

ASX Release

**COMPANY UPDATE & APPENDIX 4C  
QUARTER ENDED 31 December 2020**

**TALi FORMS STRATEGIC PARTNERSHIP WITH BRAND CAPITAL INTERNATIONAL  
(TIMES GROUP) TO LAUNCH IN INDIAN CONSUMER AND EDUCATION MARKETS**

**HIGHLIGHTS**

- Investment from Brand Capital International (BCI) of up to US\$7million to fund Indian market commercial rollout
  - Initial investment of US\$2million whereby BCI received 81.8m TD1 shares on 6 January 2021 at the issue price of A\$0.033 per share
  - Any additional investments by BCI in TALi (up to \$5m) at mutual agreement of both parties and subject to any applicable regulatory requirements
- Intellectual property position in Japan strengthened with patent granted covering TALi DETECT and TALi TRAIN products
- TALi joins Mental Wellbeing program co-ordinated by Ma'an (Abu Dhabi Authority of Social Contribution) in partnership with Plug And Play ADGM
- TALi becomes Thrive by Five partner, a Minderoo Foundation initiative
- Marketing campaigns underway to drive health care professional revenue
- Strong net cash position of \$3.1million as at 31 December 2020

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 31 December 2020 (Q2 FY2021).

Commenting on the progress made in Q2 FY2021, TALi Digital Managing Director Mr Glenn Smith said, "We are seeking to rapidly expand our pipeline of strong international opportunities and, despite the disruptions to travel due to the COVID-19 pandemic, we made substantial progress in key international markets."

"We were delighted to have partnered with The Times Group, a business with a significant track record of investments and facilitating rapid growth of partner organisations in India, providing us with a launchpad to scale in this important region."

"Japan is also a key market for TALi, where ADHD is a major issue amongst the population of 15 million children under 15 years and the granting of the patent secures our intellectual property position and paves the way for us Company to enter the Japanese market via a partnership model."

“The ability to leverage our patents strengthens our software in multiple regions and highlights the global opportunity of our product suite. We are also developing a strong pipeline in the Australian health care market, and finalising our go to market strategy in India, which we expect will result in revenue growth from Q4 FY2021 and beyond.”

#### **Quarter Review**

During the quarter TALi continued to focus on building its significant B2B pipeline and commercialising its product suite. While the impact of COVID-19 on social interaction and the broader economic situation continued to impact the ability for the company to significantly roll out the TALi products during the quarter, substantial progress was made on its international growth strategy in India and Japan.

In Australia the Company has become a partner of the Thrive by Five initiative, backed by Andrew Forrest’s philanthropic organisation, the Minderoo Foundation. Thrive by Five has a focus on the early childhood segment which is a perfect alignment to the mission of TALi.

#### **Investment received to drive Indian commercial rollout**

In December, the Company announced that it had signed an investment and advertising agreement with Brand Capital International (BCI), the strategic arm of Bennett, Coleman and Company Ltd. (The Times Group), to facilitate TALi’s entry and growth in the Indian market.

The Indian market dynamics and usage of technology are different to Australia. In the past 12 months Android OS has continued to markedly outsell competitors in the Indian market with 96% market share. A majority of the most used devices are relatively unknown or unavailable in Australia. This means that user experience optimisation is required to localise the technology and maximise the returns of any advertising spend. Work is currently underway to optimise both TALi DETECT and TRAIN for these devices with commercial roll out slated for Q4 FY2021.

The initial US\$2million investment from BCI into TALi Digital provided funds for the Company to accelerate the roll out of TALi products in the Indian market. The investment from BCI will be deployed towards TALi Digital’s marketing communication in the Indian market through the Times Groups’ media assets thereby allowing TALi Digital to focus on the Indian market to grow their consumer base.

The advertising & communication plan will highlight the benefit of TALi’s cognitive performance tools TALi DETECT and TALi TRAIN and their availability on the iOS and Android App stores. TALi will receive 100% of the revenue from any downloads of the TALi product in the Indian market (net of app store fees).

For BCI, as a major shareholder in the Company with 81.8 million shares (issued on 6 January 2021 representing 9.8% of the Company) they have a significant vested interest to ensure launch and revenue success for TALi products.

The funds from the initial US\$2million investment will be used to acquire advertising credits under the advertising agreement at preferential rates and any additional investments from BCI (up to US\$5m) will

be at the mutual agreement of both parties and subject to any applicable regulatory requirements including shareholder approval if required.

As at 31 December 2020 US\$1million was received from The Times Group, the remaining initial investment of US\$1million was received on 5 January 2021.

#### **Japanese patent granted for TALi platform**

During the quarter TALi Digital strengthened its patent portfolio, with the granting of its first Japanese patent by the Japan Patent Office (JPO).

The patent (Japanese Patent No. 6782880) has an expiry date of March 31, 2035 (the patent claims have a priority date of March 31, 2015, i.e., the term of the grant is 20 years) and the claims of the patent cover the TALi DETECT and TALi TRAIN products as well as the future TALi maintenance program.

The Company believes this is the first time a patent has been granted in Japan for a cognitive assessment and training system, capable of improving attentional skills for sustained periods.

Japan is the world's third-largest market for ADHD treatments and is growing at more than 20 percent annually<sup>1</sup>. ADHD is a major issue amongst the Japanese population of 15 Million children under 15 years<sup>2</sup>.

Key dynamics in the Japanese market, including the preference for non-pharmaceutical based approaches,<sup>3</sup> provide a significant opportunity for the introduction of non- invasive digital tests such as TALi DETECT and treatments such as TALi TRAIN.

The granting of this patent combined with the granting of a US patent in 2020 highlights the growing value of the TALi platform intellectual property portfolio. The Company continues to progress discussions with commercial partners to enter the Japanese market.

#### **Participating in the Abu Dhabi-based Mental Wellbeing program**

TALi was selected with five other ventures from a global competitive field to join the 2020/21 Mental Wellbeing program co-ordinated by Ma'an (Abu Dhabi Authority of Social Contribution) in partnership with Plug and Play Abu Dhabi Global Market (ADGM).

The program was designed to attract impactful global social enterprises to the Emirate and strengthen collaboration between the private and public through engagement and new contracts. Ma'an with Plug and Play ADGM will also offer market insights, administrative and regulatory assistance, as well as access to a global network of industry professionals and government entities, including major healthcare providers and insurers to support the cohort's theme of mental health. The program provides a unique opportunity to explore the potential of markets and connect with major stakeholders in the UAE and MENA region.

<sup>1</sup> 2018, CCHR Report: ADHD labeling and treatment of children in Japan, page 3

<sup>2</sup> Statistics Bureau of Japan. 2020. "Chapter 2 Population." Statistical Handbook of Japan 2020. <https://www.stat.go.jp/english/data/handbook/c0117.html> Accessed 29/9/2020.

<sup>3</sup> 2018, CCHR Report: ADHD labeling and treatment of children in Japan, page 11

**Australian market progress**

TALi is currently focused on further raising awareness of its products in the health care market. At the end of the quarter, a campaign was initiated that focused on TALi's NDIS status and providing resources to relevant health care professionals about how to claim TALi products under NDIS codes. This has resulted in a growing B2B pipeline and an increased number of TALi providers who are able to administer TALi TRAIN.

Direct to consumer campaigns are also underway, highlighting the importance of attention in early childhood and are designed to increase the number of TALi DETECT users. One partnership the company has established to achieve this goal is with Thrive by Five, a Minderoo Foundation initiative. The primary objective here is to work with the other partners of the initiative towards having the Australian government improve the early childhood learning sector thus allowing technologies like TALi to assist a broader base of children in Australia. The Company is excited about the outcomes this initiative can potentially deliver to Australian children.

To further assist with conversions to revenue from marketing campaigns TALi is continually focused on enhancing the user experience between consumers and health care professionals, to improve how children are triaged through both products. This work forms a portion of the ongoing technology development roadmap.

**Financial Overview**

During the December 2020 quarter operating cash outflows were \$1.35million (\$1.38million in the prior quarter) reflecting the continued development of the TALi product portfolio for both Australian and Indian markets.

Cash receipts for Q2 FY2021 were \$6k (\$11k in the prior quarter) as COVID-19 continued to restrict the ability to roll out TALi DETECT through the Australian B2B and B2C sectors. TALi received Government grants and tax incentives including the R&D Tax Incentive for the 2020FY and COVID-related government stimulus, totalling \$746k in Q2 FY2021.

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 and short-term incentive payments) for CEO and Managing Director and related parties.

**Strong Cash Position**

Despite the ongoing impact of the COVID-19 pandemic on the broader macro-economic and social conditions the Company ended the December 2020 quarter with a cash balance of \$3.1million (including US\$1million of US\$2million from The Times Group initial investment).

**Release authorised by:**

TALi Digital 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](http://talihealth.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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6	17
1.2 Payments for		
(a) research and development	(185)	(237)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(115)	(211)
(d) leased assets	-	-
(e) staff costs	(707)	(1,410)
(f) administration and corporate costs	(340)	(860)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(4)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	746	1,094
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(597)</b>	<b>(1,613)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(16)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) investments	-	-
(e) intellectual property	-	(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(8)</b>	<b>(444)</b>

<b>3. Cash flows from financing activities</b>		
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	(34)	(66)
- Proceeds from placement of shares yet to be issued as at 31 Dec 2020 (issued 6 Jan 2021)	1,305	1,305
<b>3.10 Net cash from / (used in) financing activities</b>	<b>1,271</b>	<b>1,239</b>

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,461	3,946
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(597)	(1,613)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(444)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,271	1,239
4.5	Effect of movement in exchange rates on cash held	(12)	(13)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,115</b>	<b>3,115</b>

<b>5.</b>	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	1,365	213
5.2	Call deposits	1,750	2,248
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,115</b>	<b>2,461</b>

<b>6.</b>	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	201
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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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	<b>Total financing facilities</b>	<b>100</b>	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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)	(597)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,115
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,115
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>5.2</b>
	<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: 27 January 2021.....



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 – 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.

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