

ASX Release

## **TALi PRODUCT AND CLINICAL PROGRAM, INTERNATIONAL DISCUSSIONS, APPENDIX 4C**

### **HIGHLIGHTS**

- U.S. Clinical Development Phase, part of Akili license agreement, on schedule
- First co-development payment from Akili expected next quarter (Q3 FY22)
- Marketing activities in India recommenced after COVID-driven delay
- International discussions on additional agreements continued
- Key management roles filled, and new board member added, strengthening capabilities
- Digital health and digital therapeutics (DTx) markets growing, according to report

TALi Digital Ltd (ASX: TD1, “TALi” or “the Company”), a leading global digital health business is pleased to provide the following quarterly activities report, together with its Appendix 4C for the quarter ended 31 December 2021 (Q2 FY2022).

### **COMMERCIALISATION AND OPERATIONS UPDATE**

#### **US Market – Akili Partnership<sup>1</sup>**

TALi executed a Strategic Licensing Agreement with Akili, a global peer in the digital therapeutics segment, in Q1 FY22. The agreement will see TALi, in partnership with Akili, bring to market a digital therapeutic for the treatment of ADHD in early childhood in the United States.

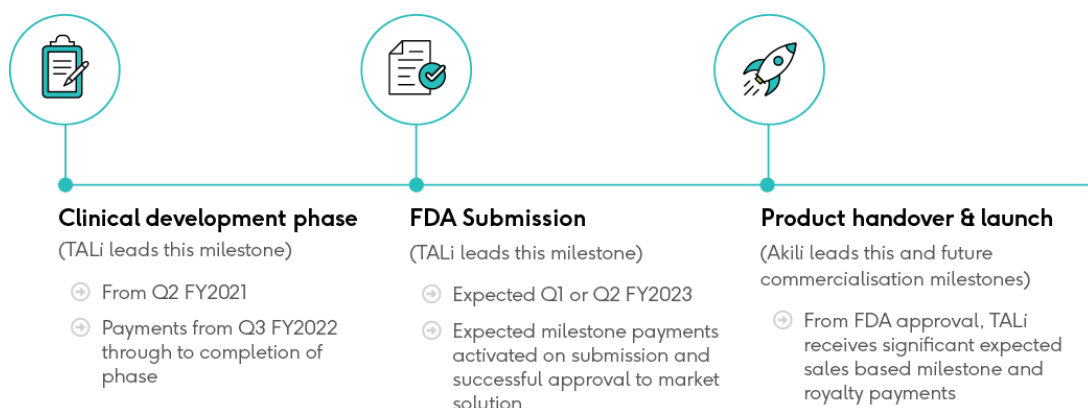
The first stage of this Agreement, a program of Clinical Development, was initiated and is on-schedule. TALi expects to receive the first co-development payment from Akili during the coming quarter (Q3 FY22), per the terms of the Agreement.

TALi expects to receive approximately AUD \$250,000 in co-development payments from Akili during FY22 and Q1 FY23 as part of this Clinical Development phase, leading to a submission to the U.S. Food and Drug Administration (FDA) seeking approval to market the solution in FY23.

A payment of USD \$2 million is payable to TALi on receipt of FDA approval, anticipated during FY23.

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<sup>1</sup> May be subject to change based on clinical development program endpoints, partner product requirements, US regulator advice, force majeure and other unforeseen events



The Akili agreement is transformational and highly strategic for TALi and is estimated to represent AU\$51 million (US\$37.5 million) in total future contingent milestone payments plus royalties on potential revenues.

### India - Times of India Partnership

In Q2 FY21 TALi announced an investment agreement and an advertising agreement with Brand Capital International (BCI), the strategic investment arm of Bennett, Coleman and Company Ltd (The Times Group) to bring the TALi technology to consumers in India.

The initial rollout was impacted by the surge of COVID-19 India encountered in late FY21. Approximately US\$1.37 million of the US\$2.0 million pre-paid advertising credits with our advertising partner, The Times Group of India, remains for use in this market.

In Q2 FY22, TALi and the Times of India recommenced formal marketing activities. In December 2021, TALi appointed a new Head of Marketing (see below) whose responsibilities will include maximising the value of this key relationship.

### International

TALi also continued to engage with potential partners to enable development and deployment of the TALi technology into more jurisdictions. These mainly focused on the Asia-Pacific region. However, TALi has also commenced initial market research and resource allocation to the UK/Europe.

### Market Growth

According to a report by market intelligence firm CB Insights: "Digital health investment around the world hit an all-time high of USD\$57.2 billion in funding in 2021, fueled by the growing need to provide digital solutions and delivery models to patients during the pandemic. The record-breaking funding marks a 79% jump from the USD\$32 billion raised globally in 2020. That record amount was raised in 2,930 deals, compared to 2,518 deals in 2020<sup>2</sup>".

<sup>2</sup> <https://www.fiercehealthcare.com/digital-health/digital-health-startups-around-world-raked-57-2b-2021-up-79-from-2020>

The report continues: “Digital therapeutics and mental health startups both had banner years in 2021, raking in sky-high funding. Digital therapeutics (DTx) start-ups secured a record-breaking USD\$3.4 billion across 122 deals in 2021, up 133% from the prior year. DTx enables the treatment of chronic conditions at scale and is demonstrating improved patient outcomes in clinical trials. This is driving investor interest in the technology's future”.

## Personnel

A number of roles were filled during the quarter:

- New Board member: Mr David Williams, a former senior executive with Cochlear Limited, joined the Board as a Non-Executive Director (see announcement dated 15<sup>th</sup> December 2021).
- New Advisory Board member: Ms Sara Pantzer former Head, Gov't Relations and Policy for Amgen and Associate Director, Policy at Merck.
- Senior management roles:
  - VP, Engineering, Simon Bond (Ex Director, Ballarat Health)
  - Director of Product Marketing, Rehana Nathwani (ex ResMed)
  - Head of Digital Marketing, Matthew Shaw (ex ResMed)
  - Investor and Public Relations Manager, Mr Paul McKeon (ex ResMed, Intel)

In combination with the recruitment of Mary Colt to the leadership team (see announcement dated 29<sup>th</sup> October 2021) these additions continue to build resource capability in TALi.

## FINANCE UPDATE

### COVID-19 impact statement

As per previous quarterly reports the Company confirms that the COVID-19 pandemic has had a material impact on the commercialisation activities of the Company. As examples, the severe COVID-19 crisis in India delayed the launch of TALi with our in market partner the Times Group and the interim shift to home-schooling on a global basis restricted marketing and sales opportunities in that segment.

The Company has sought to proactively manage the financial and operational impacts on the businesses during the COVID-19 pandemic and welcomes the changing health and economic environments in key markets for the Company.

### Outlook – a year of milestones ahead

The Company recognises revenues during quarter appear on the surface as disappointing. However, this was primarily driven by a shift to the marketing approach in India and Australia by the new TALi management team. Improvements in the macro environment in India and Australia combined with deployment of targeted marketing initiatives under the guidance of the new management group show promise, with indicators in January pointing towards improved quarterly metrics for the Company.

This targeted marketing approach combined with the sharp focus by the Company on delivering to the development milestones under the agreement with Akili, should see forecast significant milestone payments and sales to TALi in forward quarters.

TALi reported a net operating cash outflow for Q2 FY22 of \$1.18 million, an increase from the net operating cash outflows of \$0.49 million in the prior quarter (Q1 FY22) which included an inflow of \$0.8 million from the receipt of the FY21 R&D tax incentive.

TALi reported an overall net outflow of \$0.97 million, aided by the receipt of \$0.30 million from Tranche 1 of the Victorian Government non-dilutive R&D tax financing facility.

As at 31 December 2021, TALi had a closing cash balance of \$1.28 million, and expects to receive up to a further \$0.20 million of cash inflows via Tranche 2 of the non-dilutive financing facility with the Victoria Government during Q3 FY22.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C (\$105,270) includes Director fees and salary (including superannuation) for the CEO and Managing Director and related parties.

The Company looks forward to providing the market further updates on commercialisation activities of the Company as appropriate and in future quarterly activities reports.

**Release authorised by:**

The Board of TALi Digital Limited

**CONTACT****Corporate**

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**About TALi Digital**

TALi [TALi Digital Limited (ASX: TD1)] is a digital health company delivering diagnostic and therapeutic solutions to enhance cognitive function and behaviour. The Company has built a patented platform technology with our first solution targeting cognitive attention skills during early childhood via the evidence and game-based screening (DETECT®) and training (TRAIN®) modules. This program is complementary to existing diagnosis and therapy and places TALi at the forefront of patient experience and early intervention for attention related conditions. We believe in healthy, happier minds – they start here with TALi.

A continuous innovation focus will see the Company deliver a series of product developments in ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder) along with a core research program exploring applications for at 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). At TALi, our vision is to deliver a personalised digital experience to enhance cognitive care. Learn more at [talidigital.com](https://talidigital.com).

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

TALi DIGITAL LIMITED

ABN

53 108 150 750

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3	7
1.2 Payments for		
(a) research and development	(71)	(100)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(51)	(107)
(d) leased assets	-	-
(e) staff costs	(640)	(1,356)
(f) administration and corporate costs	(414)	(903)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	796
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,176)</b>	<b>(1,669)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(11)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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)	(87)	(87)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(94)</b>	<b>(98)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	51
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	300	300
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liability)	-	(36)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>300</b>	<b>315</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,245	2,727
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,176)	(1,669)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(94)	(98)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	300	315
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,275</b>	<b>1,275</b>

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,237	1,295
5.2	Call deposits	38	950
5.3	Bank overdrafts	-	-
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,275</b>	<b>2,245</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	105
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

The amount at 6.1 includes Director fees and salary (including superannuation) for the CEO and Managing Director and Non-executive Directors.

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	300	300
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>300</b>	<b>300</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The Loan facility is a non-dilutive funding facility of up to \$503,744 with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&amp;D Cash Flow Loan Initiative. The Facility will be received in two tranches: the first of \$300,000 was received in October 2021; and the second of up to \$203,744 is expected to be received in the quarter ending 31 March 2022. The amount of the second tranche funding will be capped so as not to exceed a total Facility draw down of 80% of the Company's forecast R&amp;D Tax Incentive (RDTI) rebate for FY2022. Interest on Facility advances is variable at the "TCV 11am" loan interest rate (currently 0.265%). Repayment of the Facility is timed to coincide with receipt of the Company's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 RDTI refunds. As at 31 December 2021 the total loan facility was \$300,000, being fully drawn.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,176)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,275
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	<b>Total available funding (item 8.2 + item 8.3)</b>	<b>1,275</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.1</b>
	<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	



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

8.6.1 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: Yes

8.6.2 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: Yes. The Company is undertaking a capital management program during the current quarter (Q3FY22).

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

Answer: Yes. The Company expects to have sufficient capital to continue operations from its capital management program together with forecast revenue flows during the FY22 and FY23 periods.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.



Glenn Smith  
CEO & Managing Director

Date: 31<sup>st</sup> January 2022

Authorised by: The Board of TALi Digital Limited  
(Name of body or officer authorising release – see note 4)

## 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 – eg 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.