is payable to TALi on receipt of certification from the U.S. Food and Drug Administration (FDA). The agreement is estimated to represent AU\$51 million (US\$37.5 million) in total future contingent milestone payments plus royalties on potential revenues.

Australia

We are progressing evaluation of the opportunities and plans for expansion in Australia for both DETECT and TRAIN.

India - Times of India Partnership

In December 2021, TALi appointed a new Head of Marketing, Matthew Shaw, whose responsibilities will include maximising the value of this key relationship with the Times of India (TOI) group. During the quarter Mr Shaw and Director of Marketing, Mary Colt, undertook a review of TALi's marketing activities in India.

The company's efforts to commercialise its offerings in India with a direct-to-consumer approach and the partnership with TOI group were initially hampered by COVID-19. Subsequent efforts have delivered significant reach within the target audience but not commensurate sales.

TALi has relaunched marketing activities in India with renewed messaging, a streamlined on-line journey and a refreshed program of awareness raising activity from TOI.

FINANCE UPDATE

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 business during the COVID-19 pandemic and welcomes the changing health and economic environments in key markets for the Company.

Capital Raise

During the quarter the Board initiated a capital raise which will strengthen the Company's cash position and provide funding for ongoing operations. A Placement in March 2022 raised \$1.54 million before costs while a further \$1.68 million before costs was raised via an Entitlement Offer in April 2022.

Outlook

TALi reported a net operating cash outflow for Q3 FY22 of \$1.48 million, representing a small increase from the net operating cash outflows in the prior quarter (\$1.17 million) as a result of increased outflows on research and development, marketing and corporate expenditure.

TALi reported an overall net inflow for the March 2022 quarter of \$0.16 million, largely attributed to the March 2022 Placement raising \$1.54 million (before costs) and \$0.20 million from Tranche 2 of the Victorian Government non-dilutive R&D tax financing facility.

As at 31 March 2022, TALi had a closing cash balance of \$1.44 million, and in the quarter ending 30 June 2022 expects to receive a further \$1.68 million (before costs) in funding from the Entitlement Offer as announced on 18 March 2022.

During the quarter, TALi issued 139,785,868 ordinary shares via a Placement to new and existing institutional and sophisticated investors, raising \$1.54 million (before costs). Shares were issued at \$0.011, representing a 42.1% discount to the last closing price and 53.3% discount to the volume weighted average price over the prior 15 trading days. The Company also announced a 1 for 7 Entitlement Offer for existing shareholders on the same terms as the Placement. The Entitlement Offer was fully underwritten to raise an additional \$1.68 million (before costs). The funds raised under the Placement and Entitlement Offer will be used to support the commercialisation of the Company's first-generation products, already available in Australia and India, the clinical development of its second-generation offering, and continued global partnership discussions.

TALi also drew down a second and final tranche of \$203,744 from a facility under the Victorian Government R&D Tax Cash Flow Incentive scheme (Facility), bringing total proceeds of the Facility to \$503,744. The Facility is repayable from the proceeds of the FY22 and FY23 R&D Tax Incentive Rebates, expected by 31 October 2023.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C (\$108,617) includes Director fees and salary (including superannuation) for the CEO and Managing Director and related parties.

The Company has a sharp focus on delivering to the development milestones under the agreement with Akili which are forecast to provide significant milestone and sales-based royalty payments to TALi. 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

CONTACT

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About TALi Digital

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-based screening (DETECT®) and training (TRAIN®) modules. This program is complementary to existing diagnosis and therapy, placing TALi at the forefront of improving early intervention for childhood attention and concentration performance. We believe in healthy, happier minds – our vision is to deliver a personalised digital experience to enhance cognitive care.

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). Learn more at talidigital.com.

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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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3	10
1.2 Payments for		
(a) research and development	(115)	(215)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(125)	(232)
(d) leased assets	-	-
(e) staff costs	(684)	(2,040)
(f) administration and corporate costs	(562)	(1,465)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(9)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	796
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,486)	(3,155)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(13)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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)	-	(87)
2.6	Net cash from / (used in) investing activities	(2)	(100)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,538	1,538
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	51
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(92)	(92)
3.5	Proceeds from borrowings	204	504
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)
3.10	Net cash from / (used in) financing activities	1,650	1,965

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	1,275	2,727
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,486)	(3,155)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,650	1,965
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	Cash and cash equivalents at end of period	1,436	1,436

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	1,398	1,237
5.2	Call deposits	38	38
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)	1,436	1,275

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	109
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.

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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	504	504
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	504	504

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.

The Loan facility is a non-dilutive funding facility of up to \$503,744 with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative. The Facility was received in two tranches: the first of \$300,000 was received in October 2021; and the second of \$203,744 was received in February 2022. The amount of the second tranche funding was capped so as not to exceed a total Facility draw down of 80% of the Company's forecast R&D Tax Incentive (RDTI) rebate for FY2022. Interest on Facility advances is variable at the "TCV 11am" loan interest rate (currently 0.265%). Repayment of the Facility is timed to coincide with receipt of the Company's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 RDTI refunds. As at 31 March 2021 the total loan facility was \$503,744, being fully drawn.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,486)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,436
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,436
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.0

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.

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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: Yes

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: Yes, the Company completed a Placement of \$1.54 million (before costs) in March 2022 and announced a fully underwritten Entitlement Offer of 1 for every 7 shares to be completed in Q4 FY22 raising up to \$1.68 million (before costs).

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: Yes. The Company expects to have sufficient capital to continue operations from the capital raised in the Placement and Entitlement Offer together with forecasted revenue for FY22 and FY23.

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.

29 April 2022

Date:



Sue MacLeman – Chair

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

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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.