

ASX Release

COMPANY UPDATE & APPENDIX 4C QUARTER ENDED 31 March 2021

HIGHLIGHTS

- US\$2million Times Group investment received in full and AUD\$3.85 million raised to accelerate global partnership model rollout during the quarter
- TALi continues to progress commercial partnership opportunities in other markets such as USA and Asia
- The marketing and advertising campaign with the Times Group of India commenced ahead of schedule
- TALi India App reviewed, approved and now released on the Indian Google Play Store

TALi Digital Ltd (ASX: TD1, “TALi” or “the Company”), a leading digital health business is pleased to provide the following quarterly activities report, together with its Appendix 4C for the quarter ended 31 March 2021 (Q3 FY2021).

Commenting on the progress made in Q3 FY2021, TALi Digital Managing Director Mr Glenn Smith said “It has been a busy quarter where we have focused on progressing preparations for our Indian rollout and strengthening our global pipeline of commercial opportunities. We were delighted to have received strong support from investors during our recent capital raise which reflects the confidence in our TALi DETECT and TALi TRAIN cognitive performance tools and allows us to accelerate our global partner rollout model.”

“During the quarter we worked towards the initiation of marketing and advertising campaigns with our strategic partner, the Times Group of India, having formed our partnership last December and having received an initial strategic investment of US\$2 million. Following extensive efforts to ensure the right plan was in place and that consumer Apps were available on Google Play, our efforts culminated with the initiation of the consumer campaign post quarter end, and we look forward to reporting on the outcome of the campaign to shareholders over the coming months.”

“Having developed a strong intellectual property portfolio across our key international target markets, we made significant progress towards forming additional strategic partnerships in markets including the US and Asia, where we see opportunities to significantly scale our business over the long term.”

Quarter Review

During the quarter TALi continued to focus on building its significant B2B pipeline and commercialising its product suite. While the impact of COVID-19 on social interaction and the broader economic situation continued to impact the ability for the company to significantly roll out TALi products during the quarter (see Australian market progress section), substantial progress was made on its international growth strategy.

The Company raised \$3.85 million to accelerate TALi's expansion into global markets, to drive the commercial rollout of TALi DETECT and TALi TRAIN and, commenced its marketing and advertising campaign with Times Group of India, ahead of schedule. The balance of the US\$2 million investment from the Times Group of India's was completed in January 2021 (US\$1million).

TALi continues to progress commercial partnership opportunities in additional strategic markets including the US and Asia.

Investment received to accelerate rollout of global partnership model

In February, TALi announced that a range of high-quality institutions and sophisticated investors had invested \$3.85 million before costs, at an issue price of \$0.039 per share. The placement funds will be used to accelerate TALi's expansion into global markets such as the USA, Asia and other healthcare markets and to progress partnerships with direct-to-consumer channel partners such as the Times Group in India.

98,717,948 new shares were issued, representing 11.87% of the Company's shares on issue and the \$0.039 price per share was a 7.1% discount to the last closing price on 11 February 2021. Subject to shareholder approval, TALi will issue one free attaching option for every 2 new shares purchased. The attaching options will have an exercise price of \$0.09 per share and will expire in 12 months after the date of issue. If exercised, the options will deliver a further \$4.44m in proceeds to the Company.

Times Group of India campaign commencement

During the quarter, TALi worked with the Times Group of India towards the commencement of an integrated marketing and advertising campaign, targeting the Indian consumer market.

The Indian market represents a significant growth opportunity for TALi Digital. Approximately one in eight children between 2-9 years of age are estimated to have at least one neurodevelopmental disorder¹. This represents a direct opportunity of approximately 30 million children in the TALi age range². India possesses the world's second largest middle-class population with approximately 340 million people and is set to surpass China in size by 2035³.

¹ <https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1002615>

² Arora NK, Nair MKC, Gulati S, Deshmukh V, Mohapatra A, Mishra D, et al. (2018) Neurodevelopmental disorders in children aged 2-9 years: Population-based burden estimates across five regions in India. PLoS Med 15(7): e1002615

³ <https://oecd-development-matters.org/2019/05/07/look-east-instead-of-west-for-the-future-global-middle-class/>

Following the quarter end, TALi announced that direct-to-consumer versions of TALi DETECT and TALi TRAIN had been released for download via the Google Play app store in India, the first important milestone in this market, where more than 95% of Indian consumers use Google based devices. TALi also announced that the launch campaign had commenced ahead of schedule, with an advertising and communication plan that highlights the benefit of TALi's cognitive performance tools to the health and education of children 3-8 years of age and their availability on the App stores.

The initial digital campaign with the Times Group is live. Due to the scale of the Indian market the launch program will be staggered over months via channel and region to build brand awareness, recognition and trust in the early childhood family segment.

The Times Group has a significant track record with investments and growth of partner organisations in India. BCI investments and The Times Group partnerships have provided required acceleration for global organisations, as well as a launchpad for SMEs to scale in the region. Examples include, Uber, Coursera, Byju's, Flipkart, Odd Up and 1Worldonline.

Image 1: Representative TALi ad placement in The Times of India



International market update

During the quarter, TALi continued to progress its international growth strategy in other key markets, including Japan and the US where it has a strong patent portfolio. The patent portfolio highlights the growing value of the TALi platform IP portfolio and the Company continues to lever this to progress discussions with commercial partners and further expand commercial partnership opportunities in these markets.

Australian market progress

TALi is currently focused on further raising awareness of its products in the health care market. At the end of the December quarter, a shift toward seeking reimbursement for the TALi solution was initiated. This focuses on data collection in the market as opposed to direct revenue generation to allow the Company to deliver on an end goal of a submission to a relevant government body to be provisioned public funding for TALi solution (e.g. MSAC: <http://www.msac.gov.au>). A lower revenue figure during the quarter is a reflection of this shift. The Company expects revenue to be primarily generated from international jurisdictions (e.g. India) over the forward periods.

Financial Overview

Net operating cash outflows for the March 2021 quarter totalled \$4.0million (versus \$1.35m of outflows in the December 2020 quarter) reflecting the continued development of the TALi product portfolio for the global market.

Included in the current quarter operating cash flows are one-off payments of a combined US\$2 million (AU\$2.6 million) in respect of the investment and advertising partnership with Brand Capital International (The Times Group of India) as per the ASX announcement on 8 Dec 2020. The funds from the initial investment were used to acquire advertising credits under the advertising agreement at a preferential rate arrangement. The advertising credits will allow TALi Digital to deploy its marketing communications in the Indian market through the Times Groups' media assets thereby allowing TALi Digital to focus on the Indian market and grow their consumer base. TALi Digital has up to 18 months to utilise the credits.

Cash receipts for Q3 FY2021 were \$2k (\$6k in the prior quarter) representing a change in the focus of TALi in the Australian market (as noted above). The Company received \$3.85m million in funding from the February 2021 Placement and the balance of the investment from the Times Group of India of US\$1million in the March 2021 quarter.

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

Strong Cash Position

Despite the ongoing impact of the COVID-19 pandemic on the broader macro-economic and social conditions the Company ended the March 2021 quarter with a cash balance of \$3.85 million.

Release authorised by:

TALi Digital Limited Board of Directors

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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.

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2	19
1.2 Payments for		
(a) research and development	(380)	(617)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(2,619)	(2,830)
(d) leased assets	-	-
(e) staff costs	(517)	(1,927)
(f) administration and corporate costs	(510)	(1,370)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(3)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	1,094
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(4,027)	(5,640)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) property, plant and equipment	(2)	(18)
	(d) investments	-	-
	(e) intellectual property	(180)	(608)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(182)	(626)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,549	6,549
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	(256)	(256)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.9	Other		
	- Repayment of lease liability	(35)	(101)
	- Reallocation of proceeds from placement of shares yet to be issued as at 31 Dec 2020 (approved 6 Jan 2021 and reallocated to 3.1)	(1,305)	-
3.10	Net cash from / (used in) financing activities	4,953	6,192

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,115	3,946
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,027)	(5,640)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(182)	(626)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,953	6,192
4.5	Effect of movement in exchange rates on cash held	(5)	(18)
4.6	Cash and cash equivalents at end of period	3,854	3,854

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	2,904	1,365
5.2	Call deposits	950	1,750
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)	3,854	3,115

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	101
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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)	100	-
7.4	Total financing facilities	100	-
7.5	Unused financing facilities available at quarter end		-
7.6	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.		
	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)	(4,027)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,854
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,854
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.0
<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>		

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:

No.

Included in the current quarter operating cash flows are one -off payments of a combined US\$2 million (AU\$2.6 million) in respect of the investment and advertising partnership with Brand Capital International (The Times Group of India) as per the ASX announcement on 8 Dec 2020. The funds from the initial investment were used to acquire advertising credits under the advertising agreement at a preferential rate arrangement. The advertising credits will allow TALi Digital to deploy its marketing communications in the Indian market through the Times Groups' media assets thereby allowing TALi Digital to focus on the Indian market and grow their consumer base. TALi Digital has up to 18 months to utilise the credits.

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:

No.

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.

On the basis the Company has sufficient cash reserves of \$3.85million as a result of the successful capital raise in February 2021.

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.

Date: .28th April 2021

Authorised by: .By the Board..... 
(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 – 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.