

ASX Release**TALi FY22 Results****HIGHLIGHTS**

- **Total revenue and income \$881,416**
- **Net loss \$5,830,004**
- **Net cash at bank \$1.85 million as at 30 June 2022**
- **Strategic Licensing Agreement with global leader Akili Interactive for US market**
- **India market lessons**
- **Research partnership with Macquarie University**

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 2022 (FY22).

The calendar year 2022 has been a year of change and renewal. We are now positioned at the end of the 2022 financial year with a clear strategy for building shareholder value as a medical device company with an appropriately skilled team, reduced costs and a strong business plan focussed on delivering a new product offering and improved sales in the next financial year. We have learned much about the direct-to-consumer (direct to parent) market through the agreement with Brand Capital in India. The partnership with Akili has been refreshed and strengthened which is critical to the business given the US is the major market for digital therapeutics. We also began a new Research and Development partnership with Macquarie University to broaden the application of the TALi products and strengthen the future pipeline. We have also rationalised the business development focus and activities and engaged in partnership discussions that should transform us into a global digital therapeutics' medical device company in the longer term. We are very pleased that TALi are ready for a year of delivering to milestones and visible markers of success and growth.

OPERATIONAL REVIEW**Leaning of the business structure and focussed direction**

Following the departure of the CEO/Managing Director in March, a full strategic and operational review was initiated by the Board. During this review, the Board appointed Dr Mary Beth Brinson, a recent appointment as Chief Medical Officer, as the new Chief Executive Officer. The outcome of the operational review revealed the business suffered from a lack of marketing focus following the pivot from EdTech to MedTech and a cost base and structure that did not reflect TALi's stage of development. As a result of this review the headcount was reduced by 60%, leaving a very lean team with additional skills and expertise added in key areas. Additionally, the review produced a focus on three priorities for FY 2023: 1. Product renewal, 2. Executing on the digital medical device plan for

the business in Australia and 3. Strengthening the relationship with Akili in readiness for US market launch.

1. Product renewal

TALi DETECT® and TRAIN® were produced as products for clinical trials, which were concluded successfully demonstrating the safety and efficacy for training attention. In the years since soft launch and attempts at commercialisation, feedback has been gathered from professionals and parents about usability of the tools. The pandemic and lock downs clearly had an impact on this commercialisation roll out with closure of schools and a pivot to medical device marketing was restricted given health care professionals were concentrating on the pandemic response and had little capacity to deploy new tools in the space.

TALi will be incorporating that feedback to deliver an improved experience for the parent and the health care providers with the launch of a new product in FY 2023. This new TALi product represents the latest in digital therapeutics and incorporates unique features delivering new capabilities. The launch in Australia will initially focus on health care providers with a focus/emphasis on key allied health professional groups (Occupational Therapists and Psychologists), in FY 2023 and represents an exciting opportunity to address a significant unmet need with neurodiverse children.

TALi products today focus on identified children that would benefit from attention training. In the future, the plan is to expand the product offering to focus on prevention leveraging TALi's unique clinically based algorithms.

2. Australian Business

TALi is a proudly Australian company and are pleased to deliver on a business plan in FY 2023 that allows the families of Australia to benefit from the TALi digital therapy. The new product launch will initially focus on the Australian market. This market is well understood with independent research confirming the significant opportunities that exist. Successfully executing in Australia will build revenues as well as help inform our expansion efforts into similar markets. A successful digital healthcare model executed in Australia can then be easily scaled to other countries.

3. USA Business

The USA market is critical for any significant medical device company and the strategic relationship with Akili is key to achieving key product approval and commercialisation milestones.

On 18 August 2021, TALi announced it had entered into a Strategic Licensing Agreement (Agreement) with Akili Interactive Labs, Inc. (Akili), a global leader in the digital therapeutics space. Under the Agreement, our Company will receive total milestone payments of up A\$51M (US\$37.5M) as well as royalties on future sales after FDA approval is received. Akili now holds an ongoing licence for TALi's market leading technology to become the exclusive commercialisation partner for all paediatric cognition products in the US.

This agreement is a major vote of confidence in TALi by a larger American-based corporation. Akili is assuming a portion of the costs of the trials required for the FDA approval as well as the milestone and royalty payments. TALi have already received payments from Akili for clinical development activities which commenced in FY22.

The agreement with a global leader in digital therapeutics provides the support needed for TALi to access the US market and revenues 5-10 years earlier than we could have done on our own. Once the trials are completed and the FDA approval is gained, the TALi product will be able to access the prescription digital medical device pathway that Akili has been building, utilising the Akili organisation in the USA.

TALi's products complement Akili's product portfolio by providing access to children 3-8 years of age. With hindsight, the initial estimates provided for milestone payments agreed with Akili did not accurately reflect the challenges of delivering this clinical program during a pandemic and was overly optimistic. This was identified as part of the strategic review and in light of continued challenges with the pandemic and parents' willingness to expose children to high-risk environments. This was identified as part of the strategic review and in light of continued challenges with the pandemic and parents' willingness to expose children to high-risk environments. A more accurate timeline is being evaluated with the joint teams working on a potential change in clinical trial designs for the final registration process. On approval a USD\$2M milestone is payable to TALi.

Once approved, TALi's technology platform has the potential to lead to a multi-decade annuity revenue stream in the US market. First sale and subsequent revenue milestones will be paid from Akili to TALi on revenues up to US\$150M. Royalty payments will be paid on all sales of the TALi product in the US market in addition to milestone payments.

The first face-to-face meeting with Akili was held in July in the USA at the Akili headquarters in Boston. Akili and TALi executives had a productive discussion on the companies' work together to introduce innovative new treatment options for young children living with ADHD.

We are excited to continue this relationship and look forward to sharing more soon on our work together.

India market lessons

In December 2020, TALi announced that it had signed 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 in the Indian market. This agreement supported a 'direct-to-parent' business model which is a customer much further down the funnel than the allied health professional. The funding providing advertising and lead optimisation for this consumer group.

Since TALi DETECT® and TRAIN® were made available via the iOS and Android app stores, there have been more than 5 million article and website views and more than 75,000 app downloads. However, these did not result in significant sales. The feedback from the market indicates that the current product journey which is made for a medical professional-led model is not the right model for parents who are not supported by the medical channel. Pleasingly, the feedback on the games has been extremely positive.

A face-to-face meeting with Brand Capital was held in the USA in July. The special requirements for the Indian market were discussed. The current plan is to maintain our current presence in India and continue to derive information from this important direct-to-consumer market. As stated, our priorities for FY2023 will be the Australian market and the US market through Akili, which are direct to provider medical models.

Research partnerships

The growth pipeline for TALi includes additional indications and populations, which requires a strong research partnership. TALi recently signed a 5-year MOU with Macquarie University which has a strong cognitive science department as well as a focus on cross-disciplinary research. This ability to bring several departments in the University to solve cognitive issues will give TALi a great advantage as we seek to expand into other diagnoses, acquired brain issues and adult populations.

Financial review

TALi reported a loss for the year ended 30 June 2022 of \$5,830,004 (2021: \$4,858,273) attributable to the following:

- Revenue from continuing operations \$13,165 (FY21: \$34,238).
- Co-development reimbursements under the Akili Agreement of \$99,788 (FY21: nil).
- Advertising and promotion expenses of \$1,007,459 (FY21: \$885,247) largely associated with TALi's launch entry into the Indian market via its advertising agreement with The Times Group.
- Personnel expenses excluding share-based payment expense of \$2,762,297 (FY21: \$2,191,833) impacted by staff restructuring costs as the Company looks to streamline its operations; and
- Contract research and development expense of \$543,185 (FY21: \$233,632) largely associated with the US clinical trial preparations as required by the Akili Agreement to gain FDA approval.

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 2022 the Company has a receivable for the estimated RDTI refund for the year ended 30 June 2022 of \$509,506 and during the year the Company received an EMDG of \$113,032 (2021: \$100,000).

The Company's cash at bank as at 30 June 2022 was \$1,845,128. During the period the Company executed a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government's R&D Cash Flow Loan Initiative (Initiative) of \$503,744. The loan is repayable by 31 October 2023, aligned to the expected receipt of the FY23 R&D tax incentive. In March 2022, TALi received strong support from new and existing shareholders raising \$3.22 million (before costs).

Outlook

In FY23, TALi will be focussed on delivery of agreed and articulated milestones to provide confidence to our shareholders and the market that we are on the right trajectory. These milestones will include revenue projections, progress on the plans with Akili in the USA and plans for expansion.

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 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 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 2022
Previous Corresponding Reporting Period	12 months ended 30 June 2021

Part 2 – Results for Announcement to the Market

	2022	2021	Increase/ (Decrease)	Change
	\$	\$	\$	%
Total revenues and income	881,416	548,905	332,511	60.6%
Loss from ordinary activities after tax attributable to members	(5,830,004)	(4,858,273)	971,731	20%
Net loss attributable to members	(5,830,004)	(4,858,273)	971,731	20%

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

SECTION	CONTENTS
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Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2022	2021
	\$	\$
Revenue from continuing operations	13,165	34,238
Other income	868,251	514,667
Total revenues and income	881,416	548,905
Contract research and development expenses	(543,185)	(233,632)
Personnel expenses excluding share-based payment expense	(2,762,297)	(2,191,833)
Share based payment expense	(171,485)	(92,295)
Depreciation and amortisation expenses	9 (371,380)	(541,501)
Occupancy expenses	(98,904)	(35,804)
Professional and consulting expenses	(892,479)	(731,408)
Travel and accommodation expenses	(37,752)	(19,925)
Insurance expenses	(191,139)	(110,131)
Corporate administration expenses	(147,353)	(236,545)
Intellectual property expenses	(128,874)	(106,265)
Advertising and Promotion	(1,007,459)	(885,247)
Other expenses	(277,555)	(277,479)
Total expenses	(6,629,862)	(5,462,065)
Results from operating activities	(5,748,446)	(4,913,160)
Foreign exchange losses	(11,274)	(9,311)
Net finance income / (expense)	(70,284)	64,198
Loss before income tax expense from continuing operations	(5,830,004)	(4,858,273)
Income tax expense	-	-
Loss after income tax expense from continuing operations	(5,830,004)	(4,858,273)
Profit / (loss) after income tax from discontinued operations	-	-
Loss attributable to owners of the Company	(5,830,004)	(4,858,273)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Net Change in fair value of Investments	-	-
Total comprehensive loss for the period to owners of the Company	(5,830,004)	(4,858,273)

Part 5 – Consolidated Accumulated losses

	2022 \$	2021 \$
Accumulated losses at the beginning of the financial year	(201,403,750)	(196,545,477)
Net loss attributable to owners of the Company	(5,830,004)	(4,858,273)
Reversal of share-based payment transactions to employees from prior periods	44,766	-
Accumulated losses at the end of the financial year	(207,188,988)	(201,403,750)

Part 6 – Consolidated Statement of Financial Position

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	11	1,845,128	2,726,518
Trade and other receivables		613,788	847,223
Investments		2,273	1,688
Other assets		379,897	2,016,270
Total current assets		2,841,086	5,591,699
Non-current assets			
Intangible assets		3,845,015	4,126,199
Property, plant and equipment		28,783	113,309
Other assets		828,527	-
Total non-current assets		4,702,325	4,239,508
Total assets		7,543,411	9,831,207
Current liabilities			
Trade and other payables		484,102	250,338
Lease Liabilities		-	55,792
Borrowings		42,063	-
Deferred income		145,673	145,674
Employee benefits		75,680	159,344
Total current liabilities		747,518	611,148
Non-current liabilities			
Employee benefits		6,222	27,266
Borrowings		462,053	-
Deferred Income		1,791,075	1,936,746
Total non-current liabilities		2,259,350	1,964,012
Total liabilities		3,006,868	2,575,160
Net assets		4,536,543	7,256,047
Equity			
Share capital	17	211,038,225	208,157,446
Share based payment reserve		1,687,306	1,502,351
Revaluation reserve		(1,000,000)	(1,000,000)
Accumulated losses		(207,188,988)	(201,403,750)
Total equity		4,536,543	7,256,047

Part 7 – Consolidated Statement of Cash Flows

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers from continuing operations		47,758	39,906
Cash payments to suppliers and employees		(5,284,889)	(6,997,809)
R&D incentive		795,874	694,848
Grants Received		113,032	461,738
Interest received		80	3,271
Net cash used in operating activities	11	(4,328,145)	(5,798,046)
Cash flows from investing activities			
Payments for intangible assets		-	(1,548,718)
Proceeds from disposal of property and equipment		-	299
Payments for property, plant and equipment		(12,634)	(23,283)
Net cash used in investing activities		(12,634)	(1,571,702)
Cash flows from financing activities			
Proceeds from issue of shares		3,272,851	6,560,776
Share issue costs		(282,730)	(256,412)
Repayment of lease liabilities		(35,795)	(137,073)
Proceeds from borrowings		503,744	-
Net cash used in financing activities		3,458,070	6,167,291
Net (decrease) / increase in cash and cash equivalents		(882,709)	(1,202,457)
Cash and cash equivalents at the beginning of the financial year		2,726,518	3,945,408
Effects of exchange rate changes on cash and cash equivalents		1,319	(16,433)
Cash and cash equivalents at the end of the financial year		1,845,128	2,726,518

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

	2022	2021
	\$	\$
Profit before related income tax expense has been arrived at after charging the following items:		
Depreciation of plant and equipment	90,196	224,550
Amortisation of intangible assets	281,184	316,951
Total charges	371,380	541,501

Part 10 – Commentary on Results

The Company reported a loss for the year ended 30 June 2022, after accounting for income tax benefit, of \$5,830,004 (2021: \$4,858,273). The year ended 30 June 2022 operating results are attributed to the following:

- Total revenues and income of \$881,416 (2021: \$548,905)
- Personnel expenses excluding share-based payment expense of \$2,762,297 (2021: \$2,191,833)
- Depreciation of plant property and equipment of \$90,196 (2021: 224,550); and
- Amortisation of intangible assets \$281,184 (2021: \$316,951)

The Company has cash reserves as at 30 June 2022 of \$1,845,128 (2021: \$2,726,518). The decrease in cash reserves was driven largely by net operating outflows of \$4,328,145. This was partially offset by net cashflows from financing activities of \$3,458,070 (2021: \$6,167,291) which includes funds received from capital raised during the financial year.

The Company has borrowings of \$503,744 at 30 June 2022 (2021: \$ nil) in relation to a funding facility (Facility) with Treasury Corporation of Victoria (TCV) as part of the Victorian Government’s R&D Cash Flow Loan Initiative (Initiative). Interest on Facility advances is variable at the “TCV 11am” loan interest rate (as at 1 August 2022 was 1.515%) and repaid monthly. Repayment of the Facility is timed to coincide with receipt of TALi Digital's FY2023 RDTI refund, expected by 31 October 2023, but may be repaid earlier. The Facility is secured by the FY2022 and FY2023 R&D Tax Incentive (RDTI) refunds. As part of the agreement the Company must maintain a Loan to Value Ratio (LVR) of 80%. As the Company's estimated FY2022 RDTI falls below the requirement to meet the LVR, a repayment to reduced the LVR to 80% may be required by October 2022 and is therefore classified as current.

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:	2022	2021
	\$	\$
Cash at bank and on hand	1,845,128	1,776,338
Bank short term deposits	-	950,180
Cash assets	1,845,128	2,726,518
Loss after income tax	(5,830,004)	(4,858,273)
Add non-cash & non-operating items:		
- Depreciation, amortisation and loss on disposal of plant and equipment	371,380	541,800
- Shared based payment expense	171,485	92,295
- Investment revaluation & foreign exchange (gain)/loss	(1,905)	16,161
Change in operating assets and other receivables:		
- (Increase) / decrease in Receivables	233,436	108,844
- (Increase) / decrease in Other assets	807,847	(1,987,124)
- Increase / (decrease) in Employee benefits	(104,708)	48,285
- Increase / (decrease) in Deferred income	(209,440)	396,504
- Increase / (decrease) in Payables	233,764	(156,538)
Net cash used in operating activities	(4,328,145)	(5,798,046)

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 2022	Year Ended 30 June 2021
Basic (loss) per share	(0.58 cents)	(0.59 cents)
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	999,766,317	820,820,227
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 2022	30 June 2021
Net tangible asset backing per ordinary security in cents	0.06	0.34

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

Name of entity	TALI Digital (UK) Limited
Date Deregistered	10 June 2022
Country deregistered from	United Kingdom
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)	
	30/06/22 %	30/06/21 %	Year ended 30/06/22 \$A'000	Year ended 30/06/21 \$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

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>1,224,791,666</u>	<u>931,905,789</u>	<u>211,038,225</u>	<u>208,157,446</u>

Movements in issued capital during the year were as follows:

	2022 Number	2021 Number	2022 \$	2021 \$
Balance at the beginning of the financial year	931,905,789	749,305,218	208,157,446	202,113,795
Issue of shares through placement	292,885,877	180,518,542	3,221,745	6,549,420
Issue of shares on exercise of options	-	2,082,029	-	62,461
Transaction costs relating to rights issue and placements	-	-	(340,966)	(568,230)
Issued capital at the end of the financial year	<u>1,224,791,666</u>	<u>931,905,789</u>	<u>211,038,225</u>	<u>208,157,446</u>

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
5,000,000	\$0.030	24/11/2025	Ordinary
Vendor, broker and consultant options:			
10,200,000	\$0.030	21/11/2022	Ordinary
5,000,000	\$0.090	22/02/2023	Ordinary
5,000,000	\$0.120	22/02/2023	Ordinary
5,000,000	\$0.150	22/02/2023	Ordinary
Employee options:			
300,000	\$0.015	31/10/2024	Ordinary
1,200,000	\$0.090	20/07/2026	Ordinary
600,000	\$0.060	20/07/2026	Ordinary

Placement options:			
49,358,964	\$0.090	11/01/2023	Ordinary
95,258,964			

Part 18 – Segment Information

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

Part 19 – Subsequent Events

On 5 July 2022, 7,838,858 Ordinary shares were issued to the Directors as approved by Shareholders at the Extraordinary General Meeting (EGM) held on 28 June 2022.

On 4 August 2022, 15,000,000 options were issued with an exercise price of \$0.03 to the Company's broker after approval from the extraordinary General Meeting held on 28 June 2022.

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	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

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