

ASX Release

COMPANY UPDATE & APPENDIX 4C QUARTER ENDED 30 JUNE 2020

HIGHLIGHTS

- Positive study results for TALi DETECT validate the product as an effective psychometric tool for children
- Completion of TALi Early Release Program to the Australian education system, with stronger than expected participant numbers, delivers foundation for FY21 commercial release
- Strong sales pipeline for FY21 in the education and direct to consumer sectors
- Marketing campaigns begin to drive direct to consumer sales revenue for the quarter
- Duke University and TALi agreement to drive research, regulatory and commercial pathways in US
- TALi IP portfolio strengthened with the addition of a China Trademark and US Patent
- Strengthening of board with the appointment of David Brookes

TALi Digital Ltd (ASX: TD1) (TALi or the Company), a leading healthcare technology business targeting attention in children through its breakthrough TALi platform has today released its Appendix 4C Quarterly Consolidated Statement of Cash Flows for the period ending 30 June 2020.

Quarter Review

The quarter ending 30th June 2020 delivered a number of foundational achievements for the business. Key deliverables included positive results for the TALi DETECT product (see announcement dated 23rd June 2020) and the completion of the TALi Schools Early Release Programme as part of the early release to market offer. The Early Release Programme was conducted in partnership with 30 schools located in remote and metropolitan areas across Australia. The programme exceeded the anticipated participant numbers of 1000, with a total of 1613 DETECT assessments completed and a further 416 TRAIN journeys following completion of the initial checkpoint (see announcement dated 30th July 2020).

TALi Digital Managing Director, Glenn Smith, said: “The achievement of the primary endpoints for both the TALi DETECT product study and the early release to market offer have allowed TALi to begin scaling its marketing and sales activities in the Australian market. COVID-19 has led to a delay in expected revenue for the quarter but this has also led to a healthy pipeline for the coming quarters.

Most importantly these achievements have been key inflection points in progressing our stated goal of executing an agreement with an international partner for the TALi platform technology. The benefits our technology platform can deliver in early detection and treatment of inattention both in clinical and telemedicine environments is now leading to the acceleration of achievement of our stated goal”.

In line with delivering the foundations for the global delivery of the TALi technology platform, the agreement with Duke Clinical Research Institute (DRCI), part of the Duke University School of Medicine (see announcement dated 22nd June 2020) will drive research and navigate regulatory and commercial pathways in USA.

The TALi IP portfolio is strengthened with the addition of a China Trademark (see announcement dated 1st April 2020). The IP portfolio protection for TALi Train and TALi Detect products allows for partnership discussion with Chinese institutions and organisations, opening up a large potential commercial opportunity for the company.

The protection of the Company's IP portfolio was further enhanced via a US Patent (see announcement dated 21st April 2020). The growing level of patent protection over TALi's product portfolio strengthens the Company's competitive advantage and will allow an acceleration of our strategic opportunities.

The above achievements combined with addition of Dr. David Brookes to the Board of TALi with his wealth of clinical experience and commercial experience in the health technology sector represents a significant step forward for the Company and our ability to create shareholder value.

Revenues and expenses

Net operating cash outflows for the June 2020 quarter were \$1.1 million (up from \$0.7 million outflows in Q3 FY20), reflecting continued development on TALi DETECT and resources alignment together with expansion of commercialisation activities.

COVID-19 had an impact on total cash receipts for the period particularly for sales to the education segment with receipts totaling \$17K as the Company begins the commercial scale up phase.

During the quarter a human resource alignment was undertaken leading to a one-off increase in expenses for the quarter.

Aggregate amount of payments to related parties and their associates during the quarter was \$99k which includes Director fees and salary (including superannuation).

Strong Cash Position

Despite the current economic and social conditions resulting from the COVID-19 pandemic, TALi remains in a robust financial position to execute against its plan for commercial growth.

The Company ended the quarter with net cash at bank of \$3.9 million (down from \$5.1 million as at 31 March 2020).

End

Release authorised by:

Glenn Smith
TALi Digital Managing Director

About TALi Digital

TALi Digital Limited (ASX:TD1) a leading health technology business is seeking to improve attention in early childhood through its breakthrough TALi platform. TALi combines evidence-based proprietary algorithms inside a game-based program to assess and strengthen core attention skills. Learn more at talihealth.com.

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Appendix 4C Quarterly cash flow report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16, 01/12/19

Name of entity

TALi DIGITAL LIMITED

ABN

53 108 150 750

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		17	47
1.2 Payments for			
(a) research and development		(6)	(15)
(b) product manufacturing and operating costs		-	-
(b) advertising and marketing		(138)	(344)
(c) leased assets		-	-
(d) staff costs		(780)	(2,114)
(e) administration and corporate costs		(140)	(495)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		10	31
1.5 Interest and other costs of finance paid		-	(40)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		143	1,055
1.8 Other (provide details if material)			
- Professional		(88)	(410)
- Legal		(53)	(94)
- Insurance		(7)	(85)
- Intellectual property		(29)	(149)
- Other working capital		-	42
1.9 Net cash from / (used in) operating activities		(1,071)	(2,571)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) entities		-	-
(b) businesses (see item 10)		-	-
(c) property, plant and equipment		(25)	(54)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	(29)	(719)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses (see item 10)	-	-
	(c) property, plant and equipment	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(54)	(773)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,200
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(587)
3.5	Proceeds from borrowings	-	178
3.6	Repayment of borrowings	-	(633)
3.7	Transaction costs related to loans and borrowings	-	(1)
3.8	Dividends paid	-	-
3.9	Other (provide details if material) – Repayment of lease liabilities	(38)	(208)
3.10	Net cash from / (used in) financing activities	(38)	6,949
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,109	341
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,071)	(2,571)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(54)	(773)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(38)	6,949
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,946	3,946

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	149	117
5.2	Call deposits	3,797	4,992
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,946	5,109

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
99
-

Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

The amount at 6.1 includes Director fees and salary (including superannuation) for executive director and related parties.

7.	Financing facilities available <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)		
	- Bank guarantee	100	-
7.4	Total financing facilities	100	-
7.5	Unused financing facilities available at quarter end		-

7.3 Bank guarantee funds secured in accordance with premises lease terms.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,071)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,946
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,946
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.7

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Signed:



Date: 30 July 2020
Mr Glenn Smith
Managing Director and CEO

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.