

ASX Release

TALi FY21 Results

Global partnership strategy delivering foundations for growth

HIGHLIGHTS

- **Total revenue and income \$548,905**
- **Net loss \$4,858,273**
- **Net cash at bank \$2.73 million as at 30 June 2021 (vs \$3.95 million as at 30 June 2020)**
- **Strategic Licensing Agreement with global leader Akili Interactive for US market**
- **Validation of TALi's technology provides foundation for additional global partnerships**

TALi Digital Ltd (ASX: TD1, "TALi" or "the Company"), a leading digital health business is pleased to announce its results for the 12-months ended 30 June 2021 (FY21).

OPERATIONAL REVIEW

Strategic Licencing Agreement with Akili

During FY21 TALi made significant progress toward the progression of its global partnership strategy, delivering on several key milestones and subsequent to the reporting period announcing a Strategic Licensing Agreement (Agreement) for paediatric cognition products in the US market with Akili Interactive Labs, Inc. (Akili). Post the period an agreement was entered into by the parties (see announcement 18 August 2021) under which TALi will receive AUD\$51 million (US\$37.5 million) in total future contingent milestone payments plus royalties on potential revenues.

This Agreement is transformational and highly strategic for TALi given the paediatric cognitive treatment market in the US is the largest in the world. In addition, the Agreement provides significant validation for TALi's technology platform and is expected to provide the foundation for partnerships in other regions.

Indian market partnership & rollout

In December 2020, TALi executed an investment and advertising agreement with Brand Capital International (BCI), the strategic arm of Bennett, Coleman and Company Ltd. (The Times Group), to facilitate TALi's entry and growth into the strategically important Indian market.

As part of the agreement, The Times Group invested US\$2 million in TALi to provide funds for the Company to accelerate the roll out of products in India. These funds have been deployed towards TALi's marketing and advertising program in the Indian market through the Times Group's media assets, to allow TALi to grow its direct-to-consumer reach.

Soft-launch activities commenced in the Indian market in April and since this time initial consumer engagement with TALi products has been strong, with over 25,000 downloads from the Google Play store. The full 'live-launch' of the TALi apps and the full roll-out of the print and radio campaigns has been delayed and is scheduled for later in 2021, given the surge in COVID-19 cases throughout India earlier this year.

Australian market update

Over FY21, TALi initiated a shift towards seeking reimbursement for the TALi solution, which initially focuses on market data collection as opposed to direct revenue generation in order to build a more sustainable and longer-term revenue stream.

Compiling a strong set of data is expected to help progress plans such as the undertaking of a reimbursement submission (Medicare Benefits Scheme [MBS] and/or Pharmaceutical Benefits Scheme [PBS]) for TALi to be potentially listed on the MBS and/or PBS in Australia. The Company expects real world data collected from its initial Australia roll-out combined with clinical development data from trials undertaken by Duke Clinical Research Institute in the US, under its Agreement with Akili, to support the Australian market process.

Financial review

TALi reported a loss for the year ended 30 June 2021 of \$4,858,273 (30 June 2020: \$3,397,938) attributable to the following:

- Revenue from continuing operations \$34,238 in FY21 (FY20: \$47,229). This was a result of a decline in revenue from the sale of licences in the Australian market in-line with TALi's revised strategic focus to seek reimbursement (rather than drive immediate sales);
- Advertising and promotion expenses of \$885,247 (FY20: \$342,132) largely associated with TALi's soft-launch entry into the Indian market via its advertising agreement with The Times Group. As at 30 June 2021 the Company has \$1,973,180 in prepaid advertising credits with The Times Group, which will be utilised as the Company executes its Indian advertising and marketing plan;
- Personnel expenses excluding share-based payment expense of \$2,191,833 (FY20: \$1,841,093) impacted by staff restructuring costs as the Company looks to streamline its operations; and
- Contract research and development expense of \$233,632 (FY20: \$36,427 benefit) largely associated with a one-off payment to Duke Clinic Research Institute to support negotiation of the Akili Agreement.

The Company continues to pursue non-dilutive funding including government funded incentive programs such as the R&D Tax Incentive (RDTI) and the Export Market Development Grant (EMDG). At 30 June 2021 the Company has a receivable for the estimated RDTI refund for the year ended 30 June 2021 of \$795,874 (2020: \$682,348) and during the year the Company received an EMDG of \$100,000 (2020: Nil).

The Company's cash at bank as at 30 June 2021 was \$2,726,518 providing the Company with sufficient funding to continue to pursue growth via its international partnership model. In February, TALi received strong support from new and existing shareholders raising \$3.85 million, with funds raised partly used to support TALi's recent entry into the US market via its Agreement with Akili.

The Company highlights that the impact of the COVID-19 pandemic and associated measures (e.g., travel restrictions, lockdowns, remote work and social distancing) has been of a significant nature to the operations of TALi. This has been reflected in the delayed timing of execution of the agreement between TALi and Akili to progress the medical use of the TALi technology. Similarly, the re-scheduling of launch activities for the non-medical use (consumer and education channels) of the TALi technology in India has been necessary.

Outlook

In FY22, TALi is focussed on progressing the Company's partnership growth strategy. Commercial discussions are ongoing with potential partners in a range of international markets including Japan and South Korea.

This ongoing work, as well as the commencement of Akili partnership activities such as the clinical development program in the current calendar year, ensures the Company is well positioned to progress its growth strategy.

Release authorised by:

The Board, TALi Digital Limited

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About TALi Digital

TALi [TALi Digital Limited (ASX: TD1)] is a digital health company delivering diagnostic and therapeutic solutions for cognitive function and behaviour. The Company has built a platform technology, the first iteration of which targets cognitive attention skills during early childhood through its evidence and video-gamed-based TALi screening (DETECT®) and training (TRAIN®). This first to market and user experience focused technology is complementary to existing diagnosis and therapy placing TALi at the forefront of patient experience and early intervention thus positioning the business as an ideal partner in the global digital health sector.

Innovations that target cognitive skills to deliver non-invasive early interventions underpin the TALi platform technology. This innovation focus is allowing the Company to deliver a series of product developments in ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder) for predictive diagnosis and treatment for all age groups along with a core research program exploring applications for populations afflicted with Mild Cognitive Decline (MCI has been found to often been a precursor to recognizing Alzheimer's disease and other forms of dementia). TALi solutions aim to deliver foundational advances in human cognitive function and behaviour only dreamt of a few short years ago.

At TALi, our vision is to create personalised **game** changing experiences to enhance cognitive function and behaviour from any digital device. Learn more at talihealth.com.au.

Appendix 4E

Preliminary Final Report to the Australian Securities Exchange

Part 1

Name of Entity	TALi Digital Limited
ABN	53 108 150 750
Financial Year Ended	30 June 2021
Previous Corresponding Reporting Period	12 months ended 30 June 2020

Part 2 – Results for Announcement to the Market

	2021	2020	Increase/ (Decrease)	Change
	\$	\$	\$	%
Total revenues and income	548,905	621,944	(73,039)	-11.7%
Loss from ordinary activities after tax attributable to members	(4,858,273)	(3,397,938)	(1,460,335)	-43%
Net loss attributable to members	(4,858,273)	(3,397,938)	(1,460,335)	-43%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Not Applicable

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2021 \$	2020 \$
Revenue from continuing operations	34,238	47,229
Other income	514,667	574,715
Total revenues and income	548,905	621,944
Contract research and development expenses	(233,632)	36,427
Personnel expenses excluding share-based payment expense	(2,191,833)	(1,841,093)
Share based payment expense	(92,295)	(8,705)
Depreciation and amortisation expenses	(541,501)	(548,913)
Occupancy expenses	(35,804)	(52,780)
Professional and consulting expenses	(731,408)	(631,063)
Travel and accommodation expenses	(19,925)	(129,472)
Insurance expenses	(110,131)	(85,103)
Corporate administration expenses	(236,545)	(86,468)
Intellectual property expenses	(106,265)	(128,042)
Advertising and Promotion	(885,247)	(342,132)
Other expenses	(277,479)	(186,268)
Total expenses	(5,462,065)	(4,003,612)
Results from operating activities	(4,913,160)	(3,381,668)
Foreign exchange gains/losses	64,198	(1,908)
Net finance income / (expense)	(9,311)	(14,362)
Loss before income tax expense from continuing operations	(4,858,273)	(3,397,938)
Income tax expense	-	-
Loss after income tax expense from continuing operations	(4,858,273)	(3,397,938)
Profit / (loss) after income tax from discontinued operations	-	-
Loss attributable to owners of the Company	(4,858,273)	(3,397,938)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net Change in fair value of Investments	-	(800,000)
Total comprehensive loss for the period to owners of the Company	(4,858,273)	(4,197,938)

Part 5 – Consolidated Accumulated losses

	2021 \$	2020 \$
Accumulated losses at the beginning of the financial year	(196,545,477)	(193,147,539)
Net loss attributable to owners of the Company	(4,858,273)	(3,397,938)
Accumulated losses at the end of the financial year	(201,403,750)	(196,545,477)

Part 6 – Consolidated Statement of Financial Position

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	11	2,726,518	3,945,408
Trade and other receivables		847,223	956,067
Investments		1,688	1,418
Prepayments		2,016,270	29,144
Total current assets		5,591,699	4,932,037
Non-current assets			
Investments		-	-
Intangible assets		4,126,199	3,322,432
Property, plant and equipment		113,309	316,972
Total non-current assets		4,239,508	3,639,404
Total assets		9,831,207	8,571,441
Current liabilities			
Trade and other payables		250,338	888,417
Lease Liabilities		55,792	136,915
Deferred income		145,674	261,642
Employee benefits		159,344	125,820
Total current liabilities		611,148	1,412,794
Non-current liabilities			
Employee benefits		27,266	12,505
Lease Liabilities		-	55,312
Deferred Income		1,936,746	1,424,274
Total non-current liabilities		1,964,012	1,492,091
Total liabilities		2,575,160	2,904,885
Net assets		7,256,047	5,666,556
Equity			
Share capital	17	208,157,446	202,113,795
Share based payment reserve		1,502,351	1,098,238
Revaluation reserve		(1,000,000)	(1,000,000)
Accumulated losses		(201,403,750)	(196,545,477)
Total equity		7,256,047	5,666,556

Part 7 – Consolidated Statement of Cash Flows

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers from continuing operations		39,906	53,854
Cash payments to suppliers and employees		(6,997,809)	(3,785,688)
R&D incentive		694,848	750,103
Grants Received		461,738	232,960
Interest received		3,271	30,833
Net cash used in operating activities	11	(5,798,046)	(2,717,938)
Cash flows from investing activities			
Payments for intangible assets		(1,548,718)	(648,826)
Payments for property, plant and equipment		(23,283)	(65,479)
Proceeds from disposal of property, plant and equipment		299	-
Net cash used in investing activities		(1,571,702)	(714,305)
Cash flows from financing activities			
Proceeds from issue of shares		6,560,776	8,200,001
Share issue costs		(256,412)	(611,302)
Repayment of lease liabilities		(137,073)	(122,514)
Proceeds from borrowings		-	178,430
Repayment of borrowings		-	(608,398)
Net cash used in financing activities		6,167,291	7,036,217
Net (decrease) / increase in cash and cash equivalents		(1,202,457)	3,603,974
Cash and cash equivalents at the beginning of the financial year		3,945,408	341,434
Effects of exchange rate changes on cash and cash equivalents		(16,433)	-
Cash and cash equivalents at the end of the financial year		2,726,518	3,945,408

Part 8 – Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Part 9 – Loss from Ordinary Activities

	2021	2020
	\$	\$
a) Profit before related income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	224,550	218,618
Amortisation of intangible assets	316,951	330,295
Amounts recognised in provisions for employee entitlements	172,607	139,195
Superannuation payments to defined contribution plans	169,596	173,705
b) Other expenses		
Workplace administration	271,608	181,622
Asset management	3,371	1,646
Other expenses	2,500	3,000
Total other expenses	277,479	186,268

Part 10 – Commentary on Results

The Company reported a loss for the year ended 30 June 2021, after accounting for income tax benefit, of \$4,858,273 (2020: \$3,397,938). The year ended 30 June 2021 operating results are attributed to the following:

- Total revenues and income of \$548,905 (2020: \$621,944)
- Personnel expenses excluding share-based payment expense of \$2,191,833 (2020: \$1,841,093)
- Depreciation of plant property and equipment of \$224,550 (2020: 218,618); and
- Amortisation of intangible assets \$316,951 (2020: \$330,295)

The Company has cash reserves as at 30 June 2021 of \$2,726,518 (2020: \$3,945,408). The decrease in cash reserves was driven largely by net operating outflows of \$5,798,046 including \$2.6million (US\$2million) to the Times Group for prepaid advertising credits (2020: \$2,717,938). This was partially offset by net cashflows from financing activities of \$6,167,291 (2020: \$7,036,217) which includes funds received from capital raised during the financial year.

The Company has no bank debt at 30 June 2021 (2020: \$ nil).

Part 11 – Notes to the Consolidated Statement of Cash Flows

Cash as at the end of the financial year in the statement of cash flows is reconciled to the related items in the balance sheet as follows:	2021	2020
	\$	\$
Cash at bank and on hand	1,776,338	148,058
Bank short term deposits	950,180	3,797,350
Cash assets	2,726,518	3,945,408
Loss after income tax	(4,858,273)	(3,397,938)
Add non-cash & non-operating items:		
- Depreciation, amortisation and loss on disposal of plant and equipment	541,800	548,912
- Shared based payment expense	92,295	8,705
- Investment revaluation & foreign exchange (gain)/loss	16,161	(68)
Change in operating assets and other receivables:		
- (Increase) / decrease in Receivables	108,844	14,733
- (Increase) / decrease in Other assets	(1,987,124)	(24,887)
- Increase / (decrease) in Employee benefits	48,285	(27,807)
- Increase / (decrease) in Deferred income	396,504	287,594
- Increase / (decrease) in Payables	(156,538)	(127,182)
Net cash used in operating activities	(5,798,046)	(2,717,938)

Part 12 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 13 – Loss per Share

	Year Ended 30 June 2021	Year Ended 30 June 2020
Basic (loss) per share	(0.59 cents)	(0.51 cents)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	820,820,227	670,288,091
As the Company is in a loss position there is no diluted earnings per share calculated.		

Part 14 – Net Tangible Assets per Security

	30 June 2021	30 June 2020
Net tangible asset backing per ordinary security in cents	0.34	0.34

Part 15 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	ACN 158 797 936 Pty Ltd
Date Deregistered	14 September 2020
Country deregistered from	Australia
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	Nil
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	Nil

Part 16 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	30/06/21 %	30/06/20 %	Year ended 30/06/21 \$A'000	Year ended 30/06/20 \$A'000
Name of entity	N/A	N/A	N/A	N/A
Associate	N/A	N/A	N/A	N/A
Joint Venture Entities	N/A	N/A	N/A	N/A
Aggregate Share of Losses	N/A	N/A	N/A	N/A

Part 17 – Issued Securities

	2021 Shares	2020 Shares	2021 \$	2020 \$
Ordinary shares - fully paid	931,905,789	749,305,218	208,157,446	202,113,795
Movements in issued capital during the year were as follows:				
	2021 Number	2020 Number	2021 \$	2020 \$
Balance at the beginning of the financial year	749,305,218	449,305,165	202,113,795	194,976,507
Issue of shares through placement	180,518,542	300,000,053	6,549,420	8,200,000
Issue of shares on exercise of options	2,082,029	-	62,461	-
Transaction costs relating to rights issue and placements	-	-	(568,230)	(1,062,712)
Issued capital at the end of the financial year	931,905,789	749,305,218	208,157,446	202,113,795

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

Number of options	Exercise price when granted	Expiry date	Class of share
Director options:			
13,600,000	\$0.030	21/11/2022	Ordinary
22,500,000	\$0.030	24/11/2025	Ordinary
Vendor, broker and consultant options:			
7,188,883	\$0.090	30/06/2022	Ordinary
10,200,000	\$0.030	21/11/2022	Ordinary
Employee options:			
2,100,000	\$0.015	31/10/2024	Ordinary
55,588,883			

Part 18 – Segment Information

From 1 July 2020 the Group deemed that it has only one business segment.

Part 19 – Subsequent Events

On 20 July 2021, 6,000,000 options were issued to employees under the employee incentive scheme:

On 20 July 2021, 900,000 options previously issued to employees were cancelled.

On 18 August 2021, the Company announced it had entered into a Strategic Licensing Agreement (Agreement) with Akili Interactive Labs, Inc., a global leader in the digital therapeutics space. Under the Agreement, the Company will receive total milestone payments of up to A\$51 million (US\$37.5 million) as well as royalties on future sales.

In the interval between the end of the financial year and the date of this report no other item, transaction or event of a material and unusual nature has arisen other than outlined in this section that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Part 20 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:
Not applicable

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:
Not applicable