

ASX Release

TALi Reorganisation, Medical Device Focus and Key Partnerships
APPENDIX 4C**HIGHLIGHTS**

Following the resignation of the CEO in March 2022 the Board undertook a full operational review of the business and moved to streamline and focus on core assets and value creation. During this time the Board were delighted to appoint Dr Mary Beth Brinson as CEO and she now continues to implement the strategy to rebuild the business. This review and key appointment have delivered a refocused business strategy with clear short and long term deliverables for the digital medical device program. Consequently, a significant reduction of spending in non-core areas was implemented. The cost reduction included a restructure of the organization with a significant decrease in headcount.

Innovation of our core offering of DETECT® and TRAIN® was reprioritised given this will strengthen our product offering and pipeline. This includes ensuring our products and pipeline better support the needs of the medical professionals providing diagnostic and therapeutic services to neurodivergent children and that the games are engaging to children and easy for parents to support at home.

A leaner team, stricter focus and an enhanced offering will support our sales model and channel strategy, delivering revenue in line with updated forecasts. In this quarter, we have already achieved more revenue than in the previous quarter and while modest, this validates the new approach. TALi's sales plans will initially be executed in Australia, our home market with plans to scale into areas with similar demographics and characteristics.

In other jurisdictions given resource constraints, the main focus is the USA market working with our partner Akili. Significant additional effort has gone into enhancing and deepening the relationship with Akili, including the first face-to-face meeting of the CEOs in Boston in July 2022. The studies being executed in the United States are progressing well. The latest study reimbursement from Akili of USD\$31.5k (AUD\$45.8k) was received in July.

Looking to the future, TALi has established a key research partnership by signing an MOU with Macquarie University. Working with Macquarie's strong cognitive science group will support our future growth plans.

It is clear that as we rebuild the business, we will continue to need the support of our shareholders. We have implemented a program of more regular investor updates and social media engagement and these will be further enhanced in the coming months.

To complete the most recent capital raise, an Extraordinary General Meeting was held 28 June 2022 and shareholders approved the share and options issue and placement as per resolutions.

FINANCE UPDATE

As at 30 June 2022, TALi had a closing cash balance of \$1.85 million. TALi reported a net operating cash outflow for Q4 FY22 of \$1.16 million, a decrease from the net operating cash outflows in the prior quarter (\$1.48 million) a result of reduced outflows for staff costs. The reduced staff costs result from realigning the operations to the new strategy.

TALi reported an overall net inflow for the June 2022 quarter of \$0.41 million, largely attributed to the TALi issuing 153,100,009 ordinary shares at \$0.011 via an entitlement offer in April 2022, raising \$1.68 million (before costs).

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C (\$222,345) includes Director fees and salary (including superannuation) for the former CEO and Managing Director, Non-Executive Directors and related parties.

COVID-19 IMPACT STATEMENT

The COVID-19 pandemic waves continue to have a material impact on some activities in TALi. This is mainly reflected in slower than expected clinical study activities in the United States. With the ability to vaccinate young children now in effect and travel returning to pre-pandemic levels, we expect these impacts to continue to diminish.

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.

Release authorised by:

The Board of 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 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. Inattention has a detrimental effect on children and families and TALi is well positioned to provide early intervention support through its diagnostic and therapeutic digital platforms.

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 therapeutic effectiveness and new diagnostic applications for at-risk populations. Learn more at 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")

30 June 2022

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	37	47
1.2 Payments for		
(a) research and development	(143)	(358)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(28)	(260)
(d) leased assets	-	-
(e) staff costs	(822)	(2,862)
(f) administration and corporate costs	(316)	(1,781)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	113	909
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,160)	(4,315)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(13)
	(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	-
2.6	Net cash from / (used in) investing activities	87	(13)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,684	3,222
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	(203)	(295)
3.5	Proceeds from borrowings	-	504
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 (12 months) \$A'000
3.9	Other (repayment of lease liability)	-	(36)
3.10	Net cash from / (used in) financing activities	1,481	3,446

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,436	2,727
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,160)	(4,315)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	87	(13)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,481	3,446
4.5	Effect of movement in exchange rates on cash held	1	-
4.6	Cash and cash equivalents at end of period	1,845	1,845

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	1,845	1,237
5.2	Call deposits	-	38
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)	1,845	1,275

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	222
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>		

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

7.	Financing facilities <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	504	504
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	504	504
7.5	Unused financing facilities available at quarter end		-
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&D Cash Flow Loan Initiative. The Facility was received in two tranches: the first of \$300,000 was received in October 2021; and the second of \$203,744 was received in February 2022. The amount of the second tranche funding was capped so as not to exceed a total Facility draw down of 80% of the Company's forecast R&D Tax Incentive (RDTI) rebate for FY2022. Interest on Facility advances is variable at the "TCV 11am" loan interest rate (currently 1.515%). 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 30 June 2022 the total loan facility was \$503,744, being fully drawn.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,160)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,845
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,845
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.6
<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: This is a priority activity at Board and management level and it is clear we will need to secure strategic investment to unlock value for shareholders. We have or are engaged with a number of potential strategic partners and investors and these discussions are ongoing. Market conditions are challenging and there is some risk which the team are working to mitigate were possible.

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 as long as the business secures additional capital as planned in timely manner

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.

29 July 2022

Date:



Sue MacLeman – Chair

Authorised by:
(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.