

# Notice of Annual General Meeting

Total Brain Limited ACN 094 069 682

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Notice is given that the annual general meeting of Total Brain Limited ACN 094 069 682 (**Company** or **Total Brain**) will be held at:

<b>Location</b>	Level 3, 62 Lygon Street, Carlton, Victoria 3053 and virtually (online) at <a href="https://web.lumiagm.com/384838786">https://web.lumiagm.com/384838786</a>
<b>Date</b>	Monday, 31 October 2022
<b>Time</b>	9:00 am (Melbourne time)

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Shareholders of the Company should carefully consider the Independent Expert's Report (**IER**) prepared by PKF Melbourne Corporate Pty Ltd (**Independent Expert**) before considering resolution 4 in this Notice of Meeting.

The IER comments on whether the proposed transaction the subject of resolution 4 as a whole is in the best interests of the current Shareholders in the Company. The Independent Expert has concluded that the proposed transaction the subject of resolution 4 is not fair but reasonable to the current Shareholders in the Company.

The TTB Group have prepared, and are responsible for, the content of this Notice of Meeting other than, to the maximum extent permitted by law, the IER or any other report or letter issued to the TTB Group by a third party.

## Important information for Shareholders

The Company plans to hold the General Meeting both physically at Level 3, 62 Lygon Street, Carlton, Victoria 3053 and virtually. As at the date of this Notice of Meeting, many of the restrictions and guidelines implemented by the Australian Federal and State Governments in response to the ongoing Coronavirus (COVID-19) pandemic including those in relation to travel, public gatherings and social distancing, have been significantly relaxed or removed. Nonetheless, due to the continuation of the COVID-19 pandemic, shareholders are encouraged to attend the meeting virtually where possible. In line with market practice, the Company will take precautionary measures to manage the health and safety of shareholders, employees and other stakeholders in holding the General Meeting.

Shareholders who choose to physically attend the General Meeting will be required to comply with such Government restrictions and guidelines and the reasonable directions of the Company or the venue operator. The Company reserves the right to refuse entry to Shareholders choosing to physically attend the General Meeting in circumstances where it is required to do so to comply with Government restrictions and guidelines.

The Chairman will be calling a poll in respect of each resolution. Shareholders may vote on the poll either by attending in person, appointing a proxy, power of attorney or corporate representative (refer to the "Notes" section below for additional information). Shareholders should be aware that voting via the webcast will not be available. The Company strongly encourages Shareholders to submit their votes by proxy prior to the close of proxies at 9:00 a.m. (Melbourne time) on 29 October 2022.

### *Online participation*

Shareholders who wish to participate in the General Meeting only may do so from their computer or mobile device, by entering the following URL into their browser: <https://web.lumiagm.com/384838786> (Lumi Meeting ID: **384-838-786**).

You can log into the General Meeting by entering:

- your username, which is your Voting Access Code (VAC), which can be located on the first page of your proxy form or the Notice of Meeting email; and
- your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should use their country code or refer to the user guide for their password details.

For instructions on how to download and use the online platform please see the online meeting guide located on the Company's website containing details on attending and voting at the General Meeting.

Shareholders who are entitled to cast votes at the General Meeting may submit written questions to the Company if the question is relevant to the resolutions the subject of the General Meeting or the business of the Company. Shareholders may submit written questions either:

- at any time prior to 5:00 pm (Melbourne time) on 21 October 2022 to the Company Secretary at [info@thecfo.com.au](mailto:info@thecfo.com.au) ; or
- during the course of the General Meeting, through the meeting link for the General Meeting set out above.

If you have any questions regarding attendance at, or submitting questions for, the General Meeting, please contact the Company's share registry, Boardroom Pty Limited, by telephone on 1300 737 760 (from within Australia) or +61 2 9290 9600 (outside of Australia).

Due to the circumstances, the Directors do not intend to attend the General Meeting in person and will attend either online or via teleconference.

# Ordinary Business

## Financial statements and reports

To consider and receive the Annual Report of the Company and its controlled entities for the year ended 30 June 2022, which includes the Financial Report, the Directors' Report and the Auditor's Report.

## Resolution 1 – Directors' remuneration report

To consider and, if in favour, pass the following resolution in accordance with section 250R(2) of the Corporations Act:

*'That the Remuneration Report be adopted.'*

Note: This resolution shall be determined under section 250R(2) of the Corporations Act. Votes must not be cast on this resolution by Key Management Personnel and closely related parties in contravention of section 250R or 250BD Corporations Act. Restrictions also apply to votes cast as proxy unless exceptions apply.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this resolution.

## Resolution 2 – Re-election of Mr Matthew Morgan

To consider and, if in favour, pass the following as an ordinary resolution:

*'That Mr Matthew Morgan who retires as a Director of the Company in accordance with Listing Rule 14.4 and clause 18.3(b) of the Company's constitution and being eligible, be elected as a Director.'*

Note: Information about the candidate appears in the Explanatory Memorandum.

The Directors (with Mr Matthew Morgan abstaining) recommend that you vote in favour of this resolution.

## Resolution 3 – Re-election of Mr David Torrible

To consider and, if in favour, pass the following as an ordinary resolution:

*'That Mr David Torrible who retires as a Director of the Company in accordance with Listing Rule 14.4 and clause 18.3(b) of the Company's constitution and being eligible, be elected as a Director.'*

Note: Information about the candidate appears in the Explanatory Memorandum.

The Directors (with Mr David Torrible abstaining) recommend that you vote in favour of this resolution.

# Special Business

## Resolution 4 – Disposal of main undertaking

To consider and, if in favour, to pass the following resolution as an ordinary resolution:

*'That, for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the disposal of substantially all of the assets comprising the Business, being the main undertaking of the Company, to SonderMind Inc. on the terms and conditions described in the Explanatory Memorandum.'*

The Directors unanimously recommend that you vote in favour of this resolution.

**Independent Expert's Report:** Shareholders should carefully consider the accompanying Independent Expert's Report prepared by PKF Melbourne Corporate Pty Ltd for the purposes of the Shareholder approvals required under Listing Rule 11.2. The Independent Expert's Report comments on whether the transaction the subject of resolution 4 as a whole is in the best interests of the Shareholders of the Company and has concluded that the transaction the subject of resolution 4 is not fair but reasonable to the Shareholders of the Company.

Dated: 29 September 2022

By order of the Board

**Nathan Jong**  
Company Secretary

# Voting exclusion statement

## Corporations Act

### Resolution 1

In accordance with the Corporations Act, the Company will disregard any votes cast in relation to this resolution by or on behalf of the Key Management Personnel (**KMP**) in any capacity whose remuneration is included in the Remuneration Report and the closely related parties (as defined in the Corporations Act) of a KMP (**Excluded Persons**). However, an Excluded Person may cast a vote on the resolution if:

- that person does so as a proxy appointed in writing that specifies how the proxy is to vote on the resolution and the vote is not cast on behalf of an Excluded Person; or
- the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the undirected proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

## Listing Rules

In accordance with Listing Rules 11.2 and 14.11, the Company will disregard any votes cast in favour of the resolution by or on behalf of the following persons:

### Resolution 4 – Disposal of main undertaking

SonderMind and any other person who will obtain a material benefit as a result of the disposal of the Company's main undertaking (except a benefit solely by reason of being a holder of ordinary securities in the Company), or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the resolution by:

- 1 a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- 2 the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- 3 a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (a) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - (b) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

## Notes

- 1 Subject to the Corporations Act a Shareholder who is entitled to attend and cast a vote at the General Meeting is entitled to appoint not more than two proxies.
- 2 The proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

- 3 If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** proxy form. Proxy forms must be returned in accordance with the instructions set out in the proxy form by 48 hours prior to the General Meeting, being by 9:00 am (Melbourne time) on 29 October 2022.
- 4 The chair of the General Meeting intends to vote all undirected proxy votes in favour of all resolutions.
- 5 A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- 6 The Company has determined under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that for the purpose of determining a conference to vote and attend at the General Meeting or any adjourned meeting, securities are taken to be held by those persons recorded in the Company's register of Shareholders as at 9:00 am (Melbourne time) on 29 October 2022. Transactions registered after that time will be disregarded in determining ability to attend and vote.
- 7 If you have any queries on how to cast your votes then please contact the Company's share registry, Boardroom Pty Limited, by telephone on 1300 737 760 (from within Australia) or +61 2 9290 9600 (outside of Australia).

# Explanatory Memorandum

Total Brain Limited ACN 094 069 682

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This Explanatory Memorandum accompanies the notice of annual general meeting of the Company to be held at 9:00 am (Melbourne time) on 31 October 2022 at Level 3, 62 Lygon Street, Carlton, Victoria 3053 and virtually (online) at <https://web.lumiagm.com/384838786>.

The Explanatory Memorandum has been prepared to assist Shareholders in determining how to vote on the resolutions set out in the Notice of Meeting and is intended to be read in conjunction with the Notice of Meeting.

## Financial statements and reports

- 1 The Corporations Act requires that the Annual Report, including the Directors' Report, Auditor's Report and Financial Report, be laid before the annual general meeting.
- 2 Apart from the matters involving remuneration, which are required to be voted upon, neither the Corporations Act nor the Company's constitution requires a vote of Shareholders at the annual general meeting on the Annual Report.
- 3 Shareholders will be given reasonable opportunity at the General Meeting to raise questions and make comments on the Annual Report.
- 4 In addition to asking questions at the General Meeting, Shareholders may address written questions to the Chairman about the management of the Company or to the Company's auditor, Grant Thornton, if the question is relevant to:
  - (a) the content of the Auditor's Report; or
  - (b) the conduct of Grant Thornton's audit of the Financial Report to be considered at the General Meeting.

Note: Under section 250PA(1) of the Corporations Act, a Shareholder must submit the question to the Company no later than the fifth business day before the day on which the General Meeting is held.

- 5 Please send any written questions for Grant Thornton via email to [info@thecfo.com.au](mailto:info@thecfo.com.au) by 5.00pm (Melbourne time) on 21 October 2022.

## Resolution 1: Remuneration Report

- 6 The Remuneration Report is contained in the Annual Report, which is available on the Total Brain website, at <http://www.totalbrain.com/investors/>.
- 7 The Corporations Act requires that the Remuneration Report be put to the vote of Shareholders for adoption.
- 8 The resolution of Shareholders is advisory only and not binding on the Company. The Board will take the discussion at the General Meeting into consideration when determining Total Brain's remuneration policy and appropriately respond to any concerns Shareholders may raise in relation to remuneration issues.
- 9 The Remuneration Report:

- (a) reports and explains the remuneration arrangements in place for executive Directors, senior management and non-executive Directors;
  - (b) explains Board policies in relation to the nature and value of remuneration paid to non-executive Directors, executives and senior managers within Total Brain; and
  - (c) discusses the relationship between the Board policies and Total Brain's performance.
- 10 The Chairman will give Shareholders a reasonable opportunity to ask questions about, or to make comments on, the Remuneration Report.
- 11 Shareholders should note, that, under the provisions of the Corporations Act known generally as the "two strikes rule", if 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than any managing director who may continue to hold office indefinitely without re-election under the Listing Rules) must stand for re-election. Shareholders should be aware that at the Company's 2021 annual general meeting, less than 25% of the votes that were cast voted against the adoption of the 2021 remuneration report. Accordingly, no spill resolution can result at this General Meeting.

## **Resolution 2: Re-election of Director – Mr Matthew Morgan**

- 12 In accordance with Listing Rule 14.4 and clause 18.3(b) of the Constitution, Mr Matthew Morgan, having been mostly recently re-elected as a Director at the Company's 2019 annual general meeting, may hold office only until the conclusion of the General Meeting unless he is re-elected by Shareholders. Accordingly, Mr Matthew Morgan, being eligible, offers himself for re-election as a Director.
- 13 Mr Morgan is a non-executive Director of the Company and is currently chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.
- 14 Mr Morgan is the principal of Millers Point Company, an advisory firm focused on emerging growth companies. He is a former venture capitalist at QIC and is Australia's first Kauffman Fellow. Mr Morgan was a co-founder of Diversa Ltd, which was sold to OneVue Holdings Limited. Mr Morgan is also a non-executive director and chairman of the Audit and Risk Committee of Verbrec Ltd (ASX: VBC).
- 15 If Resolution 2 is approved by Shareholders, Mr Matthew Morgan will be re-elected as a non-executive Director of the Company. If Resolution 2 is not approved, Mr Matthew Morgan will not be re-elected as a non-executive Director of the Company.

### **Directors' Recommendation**

- 16 The Directors (with Mr Matthew Morgan abstaining), recommend Shareholders vote in favour of the re-election of Mr Matthew Morgan.

## **Resolution 3: Re-election of Director – Mr David Torrible**

- 17 In accordance with Listing Rule 14.4 and clause 18.3(b) of the Constitution, Mr David Torrible, having been mostly recently elected as a Director at the Company's 2019 annual general meeting, may hold office only until the conclusion of the General Meeting unless he is re-elected by Shareholders. Accordingly, Mr David Torrible, being eligible, offers himself for re-election as a Director.
- 18 Mr Torrible is a non-executive Director of the Company and is currently chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

- 19 Mr Torrible has had an accomplished career in equity capital markets and served as a Partner and Head of Product Sales for Goldman Sachs and Co. in Asia. Prior to 2012, Mr Torrible worked for 19 years as an equity specialist serving institutional accounts in Asian capital markets. He is an experienced non-executive director and currently serves on the board of three specialist funds management businesses in Asia.
- 20 If Resolution 3 is approved by Shareholders, Mr David Torrible will be re-elected as a non-executive Director of the Company. If Resolution 3 is not approved, Mr David Torrible will not be re-elected as a non-executive Director of the Company.

#### **Directors' Recommendation**

- 21 The Directors (with Mr David Torrible abstaining), recommend Shareholders vote in favour of the re-election of Mr David Torrible.

### **Resolution 4: Approval to dispose of main undertaking**

#### **Introduction**

- 22 On 5 August 2022, Total Brain announced that it had entered into an asset sale agreement (**Asset Sale Agreement**) with SonderMind Inc. (**SonderMind**) to purchase Total Brain's business (**Business**) through a sale of substantially all of the assets of the Company and its subsidiaries (**TTB Group**) (**Proposed Transaction**).
- 23 The purchase price payable by SonderMind under the Proposed Transaction is US\$10 million, less:
- (a) any debt funding provided by or on behalf of SonderMind to fund the TTB Group's working capital requirements until Completion;
  - (b) the value of assumed employee leave entitlements as at Completion for those employees of the TTB Group which accept SonderMind's offer of employment; and
  - (c) an agreed adjustment on account of certain liabilities of US\$133,114.20,
- and subject to ordinary adjustments for the income, profits, liabilities and outgoings of the Business as at Completion.
- 24 Further information regarding the terms of the Asset Sale Agreement is set out in paragraphs 36 to 56 below.

#### **Sale process**

- 25 Entry into the Asset Sale Agreement followed a comprehensive sale process that commenced in early 2022 run by Total Brain and its advisers, including Incentrum Group, a global merchant bank based in New York City and London, focused on the healthcare, life and material sciences, industrials, and technology industries. Incentrum Group assisted the Company in preparing a tailored positioning of the Company with potential buyers and ultimately soliciting offers for the sale of all or part of the Company's business. The process included Incentrum Group reaching out to a number of strategic and financial buyers with interest in the sector. During the latter period of that process, the broader market conditions for non-profitable technology businesses significantly deteriorated, impacting the Company's ability to raise working capital at an appropriate price and the value attributed to the Company by third parties in a corporate transaction.
- 26 The Board has considered the value to Shareholders of a sale of the TTB Group's assets as against the need for further working capital to fund ongoing operations having regard to the current operating and market conditions facing the TTB Group and the TTB Group's capital needs (absent the Proposed Transaction).

- 27 The Board unanimously recommends that all TTB shareholders vote in favour of the Proposed Transaction, and each director intends to vote all TTB shares held or controlled by them (comprising approximately 13.16% of the Company's shares) in favour of the Proposed Transaction, in the absence of a Superior Proposal.

### **Requirement for Shareholder approval**

- 28 Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Proposed Transaction is a disposal of the Company's main undertaking for these purposes.
- 29 Resolution 4 seeks the required shareholder approval to the Proposed Transaction under and for the purposes of Listing Rule 11.2.
- 30 If resolution 4 is passed, the Company will be able to proceed with the Proposed Transaction and, subject to satisfaction or waiver of the other Conditions Precedent as set out in paragraph 37 below, the Proposed Transaction will complete.
- 31 If resolution 4 is not passed, Total Brain will not be able to proceed with the Proposed Transaction and:
- (a) either SonderMind or the TTB Group may terminate the Asset Sale Agreement;
  - (b) the TTB Group will retain ownership of the Business; and
  - (c) Total Brain will need to pursue alternative sources of funding for its immediate working capital requirements, including repayment of the existing loan funding provided by SonderMind. Should the Company be unable to obtain immediate alternative funding on satisfactory terms, which the Board considers to be unlikely in current market conditions, there is significant uncertainty that the TTB Group will be able to continue as a going concern.
- 32 The Directors unanimously recommend that all Shareholders vote in favour of the Proposed Transaction, and each Director intends to vote all Shares held or controlled by them in favour of the Proposed Transaction, in the absence of a Superior Proposal.

### **Reasons to vote for or against the Proposed Transaction**

- 33 The Proposed Transaction has a number of advantages and disadvantages, which may affect Shareholders in different ways depending on their individual circumstances. Shareholders should seek professional advice on their particular circumstances, as appropriate. The Directors believe that, in the circumstances, the advantages of the Proposed Transaction outweigh the disadvantages.

#### Possible advantages of the Proposed Transaction

- 34 The Directors have unanimously recommended all Shareholders to vote in favour of the Proposed Transaction, in the absence of a Superior Proposal, for the following reasons:
- (a) the Proposed Transaction will provide the Company with cash to conduct a buy-back facility (after expiry of the warranty claim period in the Asset Sale Agreement) in order to provide Shareholders with an opportunity to realise some of the value of their investment in the Company, in circumstances where, as a result of both operating conditions and the status of financial markets, the TTB Group's capacity to continue as a going concern is questionable and a solvent sale of the main undertaking is considered to provide shareholders with the best opportunity to maximise the return of capital; and
  - (b) since the announcement of the Proposed Transaction, no Superior Proposal has emerged.

### Possible disadvantages of the Proposed Transaction

- 35 Despite the view of the Directors and their unanimous recommendation that Shareholders approve the Proposed Transaction, you may consider that the following possible disadvantages of the Proposed Transaction outweigh the potential advantages outlined above:
- (a) Shareholders will be excluded from participating in the future financial performance of the Business;
  - (b) Shareholders would forego the opportunity to receive any competing bid from an alternative acquirer or an otherwise Superior Proposal. However, no alternative or Superior Proposal has arisen since the announcement of the Proposed Transaction; and
  - (c) notwithstanding the unanimous recommendation of the Board and the conclusion of the Independent Expert that the Proposed Transaction is in the best interests of Shareholders, Shareholders may not believe that the Proposed Transaction is in their best interests.

### **Material terms of the Asset Sale Agreement**

- 36 Pursuant to the Asset Sale Agreement, SonderMind has agreed to purchase the Business by acquiring substantially all of the assets of the TTB Group companies.<sup>1</sup>

### Conditions Precedent

- 37 Completion is conditional on the satisfaction or waiver (if applicable) of each of the following conditions precedent (**Conditions Precedent**):
- (a) **Shareholder approval:** approval by Shareholders of this resolution 4 by the requisite majority required under Listing Rule 11.2 in accordance with the Listing Rules;
  - (b) **No change of recommendation:** between 5 August 2022 and Completion, none of the members of the Board change, qualify or withdraw their unanimous recommendation to Shareholders to vote in favour of the Proposed Transaction;
  - (c) **No Material Adverse Change:** no Material Adverse Change occurs between 5 August 2022 and Completion;
  - (d) **Seller warranties:** the representations and warranties provided by the TTB Group under the Asset Sale Agreement are true and correct and not misleading as at 5 August 2022 and Completion;
  - (e) **Buyer warranties:** the representations and warranties provided by SonderMind under the Asset Sale Agreement are true and correct and not misleading as at 5 August 2022 and Completion;
  - (f) **Material contracts:** in respect to each material contract, either:
    - (i) SonderMind receives the consent of the relevant third-party to the assignment of the relevant material contract on terms reasonably acceptable to SonderMind and the TTB Group;
    - (ii) SonderMind receives a deed of novation, in a form reasonably acceptable to it, duly executed and delivered by each party to the relevant material contract; or

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<sup>1</sup> This comprises Total Brain Limited, Brain Resource Inc, BRC Operations Pty Limited, BRC Distribution Pty Ltd, BRC IP Pty Ltd, BRC International Pty Ltd, BRC Development Pty Ltd and PoweringUpMBS Pty Ltd.

- (iii) at the request of SonderMind, the relevant material contract is terminated and replaced with a new contract to which SonderMind is a party and on terms substantially similar to the relevant material contract and otherwise reasonably acceptable to SonderMind;
  - (g) **No insolvency event:** no insolvency event occurs in relation to a member of the TTB Group between 5 August 2022 and Completion;
  - (h) **Acceptance of offers of employment:** certain key employees of the TTB Group accepting offers of employment from SonderMind; and
  - (i) **Funding arrangements:** SonderMind entering into funding arrangements with one or more members of the TTB Group in relation to the provision by SonderMind of further financial accommodation to the TTB Group, on terms acceptable to SonderMind.
- 38 The Condition Precedent described in paragraph 37(i) above has been satisfied. The other Conditions Precedent must be satisfied by 31 October 2022 (or such later date as agreed in writing between SonderMind and the TTB Group).
- 39 The Condition Precedent listed in paragraph 37(e) above is for the benefit of the TTB Group and may be waived by the TTB Group. The Condition Precedent listed in paragraph 37(a) above is for the benefit of the TTB Group however cannot be waived. The remaining Conditions Precedent are for the benefit of SonderMind and may only be waived by SonderMind.

#### Warranties and indemnities

- 40 Under the Asset Sale Agreement, the TTB Group has given standard warranties as to title to the assets being acquired, capacity and authority to sell those assets and the sufficiency and condition of those assets. The TTB Group has also provided customary business warranties as to regulatory approvals, contracts, property, intellectual property, employees, records, compliance with laws and authorisations, litigation and the sufficiency and accuracy of information provided to SonderMind.
- 41 Under the Asset Sale Agreement, SonderMind has a period of 90 days following Completion to notify the TTB Group of any alleged breach of warranty by the TTB Group, or SonderMind is otherwise prevented from bringing a claim for breach of warranty by the TTB Group. During that period, the TTB Group has agreed that:
- (a) no member of the TTB Group may initiate any procedure for the winding up or deregistration of any TTB Group member; and
  - (b) the Company must not distribute any capital, or make any dividend or other distribution of profits to its members, or reduce its share capital or buy back any of its shares.

If SonderMind makes a claim for breach of warranty during this 90 day period, the Company must not initiate any winding up or deregistration procedure, distribute any capital, make any dividend or other distribution of profits to its members, or reduce its share capital or buy back any of its shares, unless it has retained in cash, on terms acceptable to SonderMind, an amount equal to 1.5 times the total amount claimed by SonderMind for breach of warranty.

- 42 The TTB Group has agreed to indemnify SonderMind in respect of:
- (a) claims relating to pre-Completion employee liabilities and the transfer of the transferring employees to the employment of SonderMind;
  - (b) claims relating to non-transferring employees;
  - (c) all liabilities in respect of any assets of the TTB Group not being acquired by SonderMind under the Proposed Transaction;

- (d) all liabilities in respect of the assets being acquired by SonderMind that are incurred or relate to the period prior to Completion; and
- (e) loss suffered as a result of a breach of warranty by the TTB Group.

43 SonderMind has agreed to indemnify the TTB Group in respect of:

- (a) loss suffered by the TTB Group in respect of an obligation assumed by SonderMind which arises post-Completion;
- (b) loss suffered by the TTB Group as a result of a breach of warranty by SonderMind; and
- (c) any duty payable by the TTB Group on the transfer of assets under the Asset Sale Agreement.

#### Termination rights

44 The Asset Sale Agreement may be terminated in the following circumstances:

- (a) by either the TTB Group or SonderMind, if:
  - (i) a Condition Precedent is not satisfied or waived by the end date of 31 October 2022, unless the TTB Group and SonderMind otherwise agree to extend the end date;
  - (ii) the other party materially breaches the Asset Sale Agreement, other than in respect of a breach of warranty, and the material breach is not remedied within 10 business days following notice of the breach being given;
  - (iii) Completion has not taken place by the date that is 5 business days after the end date of 31 October 2022 (unless TTB Group and SonderMind otherwise agree to extend the end date), unless the failure of that party to fulfill any of its obligations under the Asset Sale Agreement substantially caused the failure to complete prior to the end date; or
  - (iv) a court or government agency issues an order prohibiting the Proposed Transaction from proceeding, and such order has become final and non-appealable;
- (b) by the TTB Group, if:
  - (i) a majority of the Board publicly recommends a Competing Proposal that is a Superior Proposal, provided that the Competing Proposal was not solicited in breach of the TTB Group's exclusivity obligations discussed in paragraphs 45 to 55 below;
  - (ii) a breach of warranty by SonderMind occurs which is material in the context of the Proposed Transaction as a whole and SonderMind fails to remedy the breach within 10 business days of notice being provided; or
  - (iii) if the Independent Expert concludes that the Proposed Transaction is not in the best interests of Shareholders;
- (c) by SonderMind, if:
  - (i) a Material Adverse Change occurs;
  - (ii) a breach of warranty by the TTB Group occurs, the TTB Group fails to remedy the breach within 10 business days of notice being provided and the amount of the warranty claim exceeds a minimum threshold amount;

- (iii) a member of the Board fails to recommend the Proposed Transaction or otherwise adversely changes or qualifies their recommendation of the Proposed Transaction; or
- (d) if otherwise agreed to in writing by SonderMind and the TTB Group.

Exclusivity arrangements

45 The Asset Sale Agreement sets out various exclusivity obligations which apply to the TTB Group.

46 Total Brain has represented and warranted, as at 5 August 2022, that:

- (a) other than the discussions with SonderMind in relation to the Proposed Transaction, it is not in negotiations or discussions in respect of any Competing Proposal, or any negotiations or discussions which may reasonably be expected to lead to a Competing Proposal, with any person; and
- (b) it has ceased any existing negotiations or discussions in respect of any Competing Proposal, or which may reasonably be expected to lead to a Competing Proposal, with any person.

47 Between 5 August 2022 and the earlier of the date the Asset Sale Agreement is terminated, Completion occurs, or 31 October 2022 (**Exclusivity Period**), the TTB Group must not, and must ensure that its representatives do not directly or indirectly (except with SonderMind's written consent):

- (a) solicit, invite, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that may reasonably be expected to encourage or lead to, a Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed; or
- (b) solicit, invite, encourage or initiate approaches, enquiries, discussions or proposals with a view to obtaining any offer, proposal or expression of interest from any person in relation to, or which may reasonably be expected to lead to, a Competing Proposal,

or communicate any intention to do any of the abovementioned things.

48 During the Exclusivity Period, the TTB Group must not, and must ensure that its representatives do not directly or indirectly (except with SonderMind's written consent), facilitate, enter into or participate in negotiations or discussions with, or enter into any agreement, understanding or arrangement with, any third party, or communicate any intention to do any of the aforementioned things, in relation to, or that may reasonably be expected to encourage or lead to, a Competing Proposal or any agreement, understanding or arrangement that may reasonably be expected to lead to a Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed.

49 The restriction set out in paragraph 48 above applies even if the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by the TTB Group or any of its representatives, or the person has publicly announced the Competing Proposal.

50 During the Exclusivity Period, except with the prior written consent of SonderMind, the TTB Group must not, and must ensure that its representatives do not directly or indirectly:

- (a) solicit, invite, initiate, encourage, facilitate or permit any third party to undertake due diligence investigations in respect of the TTB Group or any of its businesses and operations, in connection with or with a view to obtaining or which would reasonably be expected to lead to such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or

- (b) make available to any third party or permit any third party to receive any non-public information relating to the TTB Group or any of its businesses and operations, in connection with or with a view to obtaining or which would reasonably be expected to lead to such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

51 The obligations set out in paragraphs 48 to 50 above do not apply to the extent that they restrict the TTB Group or the Board from taking or refusing to take any action in relation to a bona fide Competing Proposal provided that the Board has determined, acting in good faith that:

- (a) after consultation with its financial advisors, such Competing Proposal is, or could reasonably be considered likely to become, a Superior Proposal; and
- (b) after receiving written legal advice from its external legal advisers experienced in transactions of this nature, failing to respond to such Competing Proposal would constitute, or be reasonably likely to constitute, a breach of the Board's fiduciary or statutory obligations,

provided that, prior to taking such action or refusing to take any action, notification of the Competing Proposal has been made to SonderMind as outlined in paragraph 53 below.

52 Furthermore, none of the exclusivity arrangements in the Asset Sale Agreement prevent the TTB Group from:

- (a) continuing to make normal presentations to, and to respond to queries from, brokers, portfolio investors and analysts in the ordinary course of business or in relation to the Proposed Transaction; or
- (b) fulfilling its continuous disclosure obligations.

53 During the Exclusivity Period, the TTB Group must promptly, and in any event within 48 hours, notify SonderMind in writing, and provide all material terms and conditions to the extent known, including the identity of any third party, if it, or any of its representatives, becomes aware of:

- (a) any negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions with the TTB Group or its representatives in respect of any inquiry, expression of interest, offer, proposal or discussion that could reasonably be expected to lead to a Competing Proposal;
- (b) any approach or proposal made by a third party to the TTB Group or its representatives that could reasonably be expected to lead to any actual, proposed or potential Competing Proposal or which is itself a Competing Proposal; or
- (c) any request made by a third party to the TTB Group or its representatives for any information relating to the TTB Group or any of their businesses and operations, in connection with any actual, proposed or potential Competing Proposal.

54 During the Exclusivity Period, the TTB Group must not, and must procure that each member of the TTB Group does not, enter into any legally binding agreement, arrangement or understanding pursuant to which a third party, a member of the TTB Group proposes to undertake or given effect to an actual, proposed or potential Competing Proposal unless each of the following conditions have been satisfied:

- (a) the Board, acting in good faith and in order to satisfy its statutory or fiduciary duties, determines that the actual, potential or proposed Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;

- (b) the TTB Group has provided SonderMind with the material terms and conditions of the Competing Proposal, including price and the identity of the third party making the actual, proposed or potential Competing Proposal;
- (c) the TTB Group has given SonderMind at least five clear business days after the date of the provision of the information referred to in paragraph 54(b) to provide a matching or superior proposal to the terms of the Competing Proposal; and
- (d) SonderMind has not provided a matching or superior proposal to the terms of the Competing Proposal to the Board by the expiry of the five business day period.

55 If SonderMind proposes to the TTB Group amendments to the Proposed Transaction or a new proposal that constitute a matching or superior proposal to the terms of the Competing Proposal (**Buyer Counterproposal**) before the expiry of the five business day period referred to in paragraph 54(c), Total Brain must procure that the Board considers the Buyer Counterproposal and if the Board, acting reasonably and in good faith, determines that the Buyer Counterproposal would provide a matching or superior outcome for Shareholders as a whole compared with the Competing Proposal, then:

- (a) the TTB Group and SonderMind must use their reasonable endeavours to agree the amendments to the Asset Sale Agreement that are reasonably necessary to reflect the Buyer Counterproposal and to implement the Buyer Counterproposal, as soon as reasonably practicable; and
- (b) Total Brain must use its reasonable endeavours to procure that each member of the Board recommends the Buyer Counterproposal to Shareholders.

#### Other material terms

56 The TTB Group has agreed to customary non-compete and non-solicitation obligations for a period of up to four years from Completion.

#### **Effect of the Proposed Transaction**

##### Financial effect of the Proposed Transaction

57 The financial impact of the Proposed Transaction on the Company's balance sheet (subject to the assumptions described in paragraph 58 and after payment of the transaction fees and discharge of all TTB Group liabilities as referred to in paragraph 64 below) is as set out in the unaudited pro forma balance sheet below, based on the Company's 30 June 2022 unaudited financial position.

	<b>30 June 2022 (unaudited) (AUD)</b>	<b>31 October 2022 (pro forma) (AUD)</b>
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	713,499	6,641,865
Trade and other receivables	703,413	800,650
Contract Assets		-
Prepayments	290,595	85,666
<b>Assets classified as held for sale</b>	12,984,536	-
<b>TOTAL CURRENT ASSETS</b>	14,692,043	7,528,180
<b>NON-CURRENT ASSETS</b>		
Plant and equipment		-
Intangible assets		-
Other non-current assets		-
Deferred tax assets		-
<b>TOTAL NON-CURRENT ASSETS</b>	-	-
<b>TOTAL ASSETS</b>	14,692,043	7,528,180
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	2,212,005	(982,839)
Contract Liabilities		-
Borrowings	1,213,726	-
Employee Benefits	146,926	-
<b>Provisions</b>		(791,225)
<b>Liabilities directly associated with assets classified as held for sale</b>	867,035	-
<b>TOTAL CURRENT LIABILITIES</b>	4,439,692	(1,774,064)
<b>NON-CURRENT LIABILITIES</b>		
Employee Benefits		-
Deferred tax liabilities		-
Borrowings		-
<b>TOTAL NON-CURRENT LIABILITIES</b>	-	-
<b>TOTAL LIABILITIES</b>	4,439,692	(1,774,064)
<b>NET ASSETS</b>	10,252,351	5,754,116
<b>EQUITY</b>		
Issued Capital	84,580,318	87,835,426
Accumulated losses	(79,228,814)	(81,482,117)
Other Reserves	4,900,847	(599,193)
<b>TOTAL EQUITY</b>	10,252,351	5,754,116

- 58 The above pro forma balance sheet is prepared based on the following assumptions:
- (a) gross proceeds from the Proposed Transaction of AUD\$13,572,572, based on an USD:AUD exchange rate of 0.699293, and on the basis that there are no warranty claims made by SonderMind;
  - (b) payment of approximately AUD\$1,351,365 in transaction fees, including advisor fees, based on the exchange referred to at paragraph (a) above;
  - (c) payment of approximately AUD\$4,956,278 in liabilities, all based on the exchange rate referred to at paragraph (a) above including:
    - (i) employee termination and redundancy liability, expected to be approximately AUD\$391,225;
    - (ii) the outstanding amounts under the convertible note issued by the Company to Zoltan Varga, expected to be approximately AUD\$1,347,518; and
    - (iii) the outstanding amounts owing to SonderMind under the funding arrangements as disclosed to ASX on 30 August 2022, expected to be approximately AUD\$3,217,535;
  - (d) receipt of approximately US\$400,000 in product development revenue from SonderMind;
  - (e) provision of approximately AUD\$400,000 for operating costs for the period between Completion and completion of the intending winding up of the Company (after expiry of the warranty claim period in the Asset Sale Agreement); and
  - (f) Completion occurs on 31 October 2022.
- 59 Having regard to the above assumptions and taking into account administrative costs to run a company listed on ASX, the Board estimates the net return to Shareholders of the Proposed Transaction to be approximately \$0.043 per Share.<sup>2</sup>

Effect of the Proposed Transaction on Total Brain's future earnings

- 60 If completed, the Proposed Transaction will result in Total Brain disposing of substantially all of its assets which comprise the Business. Consequently, following Completion, the Company's remaining assets will principally comprise of the cash received from the sale of the Business, net of transaction costs.

Effect on the Board and senior management

- 61 It is intended that all Directors other than Mr David Daglio, David Torrible and Matthew Morgan will resign from the Board on Completion of the Proposed Transaction.
- 62 Key members of senior management, including Mr Matt Mund (CEO) and Dr. Evian Gordon (Chairman), and other employees will become employees of SonderMind on Completion and will therefore cease to be employees of the TTB Group.

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<sup>2</sup> On the basis of 133,721,131 Shares on issue. Some of the figures quoted in paragraph 58 above (including the gross proceeds from the Proposed Transaction) have been converted from USD to AUD at the exchange rate specified in paragraph 58(a) above, and accordingly the figures quoted in paragraph 58 above and the estimated net return to Shareholders are subject to movements in the USD:AUD exchange rate. As at 28 September 2022, the USD:AUD exchange rate is approximately 0.6389. If the Proposed Transaction completed (and relevant payments were made) on the basis of this exchange rate, the net return to Shareholders would be higher than the \$0.043 per Share specified.

### Effect on Total Brain's capital structure

- 63 The Proposed Transaction will have no impact on the Company's capital structure, or the rights and liabilities of Shares.

### **Intended use of proceeds**

- 64 The Company intends to use the net purchase consideration from the Proposed Transaction to make the payments referred to in paragraphs 58(b) and 58(c) above. This assumes that SonderMind has not made any claim for breach of a warranty given by the Company in the 90 period following completion of the Proposed Transaction.
- 65 Following these payments, the Company intends to return capital to shareholders to enable Shareholders to liquidate their investments in the Company (after expiry of the warranty claim period in the Asset Sale Agreement) through either a buy back, capital reduction or liquidation.
- 66 Once capital has been returned to shareholders, the Company intends to apply to ASX under Listing Rule 17.11 for the delisting of the Company from the official list of the ASX.

### **Independent Expert's Report**

- 67 The Board determined that it is in the best interests of Shareholders to engage the Independent Expert to prepare the IER as set out as Annexure A to this Notice of Meeting. The IER assesses whether the Proposed Transaction is in the best interests of Shareholders. The IER also contains an assessment of the advantages and disadvantages of the Proposed Transaction, which is designed to assist Shareholders in making an informed decision in relation to resolution 4. It is recommended that all Shareholders read the IER in full before voting on this resolution 4.
- 68 The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to the Shareholders of the Company.

### **Directors' recommendation**

- 69 None of the Directors have a material interest in the outcome of resolution 4, other than as a result of their interest, if any, arising solely in the capacity as Shareholders.
- 70 The interest in Shares of the Directors of the Company as at the date of this Notice of Meeting is set out below:

<b>Director</b>	<b>Number of Shares</b>	<b>Percentage</b>
Dr. Evian Gordon	1,315,756	0.98%
Matthew Morgan	513,970	0.38%
David Torrible	7,370,793	5.51%
David Daglio	8,403,529	6.28%

- 71 Each of the Directors intends to vote all of their Shares in favour of resolution 4.
- 72 The Directors unanimously recommend that Shareholders vote in favour of resolution 4, subject to the Independent Expert continuing to conclude that the Proposed Transaction is in the best interests of Shareholders and in the absence of a Superior Proposal.

# Glossary

Total Brain Limited ACN 094 069 682

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<b>Annual Report</b>	means the Directors' Report, the Financial Report and the Auditor's Report in respect of the financial year ended 30 June 2022.
<b>ARR</b>	means annual recurring revenue as determined in accordance with generally accepted accounting principles in the United States as in effect from time to time.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>Asset Sale Agreement</b>	means the asset sale agreement between the TTB Group and SonderMind dated 5 August 2022 to implement the Proposed Transaction.
<b>Associate</b>	has the meaning given to that term in the Corporations Act.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691 or the securities market which it operates, as the context requires.
<b>Auditor's Report</b>	means the auditor's report on the Financial Report.
<b>Board</b>	means the board of Directors of the Company.
<b>Business</b>	means the Company's business as currently conducted.
<b>Buyer Counterproposal</b>	has the meaning given in paragraph 55 of the Explanatory Memorandum.
<b>Chairman</b>	means Dr. Evian Gordon.
<b>Company</b> or <b>Total Brain</b>	means Total Brain Limited ACN 094 069 682.

<b>Competing Proposal</b>	<p>means, in relation to the TTB Group, a proposal, offer, expression of interest, agreement, transaction or arrangement which, if entered into or completed substantially in accordance with its terms, would mean a third party whether alone or together with its associates would:</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly, acquire a Relevant Interest in, become the holder of, or otherwise acquire, have the right to acquire or have an economic interest in more than 20% of the securities of any member of the TTB Group;</li> <li>(b) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a material part of the assets of, or business conducted by, the TTB Group;</li> <li>(c) acquire Control of the TTB Group; or</li> <li>(d) otherwise acquire or merge with the TTB Group,</li> </ul> <p>in each case, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction or buy-back, sale or purchase of shares or assets, strategic alliance, joint venture, partnership, dual-listed company structure (or other synthetic merger), or other transaction or arrangement, other than the convertible notes issued by Total Brain to Zoltan Varga. Each successive material modification or variation of a Competing Proposal will constitute a new Competing Proposal.</p>
<b>Completion</b>	means completion of the Proposed Transaction under the Asset Sale Agreement.
<b>Conditions Precedent</b>	means the conditions precedent to Completion set out in paragraph 37 of the Explanatory Memorandum.
<b>Control</b>	has the meaning given in section 50AA of the Corporations Act.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	means the directors of the Company.
<b>Directors' Report</b>	means the annual directors' report of the Company and its controlled entities prepared under Chapter 2M of the Corporations Act.
<b>Exclusivity Period</b>	means the period between 5 August 2022 and the earlier of (i) the date the Asset Sale Agreement is terminated, (ii) Completion occurring, and (iii) 31 October 2022.
<b>Explanatory Memorandum</b>	means the explanatory memorandum attached to the Notice of Meeting.
<b>Financial Report</b>	means the annual financial report of the Company and its controlled entities prepared under Chapter 2M of the Corporations Act.
<b>General Meeting</b>	means the Company's annual general meeting the subject of this Notice of Meeting.
<b>Independent Expert</b>	means PKF Melbourne Corporate Pty Ltd.
<b>Independent Expert's Report or IER</b>	means the report prepared by the Independent Expert which is contained in Annexure A of this Notice of Meeting.
<b>Key Management Personnel</b>	means those persons having authority and responsibility for planning directing and controlling the activities of the Company, directly or indirectly, including any Director.

<b>Listing Rules</b>	means the listing rules of ASX.
<b>Material Adverse Change</b>	<p>means any event, change, matter or circumstance that occurs, is announced or becomes known to SonderMind after 5 August 2022 that:</p> <ul style="list-style-type: none"> <li>(a) has, has had or would reasonably be expected to result in, either individually or when aggregated with any other events, changes, matters or circumstances of a similar kind or category, a reduction in ARR over a 12 month period commencing after 5 August 2022 by 10% or more against the ARR in the 12 month period ending 30 June 2022; or</li> <li>(b) individually, or when aggregated with all such events, changes, matters or circumstances, has, or is reasonably likely to have, a material adverse effect on the Business or the business, assets or results of operations of the Business, taken as a whole,</li> </ul> <p>but does not include any event, change, matter or circumstance:</p> <ul style="list-style-type: none"> <li>(c) required to be done or procured to be done by the TTB Group under the Asset Sale Agreement;</li> <li>(d) which SonderMind has previously approved in writing;</li> <li>(e) that relates to the delay in implementation of a previously executed clinical services agreement; or</li> <li>(f) comprising or resulting from a change (including the implementation or introduction of a previously announced or made change) in any applicable law or governmental policy, any accounting standards, general or political conditions (including changes in foreign exchange rates and commodity prices) or financial markets, whether in Australia or elsewhere (except where such change was previously disclosed or announced prior to 5 August 2022).</li> </ul>
<b>Notice of Meeting</b>	means this notice of meeting and includes the Explanatory Memorandum.
<b>Options</b>	means unlisted options to acquire Shares in the Company.
<b>Proposed Transaction</b>	means the proposed acquisition of the Business by SonderMind from the TTB Group.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act, as modified by an legislative instrument issued by ASIC.
<b>Remuneration Report</b>	means the section of the Directors' Report for the 2022 financial year that is included under section 300A(1) of the Corporations Act.
<b>Shareholder</b>	means a person who is the registered holder of Shares.
<b>Shares</b>	means fully paid ordinary shares in the Company.
<b>SonderMind</b>	means SonderMind Inc.
<b>Superior Proposal</b>	<p>means a bona fide Competing Proposal received by the TTB Group that the Board determines, acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties (after having obtained advice from the TTB Group's external legal and, if appropriate, financial advisors):</p> <ul style="list-style-type: none"> <li>(g) is reasonably capable of being valued and completed within a reasonable timeframe in accordance with its terms; and</li> <li>(h) would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Shareholders (as a whole) than the Proposed Transaction viewed in</li> </ul>

aggregate, taking into account all terms and conditions of the Competing Proposal (including consideration, conditionality, funding, certainty and timing),

taking into account all terms, conditions and other aspects of the Competing Proposal and the Proposed Transaction, including conditions, the identity, reputation and financial condition of the person making the proposal and all relevant legal, regulatory and financial matters (including the value and type of consideration, funding, any timing considerations, any conditions precedent or other matters affecting the probability of the proposal being completed).

**TTB Group**

means Total Brain and each of its subsidiaries.

# Annexure A – Independent Expert’s Report



28 September 2022

The Directors  
Total Brain Limited  
15 Belvoir Street  
SURRY HILLS NSW 2021

Dear Directors

**Re: Independent Expert's Report**

## 1. Introduction

The Directors of Total Brain Limited (“**TTB**” or the “**Company**”) have requested PKF Melbourne Corporate Pty Ltd (“**PKF Corporate**”) to prepare an Independent Expert's Report (the “**IER**”) in respect of a proposed transaction that would see TTB divest substantially all of its business assets to SonderMind Inc (the “**Acquirer**”).

On 5 August 2022, the Company announced to the Australian Securities Exchange (“**ASX**”) that it had entered into a binding asset sale agreement (the “**Agreement**”) with the Acquirer to purchase substantially all of the business assets of the Company (referred to as the “**Proposed Transaction**”).

The ASX Listing Rule 11.2 requires that a company obtain shareholder approval at a general meeting when the company proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities which involves disposing of its main undertaking. As the Proposed Transaction would result in the Company disposing of its main undertaking, ASX Listing Rule 11.2 requires that the Company obtain shareholder approval for the Proposed Transaction. The Directors of the Company wish to present shareholders with an independent expert's report to assist the shareholders to form a view on whether to vote in favour of or against the Proposed Transaction.

## 2. The Proposed Transaction

### 2.1 Summary of the Proposed Transaction

On 5 August 2022, the Company announced the Proposed Transaction to the ASX. The Proposed Transaction consists of the following, amongst other things such as certain conditions:

- TTB will dispose of substantially all of its business assets (the “**Business**”) to the Acquirer for cash consideration of US\$10.0 million less certain amounts; and
- TTB may be entitled to an additional payment of US\$3.0 million upon completion of the Proposed Transaction if it implements a previously executed clinical services agreement with one of its key customers by 22 August 2022.

On 23 August 2022, TTB announced to the ASX it had not satisfied the condition in order to receive the additional payment of US\$3.0 million from the Acquirer. Accordingly, this additional payment is not payable to the Company under the Agreement and we make no further reference to the additional payment in the balance of the IER.

The consideration payable by the Acquirer to TTB in respect to the Proposed Transaction is a cash payment of US\$10.0 million less the following amounts:

- any debt funding provided by or on behalf of the Acquirer to fund the Company's working capital requirements until completion of the Proposed Transaction. At the date of announcing the Proposed Transaction to the ASX, the Acquirer advanced US\$500,000 to the Company via a line of credit which had been fully drawn. A further US\$2.0 million may be made available to the Company subject to appropriate arrangements being agreed.

The Company estimates an adjustment for the total draw down amount plus interest of US\$2.26 million and this has been included as an adjustment to the consideration receivable by the Company (refer to Section 8 of the IER);

- the value of assumed employee leave entitlements as at completion of the Proposed Transaction and for those employees of the Company who accept the Acquirer's offer of employment.

The Company estimates an adjustment for employee leave entitlements of approximately US\$130,000 and this has been included as an adjustment to the consideration receivable by the Company (refer to Section 8 of the IER);

- an agreed adjustment on account of certain taxation liabilities.

The Company estimates an adjustment for taxation liabilities of approximately US\$133,000 and this has been included as an adjustment to the consideration receivable by the Company (refer to Section 8 of the IER); and

- an adjustment for the difference between accrued income and unearned income.

The Company estimates an adjustment for other liabilities of approximately US\$246,000 and this has been included as an adjustment to the consideration receivable by the Company (refer to Section 8 of the IER).

Upon completion of the Proposed Transaction, the consideration receivable by TTB from the Acquirer will be used as follows:

- payment of transaction costs in relation to the Proposed Transaction. The Company estimates these costs to be approximately AU\$1.351 million (refer to paragraph 37 of the Notice) which consist of bankers fees, legal costs and a bonus payment payable.
- payment of outstanding liabilities of the Company, in particular the amounts outstanding under the convertible note subscription agreements with the Company's major shareholder, Mr Zoltan Varga (the "Noteholder") estimated to be AU\$1.368 million,

and any net proceeds following these payments will be used by the Company to return capital to the TTB shareholders through either a share buy back, capital reduction or liquidation.

## 2.2 Proposed Resolutions to be Approved by Shareholders

TTB is seeking shareholder approval at the forthcoming Annual General Meeting of TTB shareholders ("AGM"). The Notice of Annual General Meeting (the "Notice") requires the TTB shareholders to vote on the following special resolution:

Resolution 4: Disposal of main undertaking

We have set out below the full text of Resolution 4:

*'That, for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the disposal of substantially all of the assets comprising the Business, being the main undertaking of the Company, to SonderMind Inc. on the terms and conditions described in the Explanatory Memorandum.'*

We have been requested by the Directors of the Company to provide an opinion on whether Resolution 4 is in the 'best interests' of the Shareholders of TTB. The Directors of the Company have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of Expert Reports.

### 3. Summary opinions

In our opinion, the Proposed Transaction is **not fair but reasonable to the Shareholders** and on this basis, it is our opinion that in the absence of a superior proposal, the Proposed Transaction is **in the best interests of the Shareholders**. Our principal reasons for reaching this opinion are:

#### Fairness

In Section 7 of the IER, we assessed the value of the Business that the Company may dispose of to be in a range of **AU\$10.65 million to AU\$12.36 million on a control basis**.

In Section 8 of the IER, we assessed the value of the consideration receivable by the Company to be **AU\$10.33 million on a control basis**.

As the value of the consideration receivable by the Company (AU\$10.33 million) is below the value range of the Business that the Company may dispose of as assessed by us (AU\$10.65 million to AU\$12.36 million), we have concluded that the Proposed Transaction is **not fair**.

#### Reasonableness

In Section 10 of the IER, we considered that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction and for this reason we have assessed the Proposed Transaction as being **reasonable**. A summary of the significant factors that we considered are as follows:

#### Advantages

- The Proposed Transaction will allow the Company to realise the value of the Business, its main undertaking, in exchange for the certainty of cash consideration and this removes uncertainty regarding future operations of the Business and the Company.
- If Shareholders approve the Proposed Transaction, the Company will be able to use the net cash proceeds to meet its outstanding liabilities and undertake a return of capital to Shareholders. Accordingly, Shareholders will be able to liquidate their shareholding and crystallise any taxation losses, or any likely capital gains, in respect of their investment. The Company has estimated a net return to shareholders of approximately AU\$0.043 per TTB share (refer to Paragraph 59 of the Notice).

#### Disadvantages

- If Shareholders approve the Proposed Transaction, they will forego the opportunity to receive any competing bid from an alternative acquirer or a more superior offer to that offered by the Acquirer. However, no alternative or superior offer has presented itself since the announcement of the Proposed Transaction.
- Shareholders who wish to participate in the future of the Business will not be able to achieve such investment exposure if they approve the Proposed Transaction and, as such, they will forego the opportunity to benefit from realising any future prospects of the Business. Accordingly, the individual investment, taxation or other strategic objectives of individual shareholder may not be achieved if they approve the Proposed Transaction.

## Other factors

- Following the announcement of the Proposed Transaction made by the Company on the ASX and the re-commencement of trading of the shares of the Company on 5 August 2022, we observed that the TTB shares closed more than 25.0% lower on 5 August 2022 (AU\$0.046) compared to the last traded share price (AU\$0.058) before the announcement of the Proposed Transaction. The TTB shares have continued to trade below the closing share of the last traded share before the announcement of the Proposed Transaction.
- The Business is yet to generate positive cash flows and, until such time, the Company will be reliant on further capital raisings to fund the advancement and growth of the Business which may require extensive management focus and expense to secure. The Company recently secured funding from the Noteholder, however, based on its current cash resources further funding may be required in the immediate future. The availability of alternative funding may be on substantially less advantageous or unfavourable terms and may be highly dilutive to existing Shareholders.
- If Shareholders do not approve the Proposed Transaction, the Company will incur transaction costs (estimated to be AU\$1.351 million), some of which may be non-recoverable costs, with no benefit gained.
- If Shareholders do not approve the Proposed Transaction the Company or the Acquirer may terminate the Agreement in which the Company will retain ownership of the Business. Under such a scenario the Company is not able to immediately secure additional cash resources, the Company may suffer financial distress as it will not have sufficient available cash resources to meet any non-recoverable transaction costs of the Proposed Transaction or the repayment of borrowings from the Noteholder (estimated to be AU\$1.368 million) and the Acquirer (estimated to be AU\$3.235 million). Such lenders may enforce any security in respect of funds advanced to the Company and the Directors of the Company may be forced to place the Company into Voluntary Administration. This may result in the Shareholders receiving no value for their shares or a distressed sale of the Business. Although such a scenario may allow Shareholders to crystallise any taxation losses in respect of their investment, the Shareholders are likely to receive, if any, a much lower return compared to if the Proposed Transaction is accepted.

#### 4. Structure of this report

The remainder of this report is divided into the following sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	6
6	TTB – Key Information	7
7	Assessment as to the Value of the Business to be Disposed of by TTB	13
8	Assessment as to the Value of the Consideration Receivable by TTB	21
9	Assessment as to Fairness	22
10	Assessment as to Reasonableness	22
11	Assessment as to Fairness and Reasonableness	24
12	Financial Services Guide	25
 <u>Appendix</u>		
A	Sources of Information	27
B	Declarations, Qualifications and Consents	28
C	Valuation Methodologies	29
D	Market Research - Comparable Companies	30
E	Market Research - Precedent Transactions	31

## 5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

### ASX Listing Rule 11.2

Listing Rule 11.2 requires a company to obtain shareholder approval at a general meeting when the company proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities if the significant change involves the company disposing of its main undertaking.

The company must not enter into an agreement to dispose of its main undertaking unless the agreement is conditional on the company obtaining shareholder approval.

Whilst there is no regulatory requirement to commission an independent expert report in relation to the Proposed Transaction, the Directors of the Company wish to present shareholders with the IER to assist the shareholders to form a view on whether to vote in favour of or against the Proposed Transaction.

### ASIC Regulatory Guide 111 – Content of Expert Reports (“RG111”)

Whilst RG111 does not specifically prescribe the form of assessment of an expert in relation to the disposal of a company’s main undertaking (such as the Proposed Transaction), it provides guidance in relation to the content of independent expert’s reports prepared for a range of circumstances.

#### General

The terms “fair” and “reasonable” are not defined in the Corporations Act 2001, however, guidance as to the meaning of these terms is provided by ASIC in RG111. For the purpose of the IER, we have defined them as follows:

Fairness	the Proposed Transaction is “fair” if the value of the consideration receivable by the Company is equal to or greater than the value of the Business that the Company may dispose of.
Reasonableness	the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

What is fair and reasonable for the Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

- (i) In determining whether the Proposed Transaction is fair, we have:
  - assessed the value of the Business to be disposed of by the Company;
  - assessed the value of the consideration receivable by the Company; and
  - compared the value of the Business to be disposed of by the Company with the value of the consideration receivable by the Company.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

If we form an opinion that the Proposed Transaction is ‘fair and reasonable’ then we will also be able to conclude that the Proposed Transaction is in the ‘best interests’ of the shareholders. If we form an opinion that the Proposed Transaction is ‘not fair but reasonable’ we may still conclude that the Proposed Transaction is in the ‘best interests’ of the shareholders. If we form an opinion that the Proposed Transaction is ‘not fair and not reasonable’ then we will conclude that the Proposed Transaction is ‘not in the best interests’ of the shareholders.

## 6. TTB - Key Information

### 6.1 Background

TTB is an ASX listed company that has developed a scalable mental health self-monitoring and self-care platform known as the 'Total Brain' software platform. The 'Total Brain' software solution helps users to scientifically measure and optimize their brain capacities while managing the risk of mental health conditions.

TTB operates through the following three business segments:

- 'Population Health' – provides end user and population management tools for large consumer groups, corporations, and platforms. Such customers include corporate business-to-business customers who provide access to the 'Total Brain' software platform to their employees as well as corporate partners who provide access to the 'Total Brain' software platform to their members.
- 'Provider Support' – provides patient and provider tools for healthcare use. Such customers include healthcare clinics who provide access to the 'Total Brain' software platform to their clients/patients.
- 'Precision Medicine and Pharma Support' – provides data and research tools to support precision medicine, pharmaceutical drug discovery and clinical trials. This includes data licensing deals with large pharma companies as well as product licensing opportunities for the 'Total Brain' software platform which can be leveraged to collect data in clinical trials. TTB licenses research data from its International Study to Predict Optimized Treatment for Depression, referred to as the 'iSPOT-D study', as well as the 'Total Brain International Database', referred to as the 'TBID'.

Within each of the three business segments, TTB provides the following two products to its customers:

- a 'Total Brain' branded software tool, 'TB Direct' - an application or data product that is deployed directly to a customer; and
- a white label non-branded software tool, 'TB Inside' – a service integrated as enabling functionality within a partner platform.

The features and capabilities available through the 'Total Brain' software platform are primarily available to Apple iOS and Android users with the anticipation that they will be available to wearable devices.

TTB's primary source of revenue is the sale of access to the 'Total Brain' software platform through both perpetual license sales and a subscription-based model. The majority of TTB's revenue is derived in the United States and the revenue composition for each business segment for the financial years ended 30 June 2020 ("FY20"), 30 June 2021 ("FY21") and 30 June 2022 ("FY22") is presented in the table below.

Table 1

Total Brain Limited Revenue Breakdown	Audited June 2020 AU\$	Audited June 2021 AU\$	Unaudited June 2022 AU\$
<b>Software license</b>			
Total Brain - Population Health	2,663,380	3,345,693	4,159,479
Total Brain - Provider Support	298,378	264,501	455,136
Other Revenue	136,015	62,289	62,843
	<b>3,097,773</b>	<b>3,672,483</b>	<b>4,677,458</b>
<b>Services and access fees</b>			
Discovery	34,798	21,785	18,266
Data licensing	744,958	-	-
Precision Medicine/Pharma Support	-	-	3,719,869
	<b>779,756</b>	<b>21,785</b>	<b>3,738,135</b>
<b>Total revenue</b>	<b>3,877,529</b>	<b>3,694,268</b>	<b>8,415,593</b>

Source: TTB's Annual Report for the financial year ended 30 June 2021 and Unaudited Preliminary Final Report for the financial year ended 30 June 2022

## 6.2 Directors

The Company's current Directors are presented in the table below.

Table 2

### Total Brain Limited Directors

Dr Evian Gordon (Executive Chairman)  
 Mr Matthew Morgan (Non-Executive Director)  
 Mr David Torrible (Non-Executive Director)  
 Mr David Daglio (Non-Executive Director)

Source: ASX

### 6.3 Issued capital

As at 5 August 2022 (representing the date the Proposed Transaction was announced), the Company had on issue 133,721,131 fully paid Ordinary Shares. As at 5 August 2022, the major shareholders of the Company and their associates are presented in the table below.

Table 3

Total Brain Limited Shareholder name	Number of shares held	Percentage Interest
Zoltan Varga*	21,842,679	16.33%
Mr David A Daglio*	8,403,529	6.28%
Mr David Torrible*	7,370,793	5.51%
Sun Hung Kai Group	6,992,500	5.23%
Stuttgart Pty Ltd	4,978,562	3.72%
<b>Total</b>	<b>49,588,063</b>	<b>37.08%</b>

Source: ASX

\*relevant interest held via associated entities

As at 5 August 2022, TTB also had a total of 36,033,924 options on issue that are convertible into Ordinary Shares of TTB. We have presented the terms of these securities in the table below.

Table 4

Total Brain Limited Options	Total number	Exercise price AU\$	Expiry date
Listed options	12,543,626	0.360	19/08/2022
Unlisted options	206,612	0.450	16/01/2024
Unlisted options	50,000	0.800	15/11/2024
Unlisted options	24,000	1.000	17/12/2024
Unlisted options	50,000	1.000	10/02/2025
Unlisted options	23,159,686	various*	various*
<b>Total</b>	<b>36,033,924</b>		

Source: ASX

\* various exercise prices ranging from AU\$0.20 to AU\$1.00 and various expiry dates ranging from 8 January 2023 to 18 April 2027

On 24 August 2022, TTB announced to the ASX that the TTB listed options had expired on 19 August 2022 without being exercised.

After considering the terms and conditions of all of the TTB unlisted options, we have not treated any of these options on an as converted basis (non-dilutive basis) in the balance of the IER as all of these options have an exercise price much greater than the closing share price of a TTB share on 29 July 2022 (representing the last traded share price prior to the announcement of the Proposed Transaction) of AU\$0.058 (refer to Section 7.3 of the IER) and, as such, they are considered to be well out of the money.

In addition to the above, the Company also has on issue AU\$1,278,485 worth of convertible notes issued to the Noteholder which are convertible into TTB Ordinary Shares on or before the repayment date of 6 October 2023 at a conversion price of AU\$0.138 per TTB Ordinary Share. The Noteholder may convert some or all of the convertible notes, provided that on conversion the Noteholder's relevant interest in the Company's shares does not exceed the level permitted by the Act, unless shareholder approval is obtained.

## 6.4 Statements of Financial Position

TTB's consolidated statements of financial position as at 30 June 2020, 30 June 2021 and 30 June 2022 are presented in the table below.

Table 5

Total Brain Limited Consolidated Statement of Financial Position	Audited June 2020 AU\$	Audited June 2021 AU\$	Unaudited June 2022 AU\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	11,104,729	1,427,349	713,499
Trade and other receivables	2,837,267	5,102,392	703,413
Contract assets	3,025	2,774	-
Prepayments	140,419	218,353	290,595
Assets classified as held for sale	-	-	12,984,536
<b>Total Current Assets</b>	<b>14,085,440</b>	<b>6,750,868</b>	<b>14,692,043</b>
<b>Non Current Assets</b>			
Plant and equipment	310,356	283,185	-
Intangibles	15,000,044	17,043,682	-
Other	10,560	10,560	-
<b>Total Non Current Assets</b>	<b>15,320,960</b>	<b>17,337,427</b>	<b>-</b>
<b>Total Assets</b>	<b>29,406,400</b>	<b>24,088,295</b>	<b>14,692,043</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	460,978	513,744	2,212,005
Contract liabilities	956,760	934,181	-
Borrowings	1,106,575	4,266,720	1,213,726
Employee benefits	426,873	391,599	146,926
Liabilities directly associated with assets classified as held for sale	-	-	867,035
<b>Total Current Liabilities</b>	<b>2,951,186</b>	<b>6,106,244</b>	<b>4,439,692</b>
<b>Non Current Liabilities</b>			
Deferred tax	65,165	-	-
Employee benefits	2,205	-	-
<b>Total Non Current Liabilities</b>	<b>67,370</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>3,018,556</b>	<b>6,106,244</b>	<b>4,439,692</b>
<b>Net Assets</b>	<b>26,387,844</b>	<b>17,982,051</b>	<b>10,252,351</b>
<b>Equity</b>			
Contributed equity	78,425,180	78,425,180	84,580,318
Reserves	4,377,987	4,288,967	4,900,847
Accumulated losses	(56,415,323)	(64,732,096)	(79,228,814)
<b>Total Equity</b>	<b>26,387,844</b>	<b>17,982,051</b>	<b>10,252,351</b>

Source: TTB's Annual Report for the financial year ended 30 June 2021 and Unaudited Preliminary Final Report for the financial year ended 30 June 2022

## 6.5 Operating Performance

TTB's consolidated statements of profit or loss and other comprehensive income for FY20, FY21 and FY22 are presented in the table below.

Table 6

Total Brain Limited Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited June 2020 AU\$	Audited June 2021 AU\$	Unaudited June 2022 AU\$
Revenue	3,877,529	3,694,268	8,415,593
Interest income	14,728	816	102
<b>Expenses</b>			
Cost of equipment and third party drug trial expense	(573,168)	(264,802)	(766,532)
Employee benefits expense	(6,814,911)	(7,225,012)	(8,923,094)
Corporate and operating costs	(3,619,099)	(3,397,549)	(3,659,701)
Depreciation and amortisation expense	(231,235)	(669,175)	(1,140,341)
Write down to recoverable amount of intangible assets	-	-	(7,581,129)
Reversals/(impairment) of receivables	(266)	(860)	1,205
Share-based payments expense	(300,300)	(489,543)	(561,654)
Net foreign exchange losses	(822)	(25,017)	2,957
Finance costs	-	(5,064)	(284,124)
<b>Loss before income tax benefit</b>	<b>(7,647,544)</b>	<b>(8,381,938)</b>	<b>(14,496,718)</b>
Income tax benefit	-	65,165	-
<b>Loss after income tax benefit</b>	<b>(7,647,544)</b>	<b>(8,316,773)</b>	<b>(14,496,718)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations, net of tax	(156,055)	(578,563)	50,226
<b>Total comprehensive income</b>	<b>(7,803,599)</b>	<b>(8,895,336)</b>	<b>(14,446,492)</b>

Source: TTB's Annual Report for the financial year ended 30 June 2021 and Unaudited Preliminary Final Report for the financial year ended 30 June 2022

## 6.6 Cash flow statements

TTB's consolidated statements of profit or loss and other comprehensive income for FY20, FY21 and FY22 are presented in the table below.

Table 7

Total Brain Limited Consolidated Statement of Cash Flows	Audited June 2020 AU\$	Audited June 2021 AU\$	Unaudited June 2022 AU\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	4,885,745	3,867,348	7,693,577
Payments to suppliers and employees (inclusive of GST)	(12,233,400)	(12,170,226)	(11,760,550)
Research and development tax incentive	1,337,112	1,139,349	2,364,995
Interest received	14,728	816	102
Interest and other finance costs paid	-	-	(138,462)
<b>Net cash used in operating activities</b>	<b>(5,995,815)</b>	<b>(7,162,713)</b>	<b>(1,840,339)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(126,417)	(75,785)	(13,467)
Payments for intangibles	(2,610,223)	(5,008,261)	(4,227,906)
<b>Net cash used in investing activities</b>	<b>(2,736,640)</b>	<b>(5,084,046)</b>	<b>(4,241,373)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	13,671,243	-	6,522,594
Proceeds from borrowings	1,106,575	3,155,081	2,210,640
Share issue transaction costs	-	-	(471,815)
Repayment of borrowings	-	-	(2,891,371)
<b>Net cash from financing activities</b>	<b>14,777,818</b>	<b>3,155,081</b>	<b>5,370,048</b>
Net increase/decrease in cash and cash equivalents	6,045,363	(9,091,678)	(711,663)
Cash and cash equivalents at the beginning of the period	5,214,802	11,104,729	1,427,349
Effects of exchange rate change on cash and cash equivalents	(155,436)	(585,702)	(2,187)
<b>Cash and cash equivalents at the end of the period</b>	<b>11,104,729</b>	<b>1,427,349</b>	<b>713,499</b>

Source: TTB's Annual Report for the financial year ended 30 June 2021 and Unaudited Preliminary Final Report for the financial year ended 30 June 2022

## 7. Assessment as to the Value of Business to be Disposed of by TTB

### 7.1 Value definition

PKF Corporate’s valuation of the Business is on the basis of ‘fair market value’, defined as:

*‘the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm’s length’.*

### 7.2 Valuation methodologies

In selecting appropriate valuation methodologies to assess the value of the Business, we considered the applicability of a range of generally accepted valuation methodologies. Each methodology is described in detail in Appendix C of the IER.

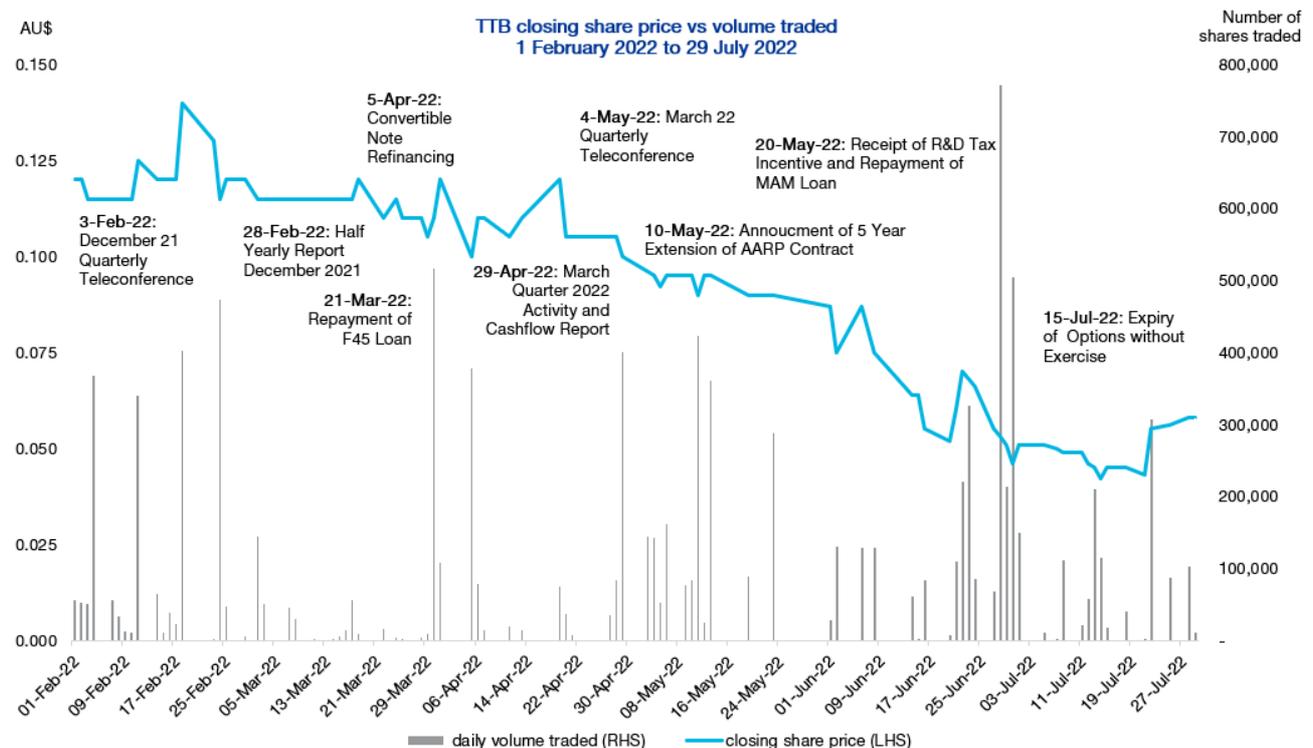
### 7.3 Share price history

As the share price history of TTB will incorporate all publicly available information, we consider that the share price history is an appropriate methodology to use in assessing the value of the Business. We have assessed the value of the Business with reference to the implied enterprise value of TTB, after adjusting for cash and debt amounts and the implied value of the Company as an ASX listed shell from the resultant control value of TTB.

We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of any proposed transaction. We note that the Proposed Transaction was announced to the ASX on 5 August 2022 following a trading halt that took effect on 1 August 2022 and, as such, we have analysed the share price of the Company up to and including the last trading day on 29 July 2022 before the trading halt.

We have set out below a graph showing the daily closing share price and the volume of TTB shares traded up to and including 29 July 2022 as well as a selection of market sensitive announcements on the ASX.

Graph 1



Source: ASX, PKF Corporate analysis

We provide the following comments in respect to our key observations of the trading activity in TTB shares:

- Prior to and including 29 July 2022, TTB shares traded in a range of AU\$0.042 to AU\$0.097 over the preceding 60 trading days and a range of AU\$0.042 to AU\$0.059 over the preceding 20 trading days. Over this period, the share price of TTB continued to trend downwards in the absence of any notable market announcements. We examined the recent share prices and trading volumes in TTB shares up to and including 29 July 2022 including the volume weighted average price (“VWAP”) of TTB shares based on closing daily prices on the ASX for business trading dates. We have set out our analysis in the table below.

Table 8

Share price analysis	Shares Traded		VWAP AU\$	Share Price AU\$	
	Number	Value AU\$		Low	High
10 days to 29 July 2022	562,724	30,802	0.055	0.043	0.059
20 days to 29 July 2022	1,240,252	62,497	0.050	0.042	0.059
30 days to 29 July 2022	3,542,249	191,177	0.054	0.042	0.071
60 days to 29 July 2022	5,660,930	376,583	0.067	0.042	0.097
90 days to 29 July 2022	7,744,677	594,752	0.077	0.042	0.125

Source: ASX, PKF Corporate analysis

As can be seen from the table above, the VWAP of TTB shares ranged between AU\$0.050 to AU\$0.077 over the preceding periods leading up to and including 29 July 2022.

- As at 5 August 2022, the five major shareholders of the Company collectively held a relevant interest of over 37.0% of the issued ordinary capital of the Company. As at 4 August 2022, shares held by strategic shareholders, directors and employees (inclusive of the five major shareholders) total 54,418,831<sup>1</sup> TTB Ordinary Shares or 40.70% of the total TTB Ordinary Shares. The balance of the TTB Ordinary Shares is 79,302,300 or 59.30% of the total TTB Ordinary Shares and this represents the ‘free float’ that is readily tradeable on market.

We have calculated the volume of shares traded in TTB over the past 90 trading days up to and including 29 July 2022 of the ‘free float’ only. We have set out our analysis in the table below.

Table 9

Total Brain Limited Share volume analysis		% of free float traded				
		10 days	20 days	30 days	60 days	90 days
Number of shares traded to 29 July 2022		562,724	1,240,252	3,542,249	5,660,930	7,744,677
TTB free float <b>79,302,300</b>		0.71%	1.56%	4.47%	7.14%	9.77%

Source: ASX, PKF Corporate analysis

Despite the low value of shares traded in TTB (refer to Table 8 of the IER) as a result of the low ‘free float’ (refer to Section 6.3 of the IER), the market in TTB shares is relatively liquid as approximately 1.0% of the ‘free float’ is traded every 10 trading days.

- Since TTB announced to the ASX the new data licensing agreements during December 2021 and the 5-year extension of the ‘AARP’ contract during May 2022, TTB has not announced to the ASX any other notable operating milestones up to and including 29 July 2022. TTB’s recent announcements to the ASX in respect of loan repayments and funds raised from the Noteholder did not result in any notable change to the level of trading activity in TTB shares. Although we observed a spike in trading activity in TTB share during the week commencing 27 June 2022, there is no explanation to suggest the reason for the trading activity apart from shareholders selling TTB shares to crystallise any capital losses for taxation purposes prior to the end of the financial year.

<sup>1</sup> Sourced from S&P Capital IQ

Based on the above comments and analysis, we have formed the view that the market in TTB shares is sufficiently liquid and, for this reason, we consider that the share price valuation methodology is appropriate to adopt as a valuation methodology to assess the market value of TTB shares for the purpose of assessing the value of the Business. Accordingly, we have formed the opinion that the TTB shares have a market value in a range of AU\$0.050 to AU\$0.055 per share on a minority basis.

The share prices upon which we have formed our opinion reflect the prices at which minority parcels of shares are traded on a daily basis and, as such, do not incorporate a control premium. Accordingly, we have considered the application of a control premium which represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of TTB could be acquired.

In assessing the control premium to be applied to the share price of TTB, we have relied on the relevant matrix from the RSM Control Premium Study - 2021 applicable to TTB. We have summarised this research in the table below.

Table 10

Analysis by	Criteria	Control Premium 20 days pre-announcement	
		Average	Median
All transactions		34.70%	27.50%
Industry	Health Care	48.60%	33.00%
Industry	Telecommunications, IT & Software	44.10%	28.00%
Consideration type	Cash	36.20%	28.60%
Size	<= \$25m	50.80%	N/A

Source: RSM Control Premium Study 2021

The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets. We note that the above research sets out statistical information about actual control premia paid and, as such, includes an unknown uplift on account of potential acquisition synergy benefits. We are of the opinion that the control premium in a transaction that did not include expected synergies would be lower.

After considering the above and our view that the Proposed Transaction is effectively a takeover transaction, we have applied a control premium in a range of 30.0% to 40.0% to the minority share price of one TTB share in a range of AU\$0.050 to AU\$0.055 per share. We have summarised the results of this calculation in the table below.

Table 11

Total Brain Limited		
Share price methodology	Low	High
Value per TTB share (minority)	AU\$0.050	AU\$0.055
Control premium	30.0%	40.0%
<b>Value per TTB share (control)</b>	<b>AU\$0.065</b>	<b>AU\$0.077</b>

Source: PKF Corporate analysis

Having regard to the above, we have concluded that the control value of a TTB share is in a range of AU\$0.065 to AU\$0.077 per share as assessed under the share price valuation methodology. As at the date the Proposed Transaction was announced to the ASX, the Company had on issue 133,721,131 fully paid Ordinary Shares. Accordingly, we have assessed the implied control value of the Company to be in a range of AU\$8.69 million to AU\$10.30 million.

In order to arrive at the implied enterprise value of the Company, we have eliminated the reported cash and debt amounts. We have set out in the table below our assessment of the value of the Business with reference to the implied enterprise value of the Company at the expected completion date of the Proposed Transaction.

Table 12

<b>Total Brain Limited</b>			
<b>Implied enterprise value</b>	<b>formula</b>	<b>Low</b>	<b>High</b>
Value of a TTB share (control basis)	a	AU\$0.065	AU\$0.077
Total TTB Ordinary Shares on issue	b	133,721,131	133,721,131
<b>Value of TTB (control basis)</b>	<b>c = a x b</b>	<b>AU\$8,691,874</b>	<b>AU\$10,296,527</b>
Cash <sup>1</sup>	d	AU\$2,340,000	AU\$2,340,000
Debt <sup>2</sup>	e	AU\$4,600,000	AU\$4,600,000
Corporate shell <sup>3</sup>	f	AU\$300,000	AU\$200,000
<b>Implied enterprise Value</b>	<b>g = c - d + e - f</b>	<b>AU\$10,651,874</b>	<b>AU\$12,356,527</b>

Source: PKF Corporate analysis

Note 1: estimated cash balance at the time of completion of the Proposed Transaction (October 2022) to be AU\$2.34 million calculated based on the closing cash amount as at 30 June 2022 of AU\$714,000 (refer to Section 6.4 of the IER) less an expected monthly cash burn for the months July to October 2022 (representing the time period between 30 June 2022 and the expected completion of the Proposed Transaction). The expected net monthly cash burn is estimated to be AU\$400,000 per month calculated based on the quarterly net cash flows from operating activities (excluding the receipt of government grants and tax incentives) as reported in the June 2022 Quarterly Cash Flow Report announced to the ASX on 1 August 2022.

The estimated cash balance includes the total funds advanced by the Acquirer since 30 June 2022 (translated using a foreign exchange rate of AU\$1.00 to US\$0.70) but does not have been adjusted for the estimated transaction costs to complete the Proposed Transaction (refer to Section 2.1 of the IER) which are assumed to be funded from the consideration receivable.

Note 2: estimated debt balance as at the time of completion of the Proposed Transaction (October 2022) to be AU\$4.60 million calculated based on the amount raised from the Convertible Note of AU\$1.278 million plus accrued interest to October 2022 (representing the expected completion of the Proposed Transaction). The estimated debt balance also includes the total funds advanced by the Acquirer plus interest to October 2022 (translated using a foreign exchange rate of AU\$1.00 to US\$0.70).

Note 3: there is currently no reliable market data on the value of a listed corporate shell that can be used for a change of business activity with new larger shareholders. Our experience together with discussions with several entrepreneurs, our review of similar recent transactions and the values attributed to shells by corporate advisors would indicate that the value is in a range of AU\$100,000 to AU\$2.0 million depending on the following factors:

- the spread of shareholders with marketable parcels;
- whether all statutory obligations in respect of audited accounts, tax returns etc are current;
- whether there is outstanding litigation or contingent liabilities;
- whether all outstanding creditors have been paid or legal agreements are in place to satisfy settlement of all of their claims; and
- the amount of cash that is held.

After considering the above factors and for the purpose of our calculations, we have estimated the value of the Company's listed corporate shell to be in a range of AU\$200,000 to AU\$300,000.

Having regard to the above, we have concluded that the value of the Business is in the range of **AU\$10.65 million to AU\$12.36 million on a control basis.**

#### **7.4 Capitalisation of future maintainable earnings**

As TTB is yet to generate profitable earnings (refer to Section 6.5 of the IER), we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value the Business at this point in time.

We reviewed the latest research coverage of TTB prepared by RaaS Advisory Pty Ltd ("**RaaS**") dated March 2022 (accessible via TTB's website) which includes an estimate of forecast earnings. We note that RaaS have projected EBITDA losses for the 2022 and 2023 calendar years.

#### **7.5 Net present value of future cash flows**

TTB is yet to generate positive cash flows from operating activities (refer to Section 6.6 of the IER). As TTB also does not have current long term cash flow forecasts available beyond its FY23 budget that can be used and, as in the latest RaaS research coverage, RaaS have projected free cash flow losses for the 2022 and 2023 calendar years, we consider that the net present value of future cash flows methodology cannot be used to value the Business at this point in time.

#### **7.6 Asset based methods**

As at 30 June 2022, TTB reported net assets as per the unaudited statement of financial position of approximately AU\$10.252 million including total assets of approximately AU\$14.692 million (refer to Section 6.4 of the IER). We provide the following comments:

- As at 30 June 2022, the Company reported cash and cash equivalents of less than AU\$1.0 million compared to more than AU\$1.2 million of borrowings. As announced to the ASX on 5 August 2022 as part of the Proposed Transaction, the Company has fully drawn US\$2.25 million from the Acquirer although such amounts are to be offset against the consideration payable by the Acquirer.
- As at 30 June 2022, the Company reported net 'assets classified as held for sale' of approximately \$12.12 million which includes the gross book value of intangibles of approximately \$12.67 million. The classification of such assets are those directly associated with the Business.

The reported book value of intangible assets may not reflect the actual market value of such intangible assets and does not recognise the market value of any other intangible assets such as the customer base of the Business. An amount of more than AU\$7.5 million relating to the book value of the 'database' intangible assets has been written off as non-recoverable during FY22.

When the reported book values of intangible assets are eliminated, the net tangible asset backing of the Company results in a net asset deficiency position of approximately AU\$2.4 million.

- As at 30 June 2022, the Company reported less than AU\$1.0 million in trade and other receivables compared to more than AU\$2.2 million of trade and other payables. Accrued expenses represent approximately AU\$1.972 million of the total trade and other payables.

Software and technology companies are typically valued at a significant premium to their respective net tangible asset backing and, as such, this suggests that a potential acquirer would place a significant value on the intangible assets of software companies such as TTB. In light of this comment, we have concluded that the net asset approach does not reflect the market value of all of TTB's intangible assets and, as such, we do not consider this approach to be an appropriate valuation methodology to use in assessing the value of the Business.

The Company has financial support from the Noteholder as demonstrated by the capital raised via the issue of the Notes during April 2022 and financial support provided by the Acquirer under the Agreement. Given the status of the Proposed Transaction, we do not consider that an orderly realisation or liquidation of the Company's assets is an appropriate valuation methodology to use in assessing the value of the Business at this point in time.

## 7.7 Comparable market transactions

It is common for software and technology companies, in particular those with recurring revenues, to be valued using a current and forward-looking revenue multiple. Typically, the revenue multiples are applied to the annual recurring revenue ("ARR") of the company.

The Australian Accounting Standards Board (AASB) and the International Financial Reporting Standards (IFRS) do not define or provide guidance as to the measurement and recognition of 'Recurring Revenues' and, as such, this term is a non-accounting financial measure. We are of the opinion that the assessment of ARR between comparable software and technology companies may not be consistent or comparable, and for this reason we have preferred to adopt the comparable market transactions valuation methodology as a cross check to the share price valuation methodology.

TTB's revenue composition is set out in Table 1 of the IER and we provide the following comments:

- TTB's reported ARR is comprised of software license revenue generated from the 'Population Health' and 'Provider Support' business segments.  
  
Revenues of AU\$3.8 million reported during FY22 in relation to Precision Medicine/Pharma Support relate to two individual contracts, one held with Janssen Research & Development valued at approximately AU\$3.1 million (refer to ASX announcement 21 December 2021) and the other held with Alto Neuroscience Inc valued at approximately AU\$0.7 million (refer to ASX announcement 29 December 2021). These revenues are not considered to form part of the ARR calculation of the Company.
- TTB disclosed estimated ARR of approximately AU\$4.84 million for the 2021 calendar year in its 2021 Annual General Meeting presentation as released to the ASX on 30 November 2021. There has been no further guidance provided to the market regarding the Company's ARR since this date.
- TTB's reported ARR from software licenses over the six months to June 2022 represents an average monthly ARR of approximately AU\$380,000.
- TTB reported ARR from software licenses for FY22 of approximately AU\$4.62 million (refer to Table 1 of the IER).
- TTB has recently announced contract renewals with existing clients serviced under the 'Population Health' business segment (refer to ASX announcements on 29 April 2022 and 10 May 2022).
- TTB has also recently announced in its June 2022 Quarterly Update a new agreement with 'TimelyMD' which has an expected ARR value of AU\$136,000 (refer to ASX announcement on 31 July 2022).
- In the latest RaaS research coverage, RaaS have projected TTB's revenue from the 'Population Health' and 'Provider Support' business segments to be approximately AU\$5.3 million for the financial year ended 30 June 2022 ("FY22") and AU\$7.4 million for the 2022 calendar year.

Based on the above comments and for the purpose of the valuation of TTB, we have preferred to adopt an ARR run rate that is representative of the current ARR being achieved by TTB of say AU\$4.7 million. For consistency, in assessing an implied capitalisation multiple we have considered current revenue multiples from comparable listed companies.

We have set out in the table below our calculations to determine the implied revenue multiple of TTB as part of our cross check to the share price valuation methodology.

Table 13

Total Brain Limited			
Implied revenue multiple	formula	Low	High
Implied enterprise value*	a	AU\$10,650,000	AU\$12,360,000
Annual recurring revenue	b	AU\$4,700,000	AU\$4,700,000
<b>Implied revenue multiple</b>	<b>c = a / b</b>	<b>2.3</b>	<b>2.7</b>

Source: ASX, PKF Corporate analysis

\* as calculated in Section 7.3 of the IER

In assessing the reasonableness of the implied revenue multiple range of 2.3 to 2.7, we have conducted research of listed revenue multiples (Appendix D) and revenue multiples from precedent transactions (Appendix E) of comparable global software companies who have a focus on providing health care services through the application of software in particular in relation to mental health and wellbeing. Our research of comparable listed companies focused on companies with a market capitalisation of less than AU\$250.0 million that were generating revenues of greater than AU\$1.0 million. The distinction to be drawn between these two sources of research is that transaction multiples are usually sourced from transactions that involve a change of control (control value basis) whereas listed company trade multiples are based on minority trades (minority value basis). We provide the following observations from our analysis of the market research datasets:

- On average, the trading revenue multiples set out in Appendix D of the IER were 4.5 times based on reported revenue for the last twelve months (“LTM”) and 2.5 times based on forecast revenue for the next twelve months (“NTM”). When CareView Communications, Inc is removed from the datasets, the average trading revenue multiples for the LTM were 2.8 times. The average trading revenue multiples of the two ASX listed companies for the LTM were 2.0 times.
- The trading multiples in Appendix D of the IER are derived from the market capitalisation of the comparable listed companies that are based on share prices that reflect trades of small parcels of shares that do not incorporate a control premium. As such, the application of a control premium to the market capitalisation of the comparable listed companies to determine the revenue multiples on a ‘control basis’ will result in an increase to the reported revenue multiples set out in Appendix D of the IER.

In light of the above comments, we have considered the research in Table 10 of the IER as well as the size of the comparable listed companies in Appendix D of the IER. We have applied a control premium in the range of 25.0% to 30.0% to the market capitalisation of the applicable comparable listed companies (excluding CareView Communications, Inc) to determine the trading multiples on a ‘control basis’. This results in an average LTM revenue multiple of 3.6 times and median LTM revenue multiple of 3.7 times. The resultant average trading revenue multiples of the two ASX listed companies for the LTM were 2.9 times.

- On average, the precedent revenue transaction multiples set out in Appendix E of the IER were 4.1 times (excluding Telecure Technologies Inc.). Of those companies set out in Appendix E of the IER with reported revenue of less than AU\$10.0 million, the average revenue multiple was 2.9 times (excluding Telecure Technologies Inc.) and of those companies with an implied enterprise value of less than approximately AU\$15.0 million, the average revenue multiple was 2.2 times (excluding Telecure Technologies Inc.).
- We have not analysed the nature of the revenues generated by the companies set out in our research in Appendix D and Appendix E of the IER such as the quality of customer, revenue model and geographic spread. Typically, revenues with a higher degree of recurrence and certainty demand a higher multiple.

Following our analysis of the market research datasets, we consider that the resultant implied revenue multiple range determined under the comparable market transactions valuation methodology provides a reasonable cross check to the share price valuation methodology.

## 7.8 Alternative acquirer

Prior to entering into the Agreement with the Acquirer, the Company engaged the Incentrum Group, a global merchant bank, to explore strategic alternatives on behalf of the Company and undertook a sale process that commenced in early 2022. Incentrum Group assisted the Company in preparing a tailored positioning of the Company with potential buyers and ultimately soliciting offers for the sale of all or part of the Company's business assets.

We are not aware of any alternative or more superior proposals received to acquire TTB, the Business nor its assets and we can see no reason as to why an alternative offer would be initiated at this time.

## 7.9 Conclusion

Under the share price valuation methodology, we have concluded that the value of the Business is in the range of **AU\$10.65 million to AU\$12.36 million on a control basis.**

We formed the view that the implied revenue multiple range determined under the comparable market transactions valuation methodology provided a reasonable cross check to the results of the share price valuation methodology.

## 8. Assessment as to the Value of the Consideration Receivable by TTB

The Acquirer is a healthcare technology private company that was founded in 2014 and is based in the United States of America. The Acquirer owns a mobile application which connects people and mental health providers and provides online video and in-person therapy solutions focused on mental and behavioural health. This mobile application allows new patients to be matched with a licensed therapist based on specialty, availability, location, treatment approaches and insurance.

The value of the consideration receivable by TTB from the Acquirer in respect to the Proposed Transaction comprises of a cash payment of US\$10.0 million less certain amounts (refer to section 2.1 of the IER). We have set out in the table below our assessment of the value of the consideration receivable by the Company.

Table 14

<b>Total Brain Limited</b>			
<b>Value of the Consideration Receivable</b>	<b>section</b>	<b>formula</b>	
<b>Gross Consideration Receivable</b>	2.1	a	<b>US\$10,000,000</b>
<b>Assumed Adjustments</b>			
Debt funding provided by the Acquirer	2.1	b	US\$2,260,000
Taxation adjustments	2.1	c	US\$133,000
Employee entitlements	2.1	d	US\$130,000
Accrued and unearned income	2.1	e	US\$246,000
<b>Total Assumed Adjustments</b>		<b>f = b + c + d + e</b>	<b>US\$2,769,000</b>
<b>Adjusted Consideration Receivable</b>		<b>g = a - f</b>	<b>US\$7,231,000</b>
Foreign Exchange Conversion Rate		h	0.70
<b>Value of the Consideration Receivable</b>		<b>i = g / h</b>	<b>AU\$10,330,000</b>

Source: ASX, PKF Corporate analysis

We have translated the assessed value of the consideration receivable by the Company from US dollars to Australian dollars using a foreign exchange rate of AU\$1.00 to US\$0.70 which represents the average spot rate of the Australian dollar against the US dollar over the more recent months leading up to the announcement of the Proposed Transaction.

The Company expects to incur exit costs upon completion of the Proposed Transaction to be approximately AU\$1.351 million (refer to Section 2.1 of the IER). As these costs do not form part of any adjustment to the consideration receivable by the Company and/or may be incurred regardless of whether the Proposed Transaction proceeds, we have not considered these costs in our assessment of the value of the consideration receivable by the Company.

We have concluded that the value of the consideration receivable by the Company is **AU\$10.33 million**.

## 9. Assessment as to Fairness

The Proposed Transaction is “fair” if the value of the consideration receivable by the Company is equal to or greater than the value of the Business that the Company may dispose of.

In Section 7 of the IER, we assessed the value of the Business that the Company may dispose of to be in a range of AU\$10.65 million to AU\$12.36 million.

In Section 8 of the IER, we assessed the value of the consideration receivable by the Company to be AU\$10.33 million.

As the value of the consideration receivable by the Company (AU\$10.33 million) is below the value range of the Business that the Company may dispose of as assessed by us (AU\$10.65 million to AU\$12.36 million), we have concluded that the Proposed Transaction is **not fair**.

## 10. Assessment as to Reasonableness

Prior to deciding whether to approve or reject the Proposed Transaction, the shareholders of the Company should also consider the following significant factors:

### Advantages

- The Proposed Transaction will allow the Company to realise the value of the Business, its main undertaking, in exchange for the certainty of cash consideration and this removes uncertainty regarding future operations of the Business and the Company.
- If Shareholders approve the Proposed Transaction, the Company will be able to use the net cash proceeds to meet its outstanding liabilities and undertake a return of capital to Shareholders. Accordingly, Shareholders will be able to liquidate their shareholding and crystallise any taxation losses, or any likely capital gains, in respect of their investment. The Company has estimated a net return to shareholders of approximately AU\$0.043 per TTB share (refer to Paragraph 59 of the Notice).

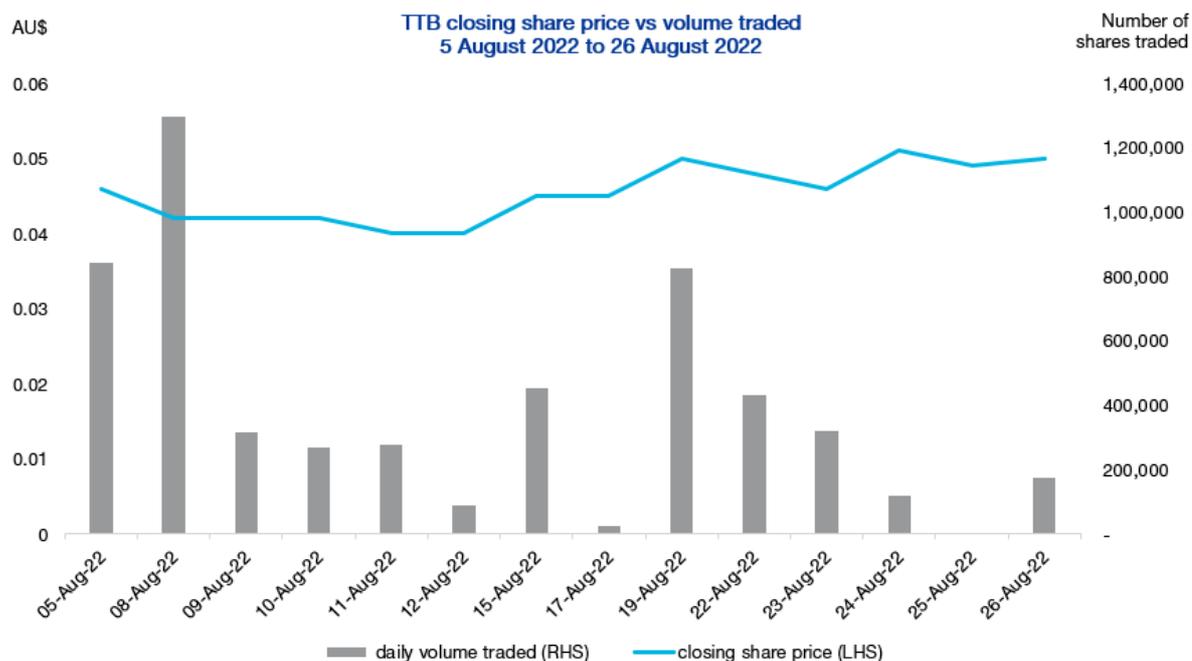
### Disadvantages

- In Section 9 of the IER we assessed the Proposed Transaction as being not fair;
- If Shareholders approve the Proposed Transaction, they will forego the opportunity to receive any competing bid from an alternative acquirer or a more superior offer to that offered by the Acquirer. However, no alternative or superior offer has presented itself since the announcement of the Proposed Transaction.
- Shareholders who wish to participate in the future of the Business will not be able to achieve such investment exposure if they approve the Proposed Transaction and, as such, they will forego the opportunity to benefit from realising any future prospects of the Business. Accordingly, the individual investment, taxation or other strategic objectives of individual shareholder may not be achieved if they approve the Proposed Transaction.

## Other factors

- Following the announcement of the Proposed Transaction made by the Company on the ASX and the re-commencement of trading of the shares of the Company on 5 August 2022, we observed that the TTB shares closed more than 25.0% lower on 5 August 2022 (AU\$0.046) compared to the last traded share price (AU\$0.058) before the announcement of the Proposed Transaction. The TTB shares have continued to trade below the closing share of the last traded share before the announcement of the Proposed Transaction. We have set out below a graph showing the daily closing share price and the volume of TTB shares traded from 5 August 2022 to 26 August 2022.

Graph 2



Source: ASX

- The Business is yet to generate positive cash flows and, until such time, the Company will be reliant on further capital raisings to fund the advancement and growth of the Business which may require extensive management focus and expense to secure. The Company recently secured funding from the Noteholder, however, based on its current cash resources further funding may be required in the immediate future. The availability of alternative funding may be on substantially less advantageous or unfavourable terms and may be highly dilutive to existing Shareholders.
- The Directors of the Company have announced that they unanimously recommend that all Shareholders vote in favour of the Proposed Transaction. The Directors hold approximately 13.16% of the voting power in the Company (refer to ASX announcement on 5 August 2022).
- If Shareholders do not approve the Proposed Transaction, the Company will incur transaction costs (estimated to be AU\$1.351 million), some of which may be non-recoverable costs, with no benefit gained.
- The most recent reported cash resources of the Company is less than AU\$1.0 million (refer to Table 5 of the IER). The Company's independent auditor's review report set out in the Company's Interim Report for the half year ended 31 December 2021 raised a material uncertainty in relation the Company's ability to continue as a going concern. If Shareholders do not approve the Proposed Transaction, the Company may be required to manage insufficient financial resources which will not enhance its ability to meet its ongoing working capital requirements and remain solvent.

- If Shareholders do not approve the Proposed Transaction the Company or the Acquirer may terminate the Agreement in which the Company will retain ownership of the Business. Under such a scenario the Company is not able to immediately secure additional cash resources, the Company may suffer financial distress as it will not have sufficient available cash resources to meet any non-recoverable transaction costs of the Proposed Transaction or the repayment of borrowings from the Noteholder (estimated to be AU\$1.368 million) and the Acquirer (estimated to be AU\$3.235 million). Such lenders may enforce any security in respect of funds advanced to the Company and the Directors of the Company may be forced to place the Company into Voluntary Administration. This may result in the Shareholders receiving no value for their shares or a distressed sale of the Business. Although such a scenario may allow Shareholders to crystallise any taxation losses in respect of their investment, the Shareholders are likely to receive, if any, a much lower return compared to if the Proposed Transaction is accepted.
- Prior to entering into the Agreement with the Acquirer, the Company engaged a global merchant bank who undertook a sale process that commenced in early 2022. As a result, no superior proposal has emerged through the sale process. As disclosed in the Notice, during the latter part of the sale process the market condition for non-profitable technology companies significantly deteriorated which has impacted the Company's ability to raise further working capital in the absence of pursuing the Proposed Transaction.
- Whilst in Section 10 of the IER we assessed the Proposed Transaction as not being fair, in reaching this opinion we applied a control premium in the range of 30.0% to 40.0% in assessing the value of the Business. The implied control premium that would result in the assessed value of the consideration receivable by the Company being above the low end of the assessed value range of the Business is a control premium of less than 25.0% assuming a foreign exchange rate of AU\$1.00 to US\$0.70.
- Whilst in Section 10 of the IER we assessed the Proposed Transaction as not being fair, in reaching this opinion we applied a foreign exchange rate of AU\$1.00 to US\$0.70 in assessing the value of the consideration receivable by the Company. This foreign exchange rate represents the average spot rate of the Australian dollar against the US dollar over the more recent months leading up to the announcement of the Proposed Transaction. However, since the announcement of the Proposed Transaction the value of the Australian dollar against the US dollar has diminished and the more recent foreign exchange rate of AU\$1.00 is below US\$0.70. The implied foreign exchange rate that would result in the assessed value of the consideration receivable by the Company being above the low end of the assessed value range of the Business is say AU\$1.00 to US\$0.68.

Based on the significant factors, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is **reasonable** for the Shareholders of the Company.

## 11. Assessment as to Fairness and Reasonableness

After considering the above matters, we have concluded that the Proposed Transaction is **not fair but reasonable to the Shareholders** and on this basis, it is our opinion that in the absence of a superior proposal, the Proposed Transaction is **in the best interests of the Shareholders**.

## 12. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

### 12.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

### 12.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

### 12.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

### 12.4 Independence

At the date of this report, none of PKF Corporate, Mr Stefan Galbo nor Mr Steven Perri have any interest in the outcome of the Proposed Transaction, nor any relationship with the Company, the Noteholder, and associated entities or any of their directors. Fees for this report are not contingent on the outcome, content or future use of this report.

On 3 June 2022, PKF Corporate prepared a draft Independent Expert Report for the Company in respect to the proposed conversion of the convertible notes held by the Company’s major shareholder, Mr Zoltan Varga. This proposed transaction did not proceed and a draft Independent Expert Report was never finalised.

Drafts of this report were provided to and discussed with the management of the Company and its advisors. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with the Company that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

## 12.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately AU\$28,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

## 12.6 Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints should be in writing and sent to the Complaints Officer, PKF Corporate at level 12, 440 Collins Street, Melbourne Vic 3000.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



**Stefan Galbo**  
Director



**Steven Perri**  
Director

### Sources of Information

The key documents and sources we have relied upon in preparing the IER are:

- TTB's Annual Report for the year ended 30 June 2021;
- TTB's Appendix 4E – Preliminary Final Report for the year ended 30 June 2022;
- Asset Sale Agreement between Total Brain Limited and SonderMind Inc. dated August 2022;
- The Company's draft resolution relating to the Proposed Transaction for the purpose of the Notice of Annual General Meeting and Explanatory Memorandum;
- Research data from publicly accessible web sites in particular ASX announcements by the Company; and
- Discussions with the management of the Company and its advisors.

## Declarations, Qualifications and Consents

### 1. Declarations

This report has been prepared at the request of the Directors of the Company to accompany the notice of meeting of shareholders to approve the Proposed Transaction pursuant to Chapter 11 of the ASX listing rules. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is in the best interests of the Shareholders of the Company.

In the preparation of this report, we have relied upon information concerning the Proposed Transaction and the Company as provided to us and available in the public domain, which we believe, on reasonable grounds, to be reliable and not misleading.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

The statements and opinions included in this report are given in good faith and in the belief that such statements are not false and misleading.

To the extent that this report relies on prospective information, actual results may be different from the prospective information referred to in this report since the occurrence of anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective information will be achieved.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

### 2. Qualifications

Mr Stefan Galbo and Mr Steven Perri, Directors of PKF Corporate, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

### 3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

## Valuation Methodologies

### Share price history

The share price history valuation methodology values a company based on the past trading in its shares.

### Capitalisation of future maintainable earnings

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax (EBIT) or Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). One advantage of using EBIT or EBITDA is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

### Net present value of future cash flows

An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.

### Asset Based Methods

This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

### Comparable market transactions

Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.

### Alternative acquirer

This methodology considers the value that an alternative bidder may be prepared to pay to acquire a business, asset or company.

## Market Research - Comparable Companies

Table 15

Comparable companies analysis Company name	Stock Code	Market <sup>1</sup> Capitalisation AU\$ m	Enterprise <sup>2</sup> Value AU\$ m	LTM EBITDA AU\$ m	LTM Revenue AU\$ m	LTM Revenue multiple	NTM Revenue AU\$ m	NTM Revenue multiple
CSAM Health Group AS	OB:CSAM	151.5	183.6	(0.8)	53.0	3.5	62.8	2.9
LifeSpeak Inc.	TSX:LSPK	75.2	162.3	(18.4)	37.9	4.3	67.3	2.4
Kooth plc	AIM:KOO	73.1	59.9	(1.2)	31.1	1.9	34.9	1.7
Cambridge Cognition Holdings Plc	AIM:COG	71.4	58.8	0.5	18.8	3.1	20.0	2.9
Global Health Limited	ASX:GLH	19.3	12.4	(1.1)	6.8	1.8	-	n/a
CareView Communications, Inc.	OTCPK:CRVW	15.1	170.6	(1.3)	11.5	14.9	-	n/a
Medibio Limited	ASX:MEB	4.1	2.8	(1.0)	1.2	2.2	-	n/a
<b>Average</b>						<b>4.5</b>		<b>2.5</b>
<b>Median</b>						<b>3.1</b>		<b>2.7</b>

Source: S&amp;P Capital IQ, PKF Corporate analysis

<sup>1</sup> Share prices used to determine the market capitalisation of each of the comparable companies were closing share prices as at 5 August 2022

<sup>2</sup> Enterprise Value (EV) = Market Capitalisation – Cash + Debt – Preferred Equity + Minority Interest

LTM = Last Twelve Months, NTM = Next Twelve Months, N/A = Not Applicable

## Market Research - Precedent Transactions

Table 16

Precedent transaction analysis Target Name	Acquirer Name	Announced Date	Location	Interest Acquired	Transaction size AU\$ m	Implied Enterprise Value AU\$ m	Revenue AU\$ m	Implied Revenue Multiple
Carmona AB	CSAM Health Group AS (OB:CSAM)	28/02/2022	Sweden	100%	2.92	2.92	1.95	1.50
Dialogue Health Technologies Inc. (TSX:CARE)	Sun Life Assurance Company of Canada	1/12/2021	Canada	9.2%	53.01	459.38	68.34	6.72
MindBeacon Holdings Inc.	CloudMD Software & Services Inc. (TSXV:DOC)	15/11/2021	Canada	100%	128.12	69.59	21.50	3.24
MedSciNet AB	CSAM Health Group AS (OB:CSAM)	30/05/2021	Sweden	100%	3.75	3.75	2.21	1.70
PlushCare, Inc.	Accolade, Inc. (NasdaqGS:ACCD)	23/04/2021	USA	100%	579.37	556.32	45.24	12.30
CRH Medical Corporation	WELL Health Technologies Corp. (TSX:WELL)	8/02/2021	Canada	100%	553.49	548.39	137.10	4.00
Health Care Services International Inc.	Carebook Technologies Inc. (TSXV:CRBK)	19/11/2020	Canada	100%	15.77	15.77	4.73	3.33
DoctorCare Inc.	WELL Health Technologies Corp. (TSX:WELL)	2/11/2020	Canada	100%	38.30	19.15	3.75	5.10
Telecure Technologies Inc. (CNSX:TELE)	Progressive Care, Inc. (OTCPK:RXMD)	8/09/2020	Canada	100%	14.51	13.87	0.29	47.50
GreatCall, Inc.	Best Buy Co., Inc. (NYSE:BBY)	15/08/2018	USA	100%	1,107.28	1,107.28	415.23	2.67
Evernorth Health, Inc.	Cigna Corporation (NYSE:CI)	8/03/2018	USA	100%	91,168.01	88,201.56	128,102.70	0.69

Source: S&amp;P Capital IQ, PKF Corporate analysis



#### All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)
- ☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 9:00 am (Melbourne time) on 29 October 2022.**

### 🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/ttbagm2022>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.  
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by 9:00 am (Melbourne time) on 29 October 2022. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** <https://www.votingonline.com.au/ttbagm2022>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

**Total Brain Limited**

ABN 24 094 069 682

**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

**PROXY FORM**

**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Total Brain Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at Level 3, 62 Lygon Street, Carlton, Victoria 3053 and virtually (online) at <https://web.lumiagm.com/384838786> at 9:00 am (Melbourne time) on 31 October 2022 and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 1 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolution 1). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

**STEP 2 VOTING DIRECTIONS**  
\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Directors' remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Matthew Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Mr David Torrible	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Disposal of main undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**STEP 3 SIGNATURE OF SECURITYHOLDERS**  
This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2022