

ASX Release

COMPANY UPDATE & APPENDIX 4C QUARTER ENDED 31 MARCH 2020

TALi Digital Ltd (ASX: TD1) (TALi or the Company), a leading early childhood technology business targeting attention in children through its breakthrough TALi platform has today released its Appendix 4C Quarterly Consolidated Statement of Cash Flows for the period ending 31 March 2020.

KEY HIGHLIGHTS

- TALi has achieved Google for Education Partner status, which supports product access via Google products including G Suite for Education and Google Chromebooks
- Australian marketing and sales strategy for TALi products completed
- New specialist senior recruits to support operations, sales and marketing functions, as the Company enters a significant period of commercial activity

QUARTER REVIEW

The quarter ending 31st March 2020 delivered a unique opportunity for TALi, a leading innovator in digital learning and cognitive development tools for children, to mobilise its sales force to respond to growing demand for its resources as the transition to online health and education increases globally.

The TALi leadership team has now developed and completed the Australian marketing and sales strategy for TALi Health products. This strategy focuses on product use and adoption via business to business (B2B) channels to education and health providers, together with business to consumer (B2C) channels to parents.

The Company welcomed new senior recruits to support market education and product sales, including COO Pete Saunders, National Sales Manager David Turnbull, and Marketing Manager Lee Simpson. These specialists are crucial to cement the leadership team required for commercialisation of TALi Health technologies in Australia and internationally.¹

To support sales lead generation and customer support during this period, TALi launched a Happier Kids Kit product. This kit is designed to offer practical support to parents, health providers and teachers with at home cognitive health and online education. Direct to consumer

¹ Refer to ASX announcement dated 25 March 2020 for more information.

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promotion will be a key focus of the next quarter, including a television commercial and consumer focused digital marketing program.

Since the commencement of TALi's early access program in October 2019, TALi DETECT has been deployed to children primarily aged 5 to 7 in the Victorian public education system, to test the product and validate the product model.

Usage data from the first 1086 school-age children who have now used TALi DETECT - 84% from a school setting across 10 schools, 2% from clinics and 14% from home - has now been analysed.

From the data compiled by the Company to date, ~13% of children were identified as having a higher level of inattentive performance when compared with average age and gender-matched peers in the Company's normative sample of Australian children.²

This period of product validation has corresponded with TALi products achieving Google for Education Partner status. These products can now be accessed via Google products including G Suite for Education and Google Chromebooks. These products dominate the US education system with over 55% of all US school children using a Google product every day to facilitate their learning experience.³

Google for Education Partner status enables TALi to access technical, marketing, and branding support and participation in co-marketing activities from Google. Partner status secures TALi's position as a first-to-market leader in the attention assessment and training segment, globally.

Revenues and expenses

Net operating cash outflows for the March quarter were \$0.8 million (up from \$0.1 million outflows in Q2 FY20). This included A\$0.8 million proceeds from the R&D Tax incentive, and reflects the continued development on TALi Detect together with the expansion of operational activities. Total cash receipts for the period were \$7K.

Cash outlook

Despite the current economic and social conditions resulting from the COVID-19 pandemic, TALi remains in a robust financial position to execute against its plan for commercial growth.

The Company ended the quarter with net cash at bank of \$5.1 million (down from \$6.1 million as at 31 December 2019). During March, the Company activated a cash preservation strategy to ensure the Company has sufficient cash reserves to execute on strategic forward activities.

SIGNIFICANT POST QUARTER EVENTS

- TALi has been successfully registered as a trademark in China which covers the TALi TRAIN and TALi DETECT products⁴

² Refer to ASX announcement dated 26 March 2020 for more information.

³ Refer to ASX announcement dated 15 January 2020 for more information.

⁴ Refer to ASX announcement dated 1 April 2020 for more information.

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- Granted first US patent covering the products' assessment and training function⁵

OUTLOOK

The Company has significant activities planned for the current quarter:

- National marketing campaign (including TVC) to activate customer and drive conversion of TALi products
- Sales team focus on education sector in an increasing digital and remote learning environment
- International partner discussions progressing to deliver on strategic objective of global rollout of the technology platform
- Ongoing regulatory and reimbursement activities globally, building upon the Company's existing status as an NDIS provider in Australia

ABOUT TALi DIGITAL

TALi Digital Limited (ASX: TD1) is a leading early childhood technology business targeting attention in children through its breakthrough TALi platform. TALi combines evidence based proprietary algorithms inside a game-based program to assess and strengthen core attention in early childhood (www.talihealth.com).

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⁵ Granted to Tali Health Pty Ltd and Monash University as co-owners. Refer to ASX announcement dated 21 April 2020 for more information.

+Rule 4.7B

Appendix 4C Quarterly cash flow report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16, 01/12/19

Name of entity

TALi DIGITAL LIMITED

ABN

53 108 150 750

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current \$A'000	quarter	Year to date (9 months) \$A'000
1.	Cash flows from operating activities			
1.1	Receipts from customers	7		30
1.2	Payments for			
	(a) research and development	(9)		(9)
	(b) advertising and marketing	(57)		(206)
	(c) leased assets	-		-
	(d) staff costs	(573)		(1,334)
	(e) administration and corporate costs	(79)		(355)
1.3	Dividends received (see note 3)	-		-
1.4	Interest received	18		21
1.5	Interest and other costs of finance paid	(1)		(40)
1.6	Income taxes paid	-		-
1.7	Government grants and tax incentives	-		912
1.8	Other (provide details if material)			
	- Professional	(52)		(322)
	- Legal	(33)		(41)
	- Insurance	(27)		(78)
	- Intellectual property	(49)		(120)
	- Other working capital	131		42
1.9	Net cash from / (used in) operating activities	(724)		(1,500)
2.	Cash flows from investing activities			
2.1	Payments to acquire:			
	(a) entities	-		-
	(b) businesses (see item 10)	-		-
	(c) property, plant and equipment	(27)		(29)
	(d) investments	-		-
	(e) intellectual property	(128)		(690)
	(f) other non-current assets	-		-
2.2	Proceeds from disposal of:			
	(a) entities	-		-
	(b) businesses (see item 10)	-		-
	(c) property, plant and equipment	-		-
	(c) investments	-		-
	(d) intellectual property	-		-
	(e) 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	(155)		(719)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current \$A'000	quarter	Year to date (9 months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-		8,200
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	(24)		(587)
3.5 Proceeds from borrowings	-		178
3.6 Repayment of borrowings	-		(633)
3.7 Transaction costs related to loans and borrowings	-		(1)
3.8 Dividends paid	-		-
3.9 Other (provide details if material) – Repayment of lease liabilities	(102)		(170)
3.10 Net cash from / (used in) financing activities	(126)		6,987
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of period	6,114		341
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(724)		(1,500)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(155)		(719)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(126)		6,987
4.5 Effect of movement in exchange rates on cash held	-		-
4.6 Cash and cash equivalents at end of period	5,109		5,109
5. Reconciliation of cash and cash equivalents	Current	quarter	Previous
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000		\$A'000
5.1 Bank balances	117		100
5.2 Call deposits	4,992		6,014
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)	5,109		6,114

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	32
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

- Year to date cash payments for Staff Costs include director fees of \$103k.

7. Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) Bank guarantee	100	-
7.4 Total financing facilities	100	-
7.5 Unused financing facilities available at quarter end		-

7.1 A loan facility was in place at the beginning of the period with Innovation Structured Finance Co., LLC serviced via Radium Capital and was an advance on 80% of the Company's R&D Tax Incentive for the financial year 18/19. The interest rate for the loan facility was 14% per annum, 1.16% per month, compound interest payable by the 31st of October 2019. The facility was been in place since 20 April 2019. It was secured by the expected R&D Tax Incentive offset for the 2018/2019. The loan facility was repaid in full on 9 October 2019.

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)	(724)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	5,109
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	5,109
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7

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

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: N/A

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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:

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:

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.

This ASX release has been approved by the Board of Directors.

Signed:



Date: 30 April 2020
Mr Glenn Smith
Managing Director and CEO

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.

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