



Half Year Report

Half Year Ended 31 December 2021



1. Company details

| | |
|-------------------|--|
| Name of entity: | Total Brain Limited |
| ABN: | 24 094 069 682 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | \$ |
|---|------|-----------|-------------|
| Revenues from ordinary activities | up | 170.5% to | 5,406,682 |
| Loss from ordinary activities after tax attributable to the owners of Total Brain Limited | down | 36.2% to | (2,586,984) |
| Loss for the half-year attributable to the owners of Total Brain Limited | down | 36.2% to | (2,586,984) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$2,586,984 (31 December 2020: \$4,057,756).

The Coronavirus (COVID-19) pandemic has not only severely impacted the physical health of people around the world, but also led to an unprecedented increase in stress, fear, and anxiety for the population at large making mental health an urgent priority to all. In this regard, the Group is mobilised to take advantage of the opportunities that this pandemic has created globally, thus the impact of COVID-19 up to 31 December 2021 has been financially positive for the Group, with revenue from the Group's SaaS recurring revenue from the Population Health and Provider Support markets increasing by \$374,695 relative to the prior reporting period.

Further information on the 'Review of operations' is detailed in the Operating and Financial Review which is part of the Interim Report.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | 2.33 | 4.22 |

The Group does not have rights-of-use assets and lease liabilities, thus these are not included in the calculations.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The auditor's report contains a paragraph addressing a material uncertainty related to going concern.

10. Attachments

Details of attachments (if any):

The Interim Report of Total Brain Limited for the half-year ended 31 December 2021 is attached.

11. Signed

As authorised by the Board of Directors

Signed  _____

Mr Matthew Morgan
Non-Executive Director
Sydney

Date: 28 February 2022

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1. HIGHLIGHTS

The half year ended 31 December 2021 was one of successful transformation and execution. We reduced our cost base, strengthened our cash position, and tightened our go to market strategy ('GTM'). The deals that we've signed provided further validation of the value of our platform, our data, and our traction in the segments where we've chosen to focus. The following are a few of the highlights.

- During the month of October 2021, the Company undertook a significant right-sizing exercise in order to minimize ongoing expenses. Approximately A\$4.2M of the company's annual cost basis was eliminated (25% of total), with reductions across all major line items, including people expense, marketing, corporate, administrative, directors' fees and other. As part of the right-sizing, 15 active positions were eliminated and another 5 open positions that were previously being recruited for were halted. As a result, Total Brain expects a 30% reduction in its average cash burn for the second half of financial year 2022 before any increase in revenues.
- In November, we announced that we had extended the term of our June 2021 unsecured loans to 18 March 2022. And, in December, we announced that we had entered into a A\$2M loan with Mitchell Asset Management that serves as an advance payment of the R&D tax incentive refund. We will repay that loan upon receipt of the R&D tax rebate forecast in the January to March quarter.
- Total Brain recognised revenue of \$A150k, beginning in October 2021, in relation to platform licensing to IBM, a population health segment customer. The licensing related to IBM's launch of GRIT (IBM's Health and Wellness 360 application) with the Veteran Affairs area of the US Government.
- A new provider support segment deal was signed with Kerna Health to integrate Total Brain's platform into Kerna's Behavioral Health Technologies. The deal expands our provider support business market share, making the Total Brain platform available to a significant percentage of Kerna's managed patients as part of the TTB Inside implementation. Further, Kerna's provider clients will have access to Total Brain's patient management and reporting capabilities. This deal is not only another validation of our platform, it also represents a significant opportunity for incremental ARR as the relationship scales over time.
- Total Brain also grew its provider support segment client base in the first half of the financial year through TTB Direct implementations, adding 14 new provider customers. The initial deals represent only small initial revenue, but many of these new clients have the potential to scale, in some cases quite significantly, as they expand access to Total Brain to additional clinicians and patients. This growth is attributed to the company's relaunch of its provider platform earlier in the financial year and the updated GTM focus. We expect to continue adding more of these types of providers in the coming quarters.
- We announced several deals in our precision medicine and pharma support segment to license research data from our iSPOT-D study, or the International Study to Predict Optimized Treatment for Depression:
 - Janssen Research & Development, LLC, a division of Johnson & Johnson, entered a perpetual, non-exclusive license with Total Brain for USD \$2.2M (A\$3.006M).
 - Additionally, Alto Neuroscience, Inc. entered a perpetual, non-exclusive license with Total Brain for USD \$500K (A\$685K).
 - We see this segment, which is focused on support for precision medicine, as a new opportunity to leverage one of our key differentiators - our extensive data.

2. BUSINESS OPERATIONS

2.1 Marketing

In the first half of the financial year, Marketing executed an aggressive event strategy, primarily targeted at behavioral health and addiction providers, as well as complementary health platforms. These events provided a platform for thought leadership speaking roles, an opportunity to bring our #thisisnormal brand campaign to life, and, most importantly, the chance for high-touch engagements with prospect decision makers. Our event strategy was complemented by targeted digital marketing efforts that created inbound opportunities. This approach enabled marketing to exceed its lead generation targets in all segments, while maintaining strong lead conversion rates through the funnel.

As part of the October right-sizing exercise, management refocused the company's direct go-to-market efforts on 3 scalable segments:

- **Population Health** - Combining our "Corporate Wellness" and "Affinity" segments to simplify our positioning, align against market needs and manage associated costs. In this consolidated segment, we provide end user and population management tools for large consumer groups, corporations, and platforms. This includes TTB Inside opportunities like IBM and AARP, but also TTB Direct opportunities in corporate wellness, like Boeing and Nationwide.
- **Provider Support** - Previously referred to as "Clinical" - we have updated this language to reflect the common terminology used in the market when selling to providers as we do. Here we provide patient and provider tools for healthcare use cases. This includes TTB Inside opportunities like Kerna Health, as well as TTB Direct opportunities with behavioral health and addiction providers, health systems, etc.
- **Precision Medicine and Pharma Support** - Here we provide data and research tools to support precision medicine, pharmaceutical drug discovery and clinical trials. This includes data licensing deals with large pharma companies like Johnson & Johnson, as well as product licensing opportunities for the total brain platform, which can be leveraged to collect data in clinical trials.

Commensurate with that refocusing, we sharpened our value proposition articulation for each segment, and are now executing an aggressive go-to-market strategy. For our largest target prospects in each segment, we are taking a sales-led, marketing-supported approach, involving account-based marketing and high touch events, intended to generate interactions with key decision makers at each account. This approach will be complemented by a marketing-led, sales-supported approach against mid-size providers, featuring a scalable effort to efficiently drive top of funnel leads and mid-funnel conversions through targeted digital marketing efforts.

2.2 Sales and Customer Success

The half-year ended 31 December 2021 has been an exciting time for Total Brain, with increasing traction across each of our priority segments, and the signing of several material deals for the business.

In our population health segment, Total Brain recognised revenue of \$A150k in relation to platform licensing to IBM, a population health segment customer. The licensing related to IBM's launch of GRIT (IBM's Health and Wellness 360 application) with the Veteran Affairs area of the US Government (VA).

IBM formally launched GRIT in early December and the approach the VA took was to introduce the solution first to several veteran service organizations ('VSOs'), so they can get feedback from users and refine the rollout based on that before extending more broadly across additional VSOs and the VA population. We expect to continue the population expansion in the coming months.

Within the population health segment, we also deepened our relationships with many of our corporate wellness clients. Faced with the challenges of COVID, these corporations are leaning more heavily on us to deliver marketing programs and webinar content in support of employee mental health. This has provided our team with the opportunity to shine as thought leaders in the sector, while generating higher Total Brain platform engagement rates among these employee populations. Our efforts here have been very positively received, and we expect they will help us retain, and in some cases, expand, our business with these companies, despite an increasingly competitive environment.

A new provider support segment deal was signed with Kerna Health to integrate Total Brain's platform into Kerna's Behavioral Health Technologies, expanding our provider support business market share. Under the terms of the non-exclusive deal, and as the partnership scales over the upcoming 12 to 18 months, Total Brain's assessment and self-care tools will become available to a significant percentage of Kerna's managed patients as part of the TTB Inside implementation. Further, Kerna's provider clients will have access to Total Brain's patient management and reporting capabilities.

Kerna has an extensive customer network which includes physician offices, hospitals, accountable care organizations, and long-term care facilities, with plans for significant growth in 2022. This deal is not only another validation of our platform, it also represents a significant opportunity for incremental ARR as the relationship scales over time.

Total Brain also grew its provider support segment client base in during the period through TTB Direct implementations, adding 14 new provider customers. The initial deals represent only small initial revenue, but many of these new clients have the potential to scale, in some cases quite significantly, as they expand access to Total Brain to additional clinicians and patients. This growth is attributed to the company's relaunch of its provider platform earlier in the year and the updated GTM focus. We expect to continue adding more of these types of providers in the coming quarters.

Finally, we announced several deals in our precision medicine and pharma support segment to license research data from our iSPOT-D study, or the International Study to Predict Optimized Treatment for Depression. These perpetual, non-exclusive license deals included an A\$3.006M deal with Janssen Research & Development, LLC, a division of Johnson & Johnson, as well as an A\$685K deal with Alto Neuroscience. We see this segment, which is focused on support for precision medicine, as a new opportunity to leverage one of our key differentiators - our extensive data.

2.3 Product and Technology

During the half year ended 31 December 2021, we have continued to build on our scalable and configurable platform, adding new features and capabilities that we believe will provide significant additional value to our current and future customers in these segments.

These new additions included new training content to support user self-care, new features to better support provider needs, and the most notable of these new additions - the first feature release of our new stress measurement and management capability.

Stress mastery has long been viewed as the gateway to improved mental health. Chronic and unconscious stress underpins many of the most common mental health conditions, from anxiety to addiction. It also contributes to physical health issues such as cardiovascular disease. With that in mind, we looked to expand our feature set to

help our users monitor stress levels, while providing them with intervention tools to help reduce stress in the moment and over time.

This quarter, we introduced the ability to measure heart rate variability, which is the best physical marker of a person's stress level. By placing their finger over a cell phone camera and flash, users can get a measure of their stress levels in less than 60 seconds.

In this first release, we've coupled the measurement feature with our Resonant Breathing exercise, which helps the user breathe at a stress reducing 6 breaths per minute. The experience allows users to measure their stress levels, try the breathing exercise, and then measure their stress levels again, providing immediate feedback on the impact of the exercise and showing the user how they can reduce stress in the moment. This is an initial public release and currently available to iOS users only. We anticipate rolling this feature out to Android, and eventually, to wearable devices.

Given the link between stress and mental health, as well as stress' link to physical health and performance, we believe this feature, and the future expanded capabilities, will not only provide significant incremental value to our current customers, but are likely to open new market opportunities for us in the future.

2.4 Human Resources

Despite the continued challenges posed by COVID, and the restructuring we undertook in October 2021, the Total Brain team remains incredibly motivated and energized by the opportunities ahead. We have continued our cadence of regular, virtual all-hands meetings and created a culture committee to look for more opportunities to increase employee interactions and engagements despite our virtual setting.

3. FINANCIALS

3.1 Revenues

For the 6 months ended 31 December 2021, Total Brain's revenues increased by 171% year-over-year to \$5.407 million. This increase was driven mainly by \$3.006 million in revenue related to licensing of the iSPOT scientific data. The other reporting segments also increased revenue by 20% relative to the prior reporting period. These figures mark the transition that Total Brain has undergone in the last 18 months to a SaaS business earning revenue that is predominantly recurring in nature. Management expects the growth in its core business lines to accelerate materially in the coming quarters, as evident by the positive sales momentum reflected in the year-over-year ARR growth of 39% to \$4.86 million as of 31 December 2021.

3.2 Expenses

Total expenses for the period increased by \$1.9 million year-over-year, while cash expenses (excluding depreciation, amortization, and share-based payments) were up by \$1.1 million. The main components of the increase in cash expenses were due to cost of goods, operating, and administrative costs. Management does not expect a material increase in the ongoing expense base of the Company given the tremendous operating leverage in the business today.

3.3 Cash Flow

Average monthly cash consumption, net of revenue, for the 6 months ended 31 December 2021 was \$0.3 million, reflecting a decrease of 46% compared to the prior period. The Company's closing cash balance as of 31 December 2021 was \$4.6 million, a \$3.2 million increase 30 June 2021.

4. OUTLOOK

Despite the continued challenges of the pandemic, we remain bullish about the future prospects for our business. The efforts we undertook during the year reduced our cost base, strengthened our cash position, and tightened our go to market strategy. The deals that we signed provided further validation of the value of our platform, our data, and our traction in the segments where we've chosen to focus. While our sales pipeline is still maturing, and we cannot yet consistently predict deals, the recent traction we've seen, particularly in the last quarter, suggest a bright future ahead.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Total Brain Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Total Brain Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dr Evian Gordon - Executive Chairman
Mr Matthew Morgan - Non-Executive Director
Mr David Torrible - Non-Executive Director
Mr David Daglio - Non-Executive Director
Mr Louis Gagnon - Managing Director and Chief Executive Officer (resigned on 12 November 2021)

Principal activities

The principal activity of the Group is developing and selling brain health products.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the Group after providing for income tax amounted to \$2,586,984 (31 December 2020: \$4,057,756).

The COVID-19 pandemic has not only severely impacted the physical health of people around the world, but also led to an unprecedented increase in stress, fear, and anxiety for the population at large making mental health an urgent priority to all. In this regard, the Group is mobilised to take advantage of the opportunities that this pandemic has created globally, thus the impact of COVID-19 up to 31 December 2021 has been financially positive for the Group, with revenue from the Group's SaaS recurring revenue from the Population Health and Provider Support markets increasing by \$374,695 relative to the prior reporting period.

A review of the operations of the Group during the financial half-year and the results of those operations are contained in the Operating and Financial Review section of this report.

Significant changes in the state of affairs

On 21 July 2021, the Group received commitments from eligible investors to raise capital. The capital raising comprised (i) \$2,499,998 received from 9,615,378 shares issued on 29 July 2021 at \$0.26 per share (Placement), and (ii) \$4,022,586 received relating to 15,471,969 share issued pertaining to a 1 for 7 non-renounceable entitlement offer at \$0.26 per share which closed on 19 August 2021 (Entitlement Offer). Participants in both the Placement and Entitlement Offer received 1 free attaching option for every 2 new shares issued. The options have an exercise price of \$0.36 and expire 12 months from the date of issue.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Matthew Morgan
Non-Executive Director

28 February 2022

Auditor's Independence Declaration

To the Directors of Total Brain Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Total Brain Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 28 February 2022

Financial Statements

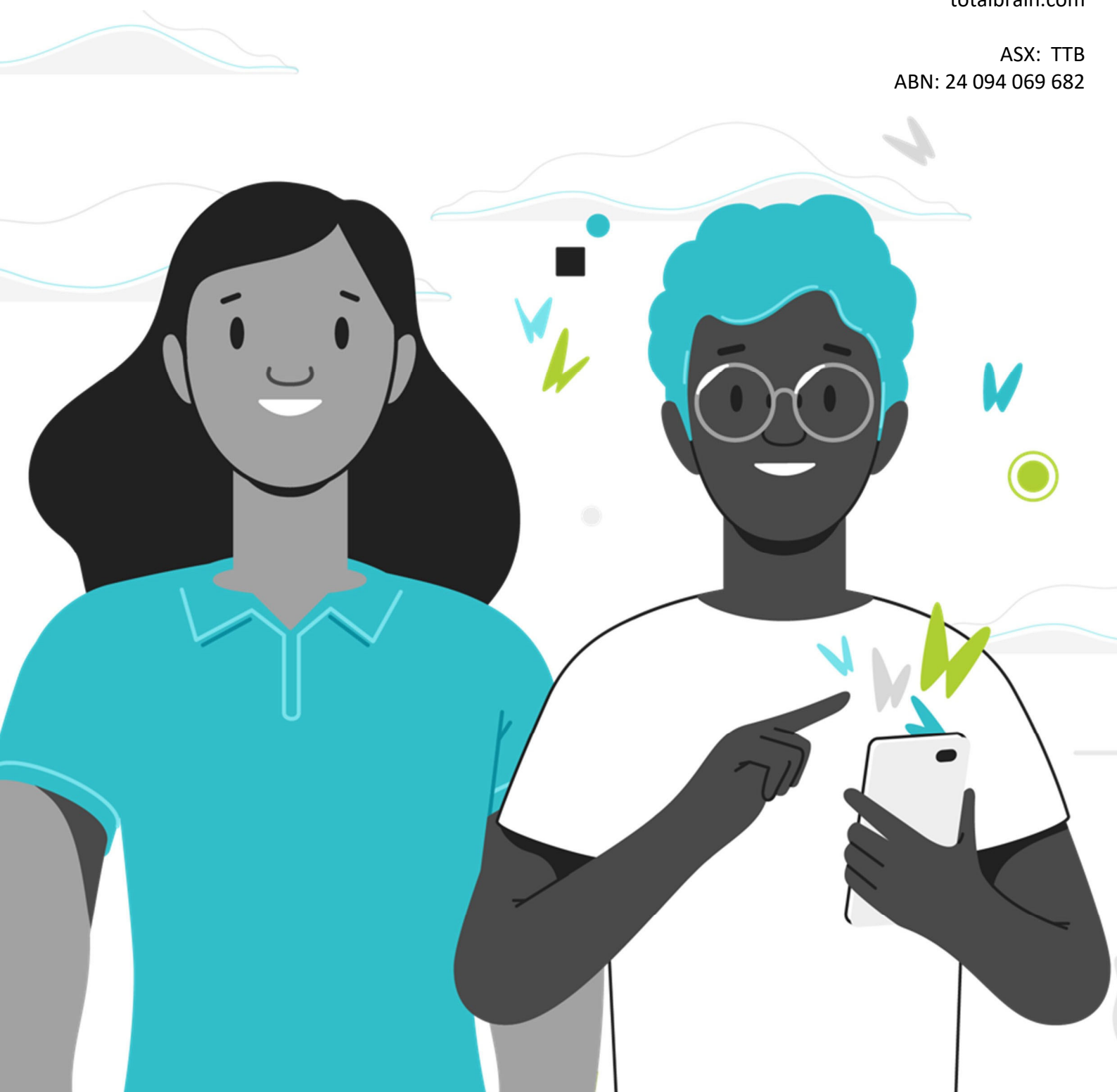
Half Year Ended 31 December 2021

ir@totalbrain.com

totalbrain.com

ASX: TTB

ABN: 24 094 069 682



Total Brain Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 31 Dec 2021 | 31 Dec 2020 |
| | | \$ | \$ |
| Revenue | 4 | 5,406,682 | 1,998,670 |
| Interest income calculated using the effective interest method | | 58 | 717 |
| Expenses | | | |
| Cost of equipment and third-party drug trial expense | 5 | (592,638) | (139,232) |
| Employee benefits expense | | (4,279,372) | (4,019,648) |
| Corporate and operating costs | | (1,881,063) | (1,616,997) |
| Depreciation and amortisation expense | 5 | (724,745) | (189,124) |
| Share-based payments expense | 14 | (359,503) | (142,974) |
| Net foreign exchange losses | | (49,751) | (14,333) |
| Finance costs | 5 | (106,652) | - |
| Loss before income tax benefit | | (2,586,984) | (4,122,921) |
| Income tax benefit | | - | 65,165 |
| Loss after income tax benefit for the half-year attributable to the owners of Total Brain Limited | | (2,586,984) | (4,057,756) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 49,392 | (535,147) |
| Other comprehensive income for the half-year, net of tax | | 49,392 | (535,147) |
| Total comprehensive income for the half-year attributable to the owners of Total Brain Limited | | <u>(2,537,592)</u> | <u>(4,592,903)</u> |
| | | Cents | Cents |
| Basic earnings per share | 13 | (2.02) | (3.75) |
| Diluted earnings per share | 13 | (2.02) | (3.75) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Total Brain Limited
Statement of financial position
As at 31 December 2021



| | | Consolidated | |
|-----------------------------|-------------|---------------------|---------------------|
| | Note | 31 Dec 2021 | 30 Jun 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,606,737 | 1,427,349 |
| Trade and other receivables | 6 | 4,516,679 | 5,102,392 |
| Contract assets | | 45,769 | 2,774 |
| Prepayments | | 462,415 | 218,353 |
| Total current assets | | <u>9,631,600</u> | <u>6,750,868</u> |
| Non-current assets | | | |
| Plant and equipment | | 259,055 | 283,185 |
| Intangibles | 7 | 18,749,211 | 17,043,682 |
| Other | | 10,560 | 10,560 |
| Total non-current assets | | <u>19,018,826</u> | <u>17,337,427</u> |
| Total assets | | <u>28,650,426</u> | <u>24,088,295</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 1,190,161 | 513,744 |
| Contract liabilities | | 342,098 | 934,181 |
| Borrowings | 9 | 4,835,317 | 4,266,720 |
| Employee benefits | | 428,119 | 391,599 |
| Total current liabilities | | <u>6,795,695</u> | <u>6,106,244</u> |
| Total liabilities | | <u>6,795,695</u> | <u>6,106,244</u> |
| Net assets | | <u>21,854,731</u> | <u>17,982,051</u> |
| Equity | | | |
| Issued capital | 10 | 84,475,949 | 78,425,180 |
| Reserves | | 4,697,862 | 4,288,967 |
| Accumulated losses | | <u>(67,319,080)</u> | <u>(64,732,096)</u> |
| Total equity | | <u>21,854,731</u> | <u>17,982,051</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Total Brain Limited
Statement of changes in equity
For the half-year ended 31 December 2021



| Consolidated | Issued capital \$ | Foreign currency reserves \$ | Share-based payments reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|---|---|----------------------------------|----------------------------|
| Balance at 1 July 2020 | 78,425,180 | 425,791 | 3,952,196 | (56,415,323) | 26,387,844 |
| Loss after income tax benefit for the half-year | - | - | - | (4,057,756) | (4,057,756) |
| Other comprehensive income for the half-year, net of tax | - | (535,147) | - | - | (535,147) |
| Total comprehensive income for the half-year | - | (535,147) | - | (4,057,756) | (4,592,903) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments | - | - | 142,974 | - | 142,974 |
| Balance at 31 December 2020 | <u>78,425,180</u> | <u>(109,356)</u> | <u>4,095,170</u> | <u>(60,473,079)</u> | <u>21,937,915</u> |

| Consolidated | Issued capital \$ | Foreign currency reserves \$ | Share-based payments reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|---|---|----------------------------------|----------------------------|
| Balance at 1 July 2021 | 78,425,180 | (152,772) | 4,441,739 | (64,732,096) | 17,982,051 |
| Loss after income tax expense for the half-year | - | - | - | (2,586,984) | (2,586,984) |
| Other comprehensive income for the half-year, net of tax | - | 49,392 | - | - | 49,392 |
| Total comprehensive income for the half-year | - | 49,392 | - | (2,586,984) | (2,537,592) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 10) | 6,050,769 | - | - | - | 6,050,769 |
| Share-based payments (note 14) | - | - | 359,503 | - | 359,503 |
| Balance at 31 December 2021 | <u>84,475,949</u> | <u>(103,380)</u> | <u>4,801,242</u> | <u>(67,319,080)</u> | <u>21,854,731</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Total Brain Limited
Statement of cash flows
For the half-year ended 31 December 2021



| | Consolidated | |
|---|---------------------|--------------------|
| Note | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 4,492,444 | 1,613,000 |
| Payments to suppliers and employees (inclusive of GST) | (6,320,408) | (5,912,248) |
| Interest received | 58 | 717 |
| Interest and other finance costs paid | (143,895) | - |
| Net cash used in operating activities | (1,971,801) | (4,298,531) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (24,155) | (36,377) |
| Payments for intangibles | 7 (2,351,175) | (2,506,263) |
| Net cash used in investing activities | (2,375,330) | (2,542,640) |
| Cash flows from financing activities | | |
| Proceeds from issue of ordinary shares | 6,522,584 | - |
| Proceeds from borrowings | 2,210,219 | - |
| Share issue transaction costs | (471,815) | - |
| Repayment of borrowings | (792,569) | - |
| Net cash from financing activities | 7,468,419 | - |
| Net increase/(decrease) in cash and cash equivalents | 3,121,288 | (6,841,171) |
| Cash and cash equivalents at the beginning of the financial half-year | 1,427,349 | 11,104,729 |
| Effects of exchange rate changes on cash and cash equivalents | 58,100 | (556,286) |
| Cash and cash equivalents at the end of the financial half-year | <u>4,606,737</u> | <u>3,707,272</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Total Brain Limited as a Group consisting of Total Brain Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Total Brain Limited's functional and presentation currency.

Total Brain Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

15 Belvoir Street
Surry Hills NSW 2010

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

During the half-year, the Group incurred a net loss after tax of \$2,586,984 (31 December 2020: \$4,057,756) and net operating cash outflows of \$1,971,801 (31 December 2020: \$4,298,531). Prima facie, these matters give rise to a material uncertainty regarding the Group's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis. In making this assessment, the Directors have considered the following:

- the Group's financial position as at December 2021, with net current assets of \$2,835,905 (30 June 2021: \$644,624) and net assets of \$21,854,731 (30 June 2021: \$17,982,051);
- the positive cash flow forecast for the Group for the period of 12 months from the approval of the financial statements;
- forecast sales and profitability forecasts for the Group;
- accessing additional sources of capital; and
- continued support of the Group's shareholders.

Note 2. Significant accounting policies (continued)

On this basis, the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not have the ability to continue as a going concern. If for any reason the Group is unable to continue as a going concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in these financial statements.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment being the development and commercialisation of brain health products, primarily delivered to a range of users through the one Total Brain platform. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Geographical information

The majority of revenue is derived in the United States.

Note 4. Revenue

| | Consolidated 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|---------------------------------------|-----------------------------------|-------------------|
| Total Brain - Population Health * | 2,102,493 | 1,834,686 |
| Total Brain - Provider Support ** | 247,343 | 140,454 |
| Precision Medicine/Pharma Support *** | 3,005,785 | - |
| Other Revenue | 51,061 | 23,530 |
| Revenue | <u>5,406,682</u> | <u>1,998,670</u> |

Revenue from contracts with customers is derived from the Group's combined database which includes both Total Brain International Database ('TBID') and Data Licensing data. The revenue is split based on go to market channels as follows:

- * Population Health revenue primarily comprises fees received from large consumer groups, corporations and platforms who provide access to the Group's software platform to their constituents.
Customers include:
 - (i) Corporate - B2B customers who provide access to the Group's software platform to their employees; and
 - (ii) Affinity - Partners who provide access to the Group's software platform to their members.
- ** Provider Support revenue comprises revenue from clinics who provide access to the Group's software platform to their clients.
- *** Precision Medicine/Pharma Support revenue comprises revenue received from customers who are provided access to the data assets.

Note 4. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|--|-----------------------------------|-------------------|
| <i>Major revenue lines</i> | | |
| Software license | 2,383,383 | 1,986,930 |
| Services and access fees | 3,023,299 | 11,740 |
| | <u>5,406,682</u> | <u>1,998,670</u> |
| <i>Timing of revenue recognition</i> | | |
| Revenue transferred over time | 2,383,383 | 1,986,930 |
| Revenue transferred at a point in time | 3,023,299 | 11,740 |
| | <u>5,406,682</u> | <u>1,998,670</u> |

The majority of revenue is derived in the United States.

Note 5. Expenses

| | Consolidated 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|--|-----------------------------------|-------------------|
| Loss before income tax includes the following specific expenses: | | |
| <i>Cost of sales</i> | | |
| Cost of equipment and third-party drug trial expense | 592,638 | 139,232 |
| <i>Depreciation</i> | | |
| Plant and equipment | 40,825 | 36,937 |
| <i>Amortisation</i> | | |
| Development | 683,920 | 152,187 |
| Total depreciation and amortisation | 724,745 | 189,124 |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on borrowings | 106,652 | - |
| <i>Leases</i> | | |
| Short-term lease payments* | 80,978 | 83,147 |
| <i>Government grants offset against employee benefit expense</i> | | |
| Government grants** | - | 100,500 |
| Offset against cost of intangibles | - | (23,120) |
| Total government grants offset against employee benefit expense | - | 77,380 |

Note 5. Expenses (continued)

- * The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss on a straight-line basis.
- ** During the COVID-19 pandemic, the Group has received stimulus support payments of \$nil (31 December 2020: \$100,500) from the Australian Government. These have been recognised as government grants in the financial statements with partial offsets against the cost of intangibles and offset against employee benefits expense over the periods in which the related employee benefits are recognised as an expense.

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|--|------------------|------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Trade receivables | 704,466 | 286,124 |
| Less: Allowance for expected credit losses | (1,386) | (1,241) |
| | <u>703,080</u> | <u>284,883</u> |
| Other receivables | 3,689 | 7,660 |
| Government grant receivable for research and development tax incentive (R&D) | 2,362,848 | 2,389,484 |
| Government grant receivable - others* | 1,447,062 | 2,420,365 |
| | <u>3,813,599</u> | <u>4,817,509</u> |
| | <u>4,516,679</u> | <u>5,102,392</u> |

- * The related bank loan was forgiven as disclosed in note 9.

Note 7. Non-current assets - intangibles

| | Consolidated | |
|--------------------------------|-------------------|-------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Database - at cost | 22,226,145 | 22,226,145 |
| Less: Accumulated impairment | (9,323,043) | (9,323,043) |
| | <u>12,903,102</u> | <u>12,903,102</u> |
| Development- at cost | 10,183,958 | 7,793,270 |
| Less: Accumulated amortisation | (3,793,069) | (3,107,910) |
| Less: Impairment | (544,780) | (544,780) |
| | <u>5,846,109</u> | <u>4,140,580</u> |
| | <u>18,749,211</u> | <u>17,043,682</u> |

Note 7. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Database \$ | Development \$ | Total \$ |
|-----------------------------|-------------------|-------------------|-------------------|
| Balance at 1 July 2021 | 12,903,102 | 4,140,580 | 17,043,682 |
| Additions | - | 2,375,664 | 2,375,664 |
| Exchange differences | - | 13,785 | 13,785 |
| Amortisation expense | - | (683,920) | (683,920) |
| Balance at 31 December 2021 | <u>12,903,102</u> | <u>5,846,109</u> | <u>18,749,211</u> |

Impairment testing

The intangible assets are tested for impairment as a single Cash Generating Unit ('CGU'), as the individual assets do not currently generate largely independent cash flows.

As at the reporting date, the intangible assets were tested for impairment, where the recoverable amount was based on fair value less costs of disposal. Fair value is determined by the Directors and management based on an assessment of the price that would be received to sell the intangibles of the Group, including the Total Brain International Database ('TBID') and iSPOT in an orderly transaction between market participants at the measurement date.

The approach and key assumptions used in the assessment of fair value was based on the replacement cost valuation methodology.

The key assumptions on which management based its determination of fair value were to consider all of the direct and indirect costs that would be required in order to create assets of equivalent utility—that is, to create an asset that provides similar function and equivalent utility. Reference was made to past experience and external sources of information.

The recoverable amount was higher than the carrying amount and therefore no further impairment expense was recognised.

Sensitivity

The directors have made judgements and estimates in respect of impairment testing of intangible assets. Any reasonable change in the key assumptions would not result in an impairment charge.

Note 8. Current liabilities - trade and other payables

| | Consolidated | |
|------------------|-------------------|-------------------|
| | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
| Trade payables | 485,081 | 204,778 |
| Accrued expenses | 499,091 | 257,539 |
| Other payables | 205,989 | 51,427 |
| | <u>1,190,161</u> | <u>513,744</u> |

Note 9. Current liabilities - borrowings

| | Consolidated | |
|-------------|------------------|------------------|
| | 31 Dec 2021 | 30 Jun 2021 |
| | \$ | \$ |
| Bank loans | 1,447,062 | 2,420,365 |
| Other loans | 3,388,255 | 1,846,355 |
| | <u>4,835,317</u> | <u>4,266,720</u> |

Bank loans

On 3 May 2020, a bank loan of \$1,017,191 was granted to Brain Resource Inc under the Coronavirus Aid Relief and Economic Security Act ('CARES Act') in the United States. This loan was forgiven on 12 July 2021.

On 2 April 2021, another bank loan of \$1,403,174 was granted to Brain Resource Inc under the CARES Act. The loan matures on 2 April 2026. Interest is 1% per annum paid monthly in arrears. No repayments are due within six months from the date of disbursements of the bank loan. This loan is yet to be forgiven under the CARES Act.

Other loans

During the half-year ended 31 December 2021, the term of the other loan of \$1,289,754 (30 June 2021: 1,846,355) has been extended by 4 months to 18 March 2022. Interest still accrues at the rate of 12% per annum. Total accrued interest as at 31 December 2021 amounted to \$84,148.

During the half-year ended 31 December 2021, the Group received the following additional loans from non-related parties:

- On 9 August 2021, the Group received a \$28,007 loan from an unrelated party. The loan is payable in monthly instalments ending on 26 April 2022 with an interest rate of 5.85% per month.
- On 25 August 2021, the Group received a \$166,398 loan from an unrelated party. The loan is payable in monthly instalments ending on 25 May 2022 with an interest rate of 3.98% per month.
- On 7 December 2021, the Group received a \$2,000,000 loan from an unrelated party. The loan is payable on 31 May 2022 with an interest rate of 1.1% per month. Prepaid interest of \$127,600 was paid to the lender.

Note 10. Equity - issued capital

| | 31 Dec 2021 Shares | Consolidated 30 Jun 2021 Shares | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
|------------------------------|-----------------------|---------------------------------------|-------------------|-------------------|
| Ordinary shares - fully paid | <u>133,391,131</u> | <u>108,303,784</u> | <u>84,475,949</u> | <u>78,425,180</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2021 | 108,303,784 | | 78,425,180 |
| Issue of shares from share placement (i) | 29 July 2021 | 9,615,378 | \$0.260 | 2,499,998 |
| Issue of shares from entitlement offer (ii) | 19 August 2021 | 15,471,969 | \$0.260 | 4,022,586 |
| Share issue transaction costs, net of tax | | | | (471,815) |
| Balance | 31 December 2021 | <u>133,391,131</u> | | <u>84,475,949</u> |

- (i) The shares issued from the share placement has one attaching option for every two new shares issued. The total options issued in relation to the share placement is 4,807,677 with an exercise price of \$0.36 per option and expire 12 months from the date of issue on 19 August 2022.
- (ii) The shares issued from the entitlement offer has one attaching option for every two new shares issued. The total options issued in relation to the entitlement offer is 7,735,949 with an exercise price of \$0.36 per option and expire 12 months from the date of issue on 19 August 2022.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Contingent liabilities

The Group has given bank guarantees as at 31 December 2021 of \$10,560 (30 June 2021: \$10,560) to various landlords.

The Group also has a contingent liability in respect of a dispute with two former staff members. As the dispute is at an early state of proceedings, it is not possible to determine the likelihood or amount of any settlement should the Group not be successful in litigating the case.

Note 13. Earnings per share

| | Consolidated | |
|---|--------------|-------------|
| | 31 Dec 2021 | 31 Dec 2020 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Total Brain Limited | (2,586,984) | (4,057,756) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 127,777,158 | 108,303,784 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 127,777,158 | 108,303,784 |
| | Cents | Cents |
| Basic earnings per share | (2.02) | (3.75) |
| Diluted earnings per share | (2.02) | (3.75) |

14,461,370 exercisable and 9,977,115 un-exercisable options (31 December 2020: 17,923,698 exercisable and 11,558,531 un-exercisable options) over ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive for the half-year ended 31 December 2021. These options could potentially dilute basic earnings per share in the future.

Note 14. Share-based payments

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to the personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

On 20 December 2021, the Group issued a total of 3,635,002 options as part of the share option plan.

Total expense arising from share-based payment transactions during the financial half-year was \$359,503 (31 December 2020: \$142,974).

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows and based on the issuance of 35,156 options on 19/07/21, 33,516 options on 13/08/21 and 3,566,330 on 12/11/21:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 19/07/2021 | 19/07/2026 | \$0.313 | \$0.200 | 75.00% | - | 0.60% | \$0.216 |
| 13/08/2021 | 13/08/2026 | \$0.251 | \$0.200 | 75.00% | - | 0.62% | \$0.163 |
| 12/11/2021 | 12/11/2026 | \$0.152 | \$0.200 | 75.00% | - | 1.44% | \$0.085 |

Note 15. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Matthew Morgan", written over a horizontal line.

Mr Matthew Morgan
Non-Executive Director

28 February 2022

Independent Auditor's Review Report

To the Members of Total Brain Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Total Brain Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Total Brain Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Total Brain Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$2,586,984 during the half year ended 31 December 2021 and had cash outflows from operations of \$1,971,801 for the period. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

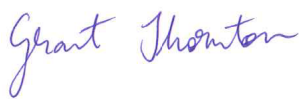
Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 28 February 2022

Half Year Report

Half Year Ended 31 December 2021

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