

1. Company details

| | |
|-------------------|---------------------------------------|
| Name of entity: | TALi Digital Limited |
| ABN: | 53 108 150 750 |
| Reporting period: | For the period ended 31 December 2020 |
| Previous period: | For the period ended 31 December 2019 |

2. Results for announcement to the market

| | | | \$ |
|---|------|----------|-------------|
| Revenues from ordinary activities | down | 42.7% to | 12,754 |
| Loss from continuing operations from ordinary activities after tax attributable to the owners of TALi Digital Limited | up | 24.9% to | (2,196,339) |
| Loss from continuing operations for the period attributable to the owners of TALi Digital Limited | up | 24.9% to | (2,196,339) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss from continuing operations for the Company after providing for income tax amounted to \$2,196,339 (31 December 2019: \$1,758,012).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------|-----------------------|
| Net tangible assets per ordinary security | 0.19 | 0.70 |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of TALi Digital Limited for the period ended 31 December 2020 is attached.

12. Signed

Signed



Sue MacLeman
Chair

Date: 23 February 2021

TALi Digital Limited

ABN 53 108 150 750

Half Year Report - 31 December 2020

Directors

Ms Sue MacLeman
Mr Jefferson Harcourt
Dr David Brookes
Mr Glenn Smith

Company secretary

Mr Stephen Denaro

Registered office

Level 5
19 William Street
Cremorne, Victoria 3121

Principal place of business

Level 5
19 William Street
Cremorne, Victoria 3121

Share register

Automic Registry Services
Level 3, 50 Holt Street
Surry Hills, New South Wales 2010 Australia
Telephone: 1300 288 64
Website: automic.com.au
Email: hello@automic.com.au

Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3000

Stock exchange listing

TALi Digital Limited shares are listed on the Australian Securities Exchange.

ASX code

TD1

Website

www.talidigital.com

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For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Company') consisting of TALi Digital Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2020.

Directors

The following persons were directors of TALi Digital Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

| Name and independence status | Period of office and special responsibilities |
|--|--|
| Sue MacLeman Independent Non-Executive Director & Chair | Appointed September 6, 2018 Director and Chair since September 6, 2018. Member of the Audit Committee. |
| Jefferson Harcourt Non-Executive Director | Appointed February 25, 2016. Member of the Audit Committee |
| David Brookes Non-Executive Director | Appointed on June 29, 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee. |
| Glenn Smith Managing Director | Appointed Chief Executive Officer October 3, 2017 and appointed Managing Director May 10, 2018 |

Principal activities

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 skills in early childhood (www.talihealth.com).

Financial update

The Group recorded a loss of \$2,196,339 for the six months ending 31 December 2020 (31 December 2019: \$1,758,012). TALi's operating cash outflows for the half year was \$1,258,289 (31 December 2019: \$775,902) and reported closing cash resources of \$3,115,043 at 31 December 2020 (30 June 2020 \$3,945,408).

Review of operations

Over the last 6 months, TALi's operations have continued to focus on the domestic early release programs to customers, international market expansion and increasing its intellectual property portfolio.

The six-month period delivered significant milestones in developing and commercialising TALi products as summarised below. These events have assisted the Company in positioning itself as a leading global player in the segments of attention and technology solutions that assist children early in life. TALi is a software as a service (SaaS) model delivered via B2B partnership and licensing models globally.

Domestic Expansion

TALi DETECT Schools Early Release Programme completion

TALi announced the successful completion of its Schools Early Release Programme partnership with 30 schools located in remote, regional and metropolitan areas of Australia. While the Schools Early Release aimed to recruit 1000 students aged four to eight years from a balanced cohort of education providers to utilise TALi's DETECT attention assessment program, the goal was surpassed by over 61% due to widespread interest in the product, with 1613 TALi DETECT assessments and 416 TALi TRAIN journeys following completion.

TALi partners with the Minderoo Foundation's Thrive by Five

Thrive by Five is an initiative of Andrew Forrest's philanthropic organisation, Mindaroo Foundation, to help campaign for a high-quality and universally accessible early learning system for children in Australia. TALi is a key contributor to all levels of the Thrive by Five campaign. As part of the campaign, TALi will run and support Thrive by Five events throughout 2021 to raise awareness about the impacts and importance of evidence-based strategies to ensure Australian children have the best start to life.

International expansion

Investment received to drive Indian commercial rollout

The Company 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. The initial US\$2 million investment from BCI into TALi Digital provided funds for the Company to accelerate the roll out of TALi products in the Indian market. The investment from BCI will be deployed towards TALi Digital's marketing communication in the Indian market through the Times Groups' media assets thereby allowing TALi Digital to focus on the Indian market to grow their consumer base.

Participation in the Abu Dhabi-based Mental Wellbeing program

TALi was selected with five other ventures from a global competitive field to join the 2020/21 Mental Wellbeing program coordinated by Ma'an (Abu Dhabi Authority of Social Contribution) in partnership with Plug and Play Abu Dhabi Global Market (ADGM). The program was designed to attract impactful global social enterprises to the Emirate and strengthen collaboration between the private and public through engagement and new contracts. The program provides a unique opportunity to explore the potential of markets and connect with major stakeholders in the UAE and MENA region.

Intellectual Property portfolio

Japanese patent granted for TALi platform

The patent (Japanese Patent No. 6782880) has an expiry date of March 31, 2035 (the patent claims have a priority date of March 31, 2015, i.e., the term of the grant is 20 years) and the claims of the patent cover the TALi DETECT and TALi TRAIN products as well as the future TALi maintenance program. The granting of this patent combined with the granting of a US patent in 2020 highlights the growing value of the TALi platform intellectual property portfolio. The Company continues to progress discussions with commercial partners to enter the Japanese market.

Other business

Expert Advisory Board appointments

TALi announced new appointments to its Expert Advisory Board, with members having world-leading experience in childhood attention disorders, balancing scientific excellence with commercial acumen. The Advisory Board meet on a quarterly basis and provide feedback to TALi on key matters pertaining to the collection and translation of clinical evidence, and to inform the ongoing development of the TALi technology platform. They will also help to cultivate local and international academic and commercial partnerships.

The above milestones continue to ensure TALi is positioned to be a significant player in the segment of attention and technology solutions that assist children early in life.

Outlook

The Company is in advanced discussions with potential partners particularly for the North American market to further assist with expansion of TALi products.

In addition, the Company will begin its marketing efforts in India, as well as further developing its international footprint.

Complimenting this will be further research and development activities to broaden the IP position of the Company and potentially diversify into other neurology focused segments.

The Company expects revenues from activities to be reflected during the 2021 calendar year.

Matters subsequent to the end of the financial period

On 6 January 2021 81,800,594 Ordinary Shares were issued at \$0.033 per share.

On 16 February 2021 the Company announced a Placement to raise \$3.85m before costs and a proposed issuance of options to Placement participants and to the Sole Lead Manager. Subject to shareholder approval, the Company will issue one free attaching option for every 2 new shares purchased in the Placement. The attaching options will have an exercise price of \$0.09 per share and will expire 12 months after the date of issue. In addition, Subject to shareholder approval, the Company also proposed to issue the following options to Taylor Collison (as Sole Lead Manager on the Placement or its nominee):

- (a) 5 million options with exercise price of \$0.09 per share and expiring 18 months after completion of the Placement;
- (b) 5 million options with exercise price of \$0.12 per share and expiring 24 months after completion of the Placement; and
- (c) 5 million options with exercise price of \$0.15 per share and expiring 24 months after completion of the Placement.

On 22 February 2021 the Company issued 98,717,948 ordinary shares at \$0.039 per share.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Sue MacLeman
Chair

23 February 2021

Auditor's Independence Declaration

To the Directors of TALi Digital Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of TALi Digital Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 23 February 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
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TALi Digital Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2020



| | Note | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|---------------------------|---------------------------|
| | | \$ | \$ |
| Revenue from continuing operations | 6 | 12,754 | 22,275 |
| Other income | 7 | 146,116 | 51,989 |
| Total revenue and other income | | <u>158,870</u> | <u>74,264</u> |
| Expenses | | | |
| Contract research and development expenses | | (232,226) | 67,945 |
| Employee benefits and personnel expenses excluding share-based payment expense | | (991,542) | (837,159) |
| Share based payment expense | | (49,026) | (68,675) |
| Depreciation and amortisation expense | | (278,590) | (274,603) |
| Occupancy expenses | | (15,161) | (37,751) |
| Professional and consulting expenses | | (453,631) | (239,491) |
| Travel and accommodation expenses | | (2,886) | (76,573) |
| Insurance expenses | | (66,102) | (42,568) |
| Corporate administration expenses | | (155,824) | (110,413) |
| Intellectual property expenses | | (41,567) | (56,638) |
| Advertising and promotion | | (61,868) | (123,730) |
| Other expenses | | (1,815) | (4,646) |
| Total expenses | | <u>(2,350,238)</u> | <u>(1,804,302)</u> |
| Operating loss | | (2,191,368) | (1,730,038) |
| Net finance income / (expense) | | <u>(4,971)</u> | <u>(27,974)</u> |
| Loss from continuing operations before income tax expense | | (2,196,339) | (1,758,012) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss from continuing operations after income tax expense for the period attributable to the owners of TALi Digital Limited | | (2,196,339) | (1,758,012) |
| Other comprehensive income for the period, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period attributable to the owners of TALi Digital Limited | | <u><u>(2,196,339)</u></u> | <u><u>(1,758,012)</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 8 | (0.29) | (0.30) |
| Diluted earnings per share | 8 | (0.29) | (0.30) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

| | Note | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|--------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,115,043 | 3,945,408 |
| Trade and other receivables | | 3,496 | 956,067 |
| Investments | | 1,688 | 1,418 |
| Other current assets | | 62,390 | 29,144 |
| Total current assets | | <u>3,182,617</u> | <u>4,932,037</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 213,707 | 316,972 |
| Intangibles | | 3,511,524 | 3,322,432 |
| Total non-current assets | | <u>3,725,231</u> | <u>3,639,404</u> |
| Total assets | | <u>6,907,848</u> | <u>8,571,441</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 260,100 | 888,417 |
| Deferred income | 9 | 261,642 | 261,642 |
| Lease liabilities | 10 | 125,755 | 136,915 |
| Employee benefits | | 117,830 | 125,820 |
| Total current liabilities | | <u>765,327</u> | <u>1,412,794</u> |
| Non-current liabilities | | | |
| Deferred income | 9 | 1,293,453 | 1,424,274 |
| Lease liabilities | 10 | - | 55,312 |
| Employee benefits | | 25,195 | 12,505 |
| Total non-current liabilities | | <u>1,318,648</u> | <u>1,492,091</u> |
| Total liabilities | | <u>2,083,975</u> | <u>2,904,885</u> |
| Net assets | | <u>4,823,873</u> | <u>5,666,556</u> |
| Equity | | | |
| Issued capital | 11 | 203,418,425 | 202,113,795 |
| Reserves | 12 | 147,264 | 98,238 |
| Accumulated losses | | (198,741,816) | (196,545,477) |
| Total equity | | <u>4,823,873</u> | <u>5,666,556</u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

| | Issued capital \$ | Share based payment reserve \$ | Revaluation reserve \$ | Retained profits \$ | Total equity \$ |
|--|-------------------------|---|------------------------------|---------------------------|--------------------|
| Balance at 1 July 2019 | 194,976,507 | 638,126 | (200,000) | (193,147,539) | 2,267,094 |
| Loss from continuing operations after income tax expense for the period | - | - | - | (1,758,012) | (1,758,012) |
| Other comprehensive income for the period, net of tax | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (1,758,012) | (1,758,012) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments (to employees) | - | 68,675 | - | - | 68,675 |
| Share-based payments (to brokers) | - | 451,407 | - | - | 451,407 |
| Issue of ordinary shares | 8,200,000 | - | - | - | 8,200,000 |
| Transaction costs relating to issue of ordinary shares | (1,062,707) | - | - | - | (1,062,707) |
| Balance at 31 December 2019 | <u>202,113,800</u> | <u>1,158,208</u> | <u>(200,000)</u> | <u>(194,905,551)</u> | <u>8,166,457</u> |
| | Issued capital \$ | Share-based payment reserve \$ | Revaluation reserve \$ | Retained profits \$ | Total equity \$ |
| Balance at 1 July 2020 | 202,113,795 | 1,098,238 | (1,000,000) | (196,545,477) | 5,666,556 |
| Loss from continuing operations after income tax expense for the period | - | - | - | (2,196,339) | (2,196,339) |
| Other comprehensive income for the period, net of tax | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | (2,196,339) | (2,196,339) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Share-based payments | - | 49,026 | - | - | 49,026 |
| Other contributed prepaid equity (note 11) | 1,304,630 | - | - | - | 1,304,630 |
| Balance at 31 December 2020 | <u>203,418,425</u> | <u>1,147,264</u> | <u>(1,000,000)</u> | <u>(198,741,816)</u> | <u>4,823,873</u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|--|-------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from customers from continuing operations | 16,895 | 22,583 |
| Cash payments to suppliers and employees | (2,371,638) | (1,714,130) |
| | (2,354,743) | (1,691,547) |
| R&D tax incentive | 694,848 | 750,103 |
| Grants received | 399,238 | 162,960 |
| Interest received | 2,368 | 2,582 |
| Net cash used in operating activities | (1,258,289) | (775,902) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (15,841) | (2,389) |
| Payments for intangible assets | (782,239) | (562,204) |
| Proceeds from disposal of property, plant and equipment | 299 | - |
| Net cash used in investing activities | (797,781) | (564,593) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 8,200,000 |
| Proceeds from placement of shares yet to be issued as at 31 Dec 2020 | 1,304,630 | - |
| Share issue transaction costs | - | (564,240) |
| Repayment of borrowings | - | (455,292) |
| Repayment of lease liabilities | (66,739) | (67,656) |
| Net cash from financing activities | 1,237,891 | 7,112,812 |
| Net (decrease)/increase in cash and cash equivalents | (818,179) | 5,772,317 |
| Cash and cash equivalents at the beginning of the financial period | 3,945,108 | 341,434 |
| Effects of exchange rate changes on cash and cash equivalents | (11,886) | - |
| Cash and cash equivalents at the end of the financial period | <u>3,115,043</u> | <u>6,113,751</u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. General information

The financial statements cover TALi Digital Limited as a Company consisting of TALi Digital Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is TALi Digital Limited's functional and presentation currency.

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2021.

2. Reporting entity

TALi Digital Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2020 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities").

3. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, for the six-month period ended 31 December 2020, the group incurred a loss of \$2,196,339 (31 December 2019: loss of \$1,758,012) and the consolidated entity's position as at 31 December 2020 was as follows:

- The Group had cash reserves of \$3,115,043; and
- The Group had negative operating cash flows of \$1,258,289 (31 December 2019: \$775,902).

The Group's main activity is developing and commercialising the TALi products.

4. Going concern (continued)

In the Directors opinion there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The Group is forecasting increased revenue growth from the increased sales of licenses for the TALi products, particularly in India as a result of the Times Group transaction, which will deliver greater cash inflows; and
- Subsequent to period-end, the consolidated entity raised \$3.85 million before costs of additional capital.

5. Operating segments

Identification of reportable operating segments

Operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. From 1 July 2019 it was determined by the Board of Directors that the consolidated entity had only one operating segment.

6. Revenue from continuing operations

| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---------------|-------------------|-------------------|
| Sales revenue | 12,754 | 22,275 |

7. Other income

| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|-------------------|-------------------|-------------------|
| R&D tax incentive | 88,412 | 40,929 |
| Grant income | 57,409 | 11,060 |
| Other income | 295 | - |
| | 146,116 | 51,989 |

8. Earnings per share

| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---|--------------------|--------------------|
| Loss from continuing operations after income tax attributable to the owners of TALi Digital Limited | <u>(2,196,339)</u> | <u>(1,758,012)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>749,305,218</u> | <u>586,004,000</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>749,305,218</u> | <u>586,004,000</u> |
| | Cents | Cents |
| Basic earnings per share | (0.29) | (0.30) |
| Diluted earnings per share | (0.29) | (0.30) |

9. Deferred income

| | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|--|-------------------|-------------------|
| <i>Current liabilities</i> | | |
| Deferred income - R&D Incentive & Grant Income | <u>261,642</u> | <u>261,642</u> |
| <i>Non-current liabilities</i> | | |
| Deferred income - R&D Incentive & Grant Income | <u>1,293,453</u> | <u>1,424,274</u> |
| Total deferred income | <u>1,555,095</u> | <u>1,685,916</u> |

Due to the capitalisation of the related expenditure as intangible assets, the R&D incentive and CRC-P grant received are treated as deferred income and are being recognised as income over the intangible assets amortisation period.

10. Lease liabilities

| | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|--------------------------------|-------------------|-------------------|
| <i>Current liabilities</i> | | |
| Lease liability | <u>125,755</u> | <u>136,915</u> |
| <i>Non-current liabilities</i> | | |
| Lease liability | <u>-</u> | <u>55,312</u> |
| | <u>125,755</u> | <u>192,227</u> |

Lease liabilities are recognised under AASB 16 on the rental of the corporate offices facilities leased by the Company. There are no indicators of impairment of leased assets as at 31 December 2020.

10. Lease liabilities (continued)

| | | |
|---|-----------------|------------------|
| Less than one year | 128,651 | 143,412 |
| One to five years | - | 55,661 |
| Total undiscounted lease liability | <u>128,651</u> | <u>199,073</u> |
| Current | 125,755 | 136,915 |
| Non-current | - | 55,312 |
| Lease liabilities included in the statement of financial position | <u>125,755</u> | <u>192,227</u> |
| Amounts recognised in; | | |
| Profit and loss - Interest | (4,522) | (15,097) |
| Statement of cash flows - Total cash outflow for leases | <u>(66,739)</u> | <u>(122,514)</u> |

11. Issued capital

| | 31 Dec 2020 Shares | 30 Jun 2020 Shares | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|------------------------------|-----------------------|-----------------------|--------------------|--------------------|
| Ordinary shares - fully paid | <u>749,305,218</u> | <u>749,305,218</u> | <u>203,418,425</u> | <u>202,113,795</u> |

The following movements in ordinary shares were recorded during the half-year ended.

| | 31 Dec 2020 Number of shares | 30 June 2020 Number of shares | 31 Dec 2020 \$ | 30 June 2020 \$ |
|---|------------------------------------|-------------------------------------|--------------------|--------------------|
| Balance brought forward as at 1 July | 749,305,218 | 449,305,165 | 202,113,795 | 194,976,507 |
| Issue of shares | - | 300,000,053 | - | 8,200,000 |
| Transaction costs relating to rights issue and placements | - | - | - | (1,062,712) |
| Other contributed prepaid equity | - | - | 1,304,630 | - |
| Balance carried forward | <u>749,305,218</u> | <u>749,305,218</u> | <u>203,418,425</u> | <u>202,113,795</u> |

Ordinary shares

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation. Ordinary shares have no par value.

Other contributed prepaid equity

Represents partial payment received for the issue of 81,800,594 Ordinary Shares, issued on 6 January 2021 at \$0.033 per share.

12. Reserves

| | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
|------------------------------|-------------------|-------------------|
| Change in fair value reserve | (1,000,000) | (1,000,000) |
| Share-based payments reserve | <u>1,147,264</u> | <u>1,098,238</u> |
| | <u>147,264</u> | <u>98,238</u> |

12. Reserves (continued)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

For the six months ended 31 December 2020, share based payments expense amounted to \$49,026 (31 December 2019: \$68,675). New options that were issued during this half- year were as follows:

On 24 November 2020 shareholders approved the issuance of 22,500,000 options to Managing Director, Glenn Smith under the shareholder approved TALi's Performance Right and Share Options Plan. The options have an exercise price of \$0.03, expire on 25 November 2025 and have the following vesting conditions:

- execution of a market entry partnership agreement with a gross transaction value that has been defined by the Board and agreed with the Managing Director pertaining to one of the following countries: China, India or Indonesia; and
- entry into a joint venture, licence or equivalent agreement with a gross transaction value that has been defined by the Board and agreed with the Managing Director pertaining to one of the following countries: USA, UK or Japan.

On 24 November 2020 shareholders approved the issuance of 3,400,000 options to Non-Executive Director Dr D Brookes under the shareholder approved TALi's Performance Right and Share Options Plan. The options have an exercise price of \$0.03, expire on 21 November 2022 and have the following vesting condition:

- the Company's Shares trading on the ASX at a minimum of A\$0.075 per Share for any consecutive 20 trading days during the exercise period.

13. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

14. Contingent assets and liabilities

There are no known significant contingent liabilities or contingent assets as at the date of this report.

15. Significant changes in state of affairs

COVID-19

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. Other than a delay in anticipated revenue due to a change in socio-economic conditions especially in Victoria, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

16. Events after the reporting period

On 6 January 2021 81,800,594 Ordinary Shares were issued at \$0.033 per share.

On 16 February 2021 the Company announced a Placement to raise \$3.85m before costs and a proposed issuance of options to Placement participants and to the Sole Lead Manager. Subject to shareholder approval, the Company will issue one free attaching option for every 2 new shares purchased in the Placement. The attaching options will have an exercise price of \$0.09 per share and will expire 12 months after the date of issue. In addition, Subject to shareholder approval, the Company also proposed to issue the following options to Taylor Collison (as Sole Lead Manager on the Placement or its nominee):

- (a) 5 million options with exercise price of \$0.09 per share and expiring 18 months after completion of the Placement;
- (b) 5 million options with exercise price of \$0.12 per share and expiring 24 months after completion of the Placement; and
- (c) 5 million options with exercise price of \$0.15 per share and expiring 24 months after completion of the Placement.

On 22 February 2021 the Company issued 98,717,948 ordinary shares at \$0.039 per share.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Sue MacLeman
Chair

23 February 2021

Independent Auditor's Report

To the Directors of TALi Digital Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of TALi Digital Limited ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of TALi Digital Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the TALi Digital Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 4 in the financial report, which indicates that the Group incurred a net loss of \$2,196,339 during the half-year ended 31 December 2020 and, as of that date, the Group had cash operating outflows of \$1,258,259. As stated in Note 4, these events or conditions, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Group are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Cunningham
Partner – Audit & Assurance

Melbourne, 23 February 2021