



30 April 2019

Australian Securities Exchange (ASX) Announcement

## March 2019 Quarterly Update and Appendix 4C

Total Brain Limited ("Total Brain," "TB" or "the Company"), the developer of the world's first clinically-validated mental health & fitness platform, is pleased to report on its activities for the quarter ended 31 March 2019.

### HIGHLIGHTS

- Total Brain successfully completed a A\$6.9 million capital raise, including a placement, entitlement offer, and shortfall placement, consistent with the announcement made to the ASX on 18 March 2019;
  - The fundraise was led by US-based family offices and HNW investors with meaningful participation from existing and new institutional and HNW investors in Australia and Hong Kong. The use of funds includes growth in the software and product development, as well as sales and marketing functions of the Company, among others;
- The Company signed 7 new contracts during the March 2019 quarter, representing a minimum of A\$217k of annualized revenue with the potential for additional revenue based on usage and channel partner penetration, including:
  - OneDigital, the largest company in the US focused exclusively on employee benefits and HR, with 44,000 clients nationally;
  - Mental Health America, a leading US nonprofit with 7.7 million annual website visitors;
  - Blackthorn, a computational neuroscience company, which is licensing Total Brain's proprietary clinical data for algorithmic drug discovery;
- Total Brain increased cumulative User Registrations by 33k during the quarter, a 5% quarter-on-quarter and 23% year-on-year growth;
- The Company increased cumulative Brain Profiles by 21k during the quarter, a 4% quarter-on-quarter and 27% year-on-year growth;
- Total Brain revamped the training experience of its platform, including a launch of 40 new pieces of mind-body content via the exclusive partnership with TLEX Institute, in addition to a number of redesigned brain training exercises;
- During the March 2019 quarter, the Company collected A\$0.59 million in cash receipts, representing an 8% decline quarter-on-quarter driven by a large upfront payment of A\$167k received in the December 2018 quarter. Adjusting for this large amount, the March 2019 figure represents a 24% increase in cash receipts derived from recurring contracted revenues quarter-on-quarter.

## CASH FLOW

For the 3 months ended	FY2018				FY2019		
	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
<b>Cash Receipts from Customers (\$AUD)</b>	<b>\$410,000</b>	<b>\$497,000</b>	<b>\$658,715</b>	<b>\$781,134</b>	<b>\$919,394</b>	<b>\$645,234</b>	<b>\$592,856</b>
(-) Payments to suppliers and employees	(1,313,000)	(1,290,000)	(2,819,085)	(1,284,749)	(2,796,958)	(2,035,967)	(2,252,824)
(-) MBS and Test Development	–	(250,000)	(2,108)	(1,395,518)	(549,263)	(755,876)	(597,302)
<b>Total Quarterly net operational spend *</b>	<b>(903,000)</b>	<b>(1,043,000)</b>	<b>(2,162,478)</b>	<b>(1,899,133)</b>	<b>(2,426,827)</b>	<b>(2,146,609)</b>	<b>(2,257,270)</b>
<i>Memo: Monthly net operational spend</i>	<i>(301,000)</i>	<i>(347,667)</i>	<i>(720,826)</i>	<i>(633,044)</i>	<i>(808,942)</i>	<i>(715,536)</i>	<i>(752,423)</i>
<i>Growth in cash receipts from customers</i>		21%	33%	19%	18%	(30%)	(8%)

\*Note: In order to reconcile to the cash flow statement, interest, tax receipts, financing activities and foreign exchange need to be added.

### Cash Inflows

In the March 2019 quarter Total Brain collected A\$0.59 million in cash receipts. This represents an 8% decline quarter-on-quarter driven by a large upfront payment of A\$167k received in the December 2018 quarter. Adjusting for this large amount, the March 2019 figure represents a 24% increase in cash receipts quarter-on-quarter from recurring contracted revenues.

### Cash Outflows

Maintenance of the current employee base and select hiring across technology, product, and data science were the main drivers of the cash outflows during the past quarter. Looking ahead to the following quarter, Total Brain expects this level of business expenses to continue as forecast and in-line with this past quarter.

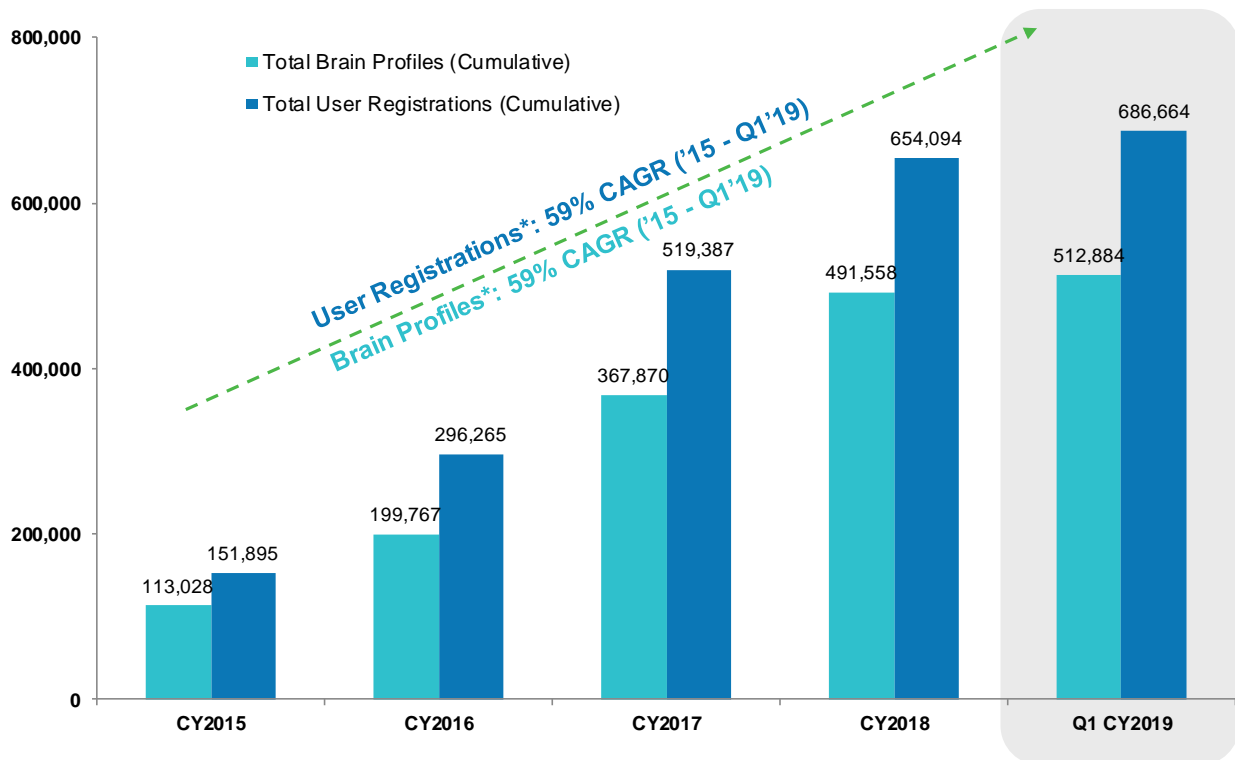
### USER KPIS

User Registrations and Brain Profiles are the key user KPIs for the Total Brain business. These indicators directly reflect product adoption, use among clients and are a strong validator of TB's product-market-fit assumptions, while also powering the value of the Company's proprietary database. During the March 2019 quarter:

- User Registrations increased by 33k, a 5% quarter-on-quarter, 23% year-on-year growth in cumulative users and a 59% CAGR since 2015; and
- Brain Profiles increased by 21k, a 4% quarter-on-quarter, 27% year-on-year growth in cumulative profiles and a 59% CAGR since 2015.

This growth does not include user uplift which will occur from the re-launch of the direct partnership with the AARP, forecast for H1 CY2019, as well as several large opportunities in B2C Affinity, such as the agreement signed with Mental Health America. AARP contributed 85% of the CY2017 user base growth and is therefore a significant driver of TB's user KPIs.

Additional drivers of growth through CY2019 include the launch and subsequent optimisation of user engagement-focused product features such as redesigned training experience and dynamic notifications.



\*Represents cumulative actual figures through the quarter ended 31 March 2019. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user.

## BUSINESS OPERATIONS

The key areas of focus and key accomplishments across all business functions for the March 2019 quarter are highlighted below:

### Product and Technology

- Revamped the training experience in the Total Brain platform, including a launch of 40 new pieces of mind-body content via the exclusive partnership with TLEX Institute, and a number of redesigned brain training exercises;
- Built out infrastructure for platform migration of one channel partner and completed development related to population expansion of a major client;
- Established a data science team with a first hire and commenced an internal data insights and analytics initiative;
- Commenced the planning and initial designs of Total Brain 2.0, the next-generation experience of the platform designed to improve flexibility and personalisation.

### Sales and Customer Success

- Continued to iterate and validate product-market-fit assumptions within B2B Corporate and B2C Affinity markets;



- Signed 7 new contracts, representing a minimum of A\$217k of annualized revenue with the potential for additional revenue based on usage and channel partner penetration:
  - OneDigital, the largest company in the US focused exclusively on employee benefits and HR, with 44,000 clients nationally. Total Brain will also be deployed to OneDigital's 1,500 employees;
  - Mental Health America, a leading nonprofit with 7.7 million annual website visitors, to offer a free trial of the TB platform to its' constituents;
  - Blackthorn, a computational neuroscience company, which is licensing Total Brain's proprietary clinical data for algorithmic drug discovery;
  - MapMyGenome, a genomics company which assesses inherited and acquired health risks for 100+ conditions, which will offer a trial of Total Brain to all of its users;
  - BrainFitLife, the consumer platform of Amen Clinics, one of the world's leading mental health clinics;
  - Tri-County Health Department, whose 475 employees will gain access to Total Brain;
  - Emory University's Goizueta Business School, whose Executive Coaching Diploma program participants will use Total Brain as part of their curriculum.
- The value of the B2C Affinity group contracts described above, whereby partners facilitate access to their stakeholders for trial periods of Total Brain, is that it enables the Company to access large numbers of users, which can be subsequently converted to paid subscribers, at a low cost of acquisition. This deliberate strategy will be used throughout the year in conjunction with the focus on B2B Corporate customers who are the main near-term driver of revenue in CY2019;
- Signed reseller agreements with 2 influencers in human capital management and enterprise sales, widening Total Brain's reach in the B2B Corporate market and accelerating penetration.

## Marketing

- Launched Account-based Marketing strategy to drive qualified leads into the sales pipeline, resulting in 37 new marketing qualified leads from large companies with an average employee population of ~60,000;
- Continued to build thought leadership credibility via placements in HR trade publications, partnership press releases, and 7-10 weekly social posts to deepen engagement and broaden reach;
- Placed results from Total Brain's recent mental health research on the cover of USA Today, a leading American newspaper with a daily circulation of over 3 million.

## Human Resources

- Sourced and filled critical positions across Engineering, Product, Data Science, and Operations;



- Launched “Total Brain for Total Brain” Employee engagement program including series on science education, employee journey challenges, and regular mental health and fitness reporting;
- Formalized and automated 2019 Performance Review process consisting of quarterly manager and employee feedback check-ins.

## Corporate

- Successfully completed a A\$6.9 million capital raise, including a placement, entitlement offer, and shortfall placement, consistent with the announcement made to the ASX on 18 March 2019. The fundraise was led by US-based family offices and HNW investors with meaningful participation from existing and new institutional and HNW investors in Australia and Hong Kong. The use of funds includes growth in the software and product development, as well as sales and marketing functions of the Company, among others.

## OUTLOOK

We are encouraged by the positive sales momentum in the March quarter. The contracts won and partnerships signed serve as an important validation of our product positioning and go-to-market strategy, made evident via the notable wins of major channel partners like OneDigital in the B2B Corporate market and the partnership with Mental Health America, in the B2C Affinity market. With Total Brain's positioning as a “Mental Health & Fitness Platform” resonating with both corporate and consumer customers, we remain focused on our previously-communicated go-to-market priorities for CY2019:

- Accelerate sales cycle of B2B Corporate revenue via increasing penetration of current and new channel partners and continued execution of the Account-based Marketing strategy;
- Diversify into target sectors with shorter sales cycles by testing into the B2C Affinity market;
- Retain and upsell of our existing book of business.

We remain excited about the business prospects for Total Brain and are committed to creating significant shareholder value in CY2019 and beyond.

## QUARTERLY INVESTOR CALL

Investors are invited to participate in the quarterly conference call subsequent to the release of this update, with call details to be provided via the ASX platform.

### Louis Gagnon

Managing Director / CEO  
Total Brain Limited



For further queries please contact:

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**About Total Brain Limited (ASX: TTB)**

Total Brain Limited is a San Francisco and Sydney based company that has developed and offers Total Brain, the world's first mental health and fitness platform powered by the largest standardized brain database and has over 600,000 registered users. Its SaaS platform helps people scientifically measure and optimize their brain capacities while managing the risk of common mental conditions. Benefits for employers and payers across the United States include productivity improvement and healthcare cost reduction. For more information, please visit [www.totalbrain.com](http://www.totalbrain.com) and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

+Rule 4.7B

## 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

Brain Resource Limited

#### ABN

24 094 069 682

#### Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	593	2,157
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(380)	(1,404)
	(c) advertising and marketing	(181)	(448)
	(d) leased assets	-	-
	(e) staff costs	(1,483)	(4,689)
	(f) administration and corporate costs	(209)	(544)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	17
1.5	Interest and other costs of finance paid	-	-
1.6	Income Taxes paid	-	-
1.7	Government grants and tax incentives	-	967
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,658)</b>	<b>(3,944)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(7)	(35)
	(b) businesses (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	(597)	(1,902)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	36	100
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(568)</b>	<b>(1,837)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	3,699	3,699
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	(149)	(149)
3.5	Proceeds from borrowings	180	180
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,730</b>	<b>3,730</b>

<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 quarter/year to date	3,268	6,616
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,658)	(3,944)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(568)	(1,837)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,730	3,730



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(25)	182
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>4,747</b>	<b>4,747</b>

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	4,656	1,900
5.2	Call deposits	91	1,368
5.3	Bank overdrafts	-	-
5.4	Other – Term Deposit	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,747</b>	<b>3,268</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
264
(36)

Salaries of Executive Directors.

**7. Payments to related entities of the entity and their associates**

- 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

Current quarter \$A'000

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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.		

N/A

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(380)
9.3 Advertising and marketing	(181)
9.4 Leased assets	-
9.5 Staff costs	(2,080)
9.6 Administration and corporate costs	(209)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(2,850)</b>

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

### 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.

Sign here:  ..... Date: 30 April 2019  
(Director/Company secretary)

Print name: Matthew Morgan  
.....

### 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.