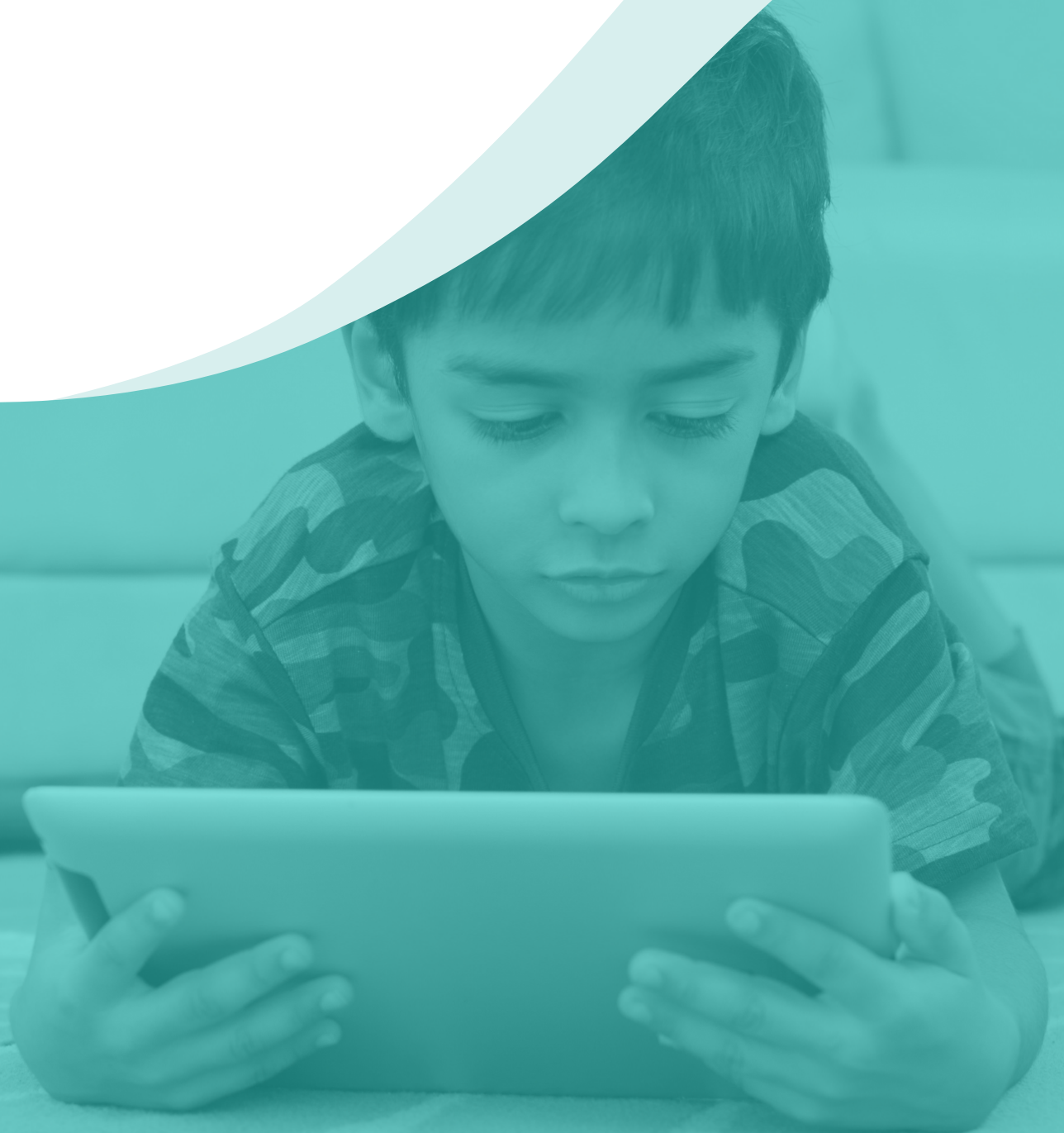


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# Annual Report

2022



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# Corporate Directory

<b>Directors</b>	Ms Sue MacLeman Mr Jefferson Harcourt Dr David Brookes Mr David Williams (Appointed 15 December 2021)
<b>Company secretary</b>	Mr Stephen Denaro
<b>Registered office</b>	Suite 201 697 Burke Road Camberwell, Victoria 3124
<b>Principal place of business</b>	Suite 201 697 Burke Road Camberwell, Victoria 3124
<b>Share register</b>	Automic Registry Services Level 5, 126 Phillip Street Sydney, New South Wales 2000 Australia Telephone: 1300 288 64 Website: <a href="http://automic.com.au">automic.com.au</a> Email: <a href="mailto:hello@automic.com.au">hello@automic.com.au</a>
<b>Auditor</b>	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3000
<b>Solicitor</b>	Baker McKenzie Level 19 181 William St Melbourne VIC 3000 Australia
<b>Stock exchange listing</b>	TALi Digital Limited shares are listed on the Australian Securities Exchange.
<b>ASX code</b>	TD1
<b>Website</b>	<a href="http://www.talidigital.com">www.talidigital.com</a>

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 30 June 2022.

## Directors

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

### Name and independence status

Sue MacLeman  
Independent Non-Executive Director & Chair

Jefferson Harcourt  
Independent Non-Executive Director

David Brookes  
Independent Non-Executive Director

Glenn Smith  
Managing Director (Former)

David Williams  
Independent Non-Executive Director

### Period of office and special responsibilities

Appointed September 6, 2018. Director and Chair since September 6, 2018. Member of the Audit Committee.

Appointed February 25, 2016. Member of the Audit Committee.

Appointed on June 29, 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee.

Appointed Chief Executive Officer October 3, 2017 and appointed Managing Director May 10, 2018.

Resigned as Chief Executive Officer and Managing Director on 31 March 2022.

Appointed 15 December 2021. Member of the Audit Committee.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## Principal activities

TALi [TALi Digital Limited (ASX: TDI)] is a digital health company delivering diagnostic and therapeutic solutions to improve cognitive function and behaviour. The Company has built a platform technology, the first iteration of which targets cognitive attention skills during early childhood through its breakthrough evidence a video-gamed-based TALi screening ('DETECT') and training ('TRAIN'). This first to market and user experience focused technology is complementary to existing diagnosis and therapy placing TALi at the forefront of patient experience and early intervention thus positioning the business as an ideal partner in the global digital health sector. Innovations that target cognitive skills to deliver non-invasive early interventions underpin the TALi platform technology. This innovation focus is allowing the Company to deliver a series of product developments in ADHD (Attention Deficit Hyperactivity Disorder) and ASD (Autism Spectrum Disorder) for predictive diagnosis and treatment for all age groups. TALi solutions aim to deliver foundational advances in human cognitive function and behaviour only dreamt of a few short years ago.

TALi is incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 201, 697 Burke Road, Camberwell Vic 3121. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

## Operating and financial 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 specific claims in the areas of ADHD and Autism Spectrum Disorder.

### 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

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

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. 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 provides 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.

## 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. To achieve these milestones the Group is dependent upon securing additional funds by raising capital from equity markets.

## Financial review

The statement of profit or loss and other comprehensive income shows a loss of \$6,936,129 (2021: \$4,858,273) for the year. As at 30 June 2022 the Group had a cash position of \$1,845,128 (2021: \$2,726,518). Operating,

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

financing and investing activities incurred a net cash outflow for the year of \$882,709 (2021: \$1,202,457).

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 EMGD of \$113,032 (2021: \$100,000).

During the year 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).

## Capital and corporate structure

On 10 March 2022 the Company announced a Placement to raise \$1.54m before costs and a proposed issuance of options to Placement participants and to the Sole Lead Manager. The Placement comprised of 139,785,868 fully paid ordinary shares issued at a price of \$0.011 per new share to institutional and sophisticated investors.

On 18 March the Company announced a 1 for 7 non-renounceable pro-rata entitlement offer of fully paid ordinary shares to existing eligible shareholders. This placement resulted in 153,100,009 fully paid ordinary shares being issued at a price of \$0.011.

## Unissued shares

Details of unissued Ordinary Shares, interests under options as at the date of this report are as follows:

Number of options on issue at the date of this report	Exercise price when granted	Expiry date
Director options:		
13,600,000	\$0.030	21 November 2022
5,000,000	\$0.030	24 November 2025
Vendor, broker & consultant options:		
10,200,000	\$0.030	21 November 2022
5,000,000	\$0.090	22 February 2023
5,000,000	\$0.120	22 February 2023
5,000,000	\$0.150	22 February 2023
Employee options:		
300,000	\$0.015	31 October 2024
1,200,000	\$0.090	20 July 2026
600,000	\$0.060	20 July 2026
Placement options:		
49,358,964	\$0.090	11 January 2023
Total	95,258,964	

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## Directors' qualifications, experience and responsibilities

The directors of the Company at any time during the year or since the end of the financial year are as follows. Directors were in office for the entire period unless stated otherwise:

### Name, qualification and independence status

#### Ms Sue MacLeman

Independent Non-Executive Director & Chair  
Qualifications: BPharm, MMktg, MLaw, FTSE

### Experience, special responsibilities and other directorships

Ms S MacLeman joined the Board on 6 September 2018. She is Director and Chair since 6 September 2018 and is a member of the Audit Committee.

Ms S MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has served as CEO and Board member of several ASX, AIM and NASDAQ listed companies in the healthtech sector.

Ms S MacLeman is the current Chair of MTPConnect a not-for-profit industry growth centre for the medtech, biotech and pharmaceutical sectors. She is also Chair TALi Digital Ltd (ASX:TDI), and a Non-Executive Director of Anantara Lifesciences Ltd (ASX:ANR), Planet Innovation Holdings and Omico. Sue is appointed to several academic and government advisory boards.

Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School. She is also a Fellow and Chair of the Health Forum at the Australian Academy of Technology and Engineering (ATSE) and Fellow/Graduate of Australian Institute of Company Directors (AICD).

#### Mr Jefferson Harcourt

Non-Executive Director  
Qualifications: B.Eng (Hons)  
GAICD

Mr J Harcourt joined the Board on 25 February 2016. He is a Non-Executive Director of the Company and is a member of the TALi Digital Audit Committee. Mr Harcourt oversaw the initial development and commercialisation of TALi and his extensive product development and commercial expertise will assist the Company in commercialising the technology.

Mr J Harcourt sits on a number of private technology company boards in the medical device, environmental and security markets.

#### Mr Glenn Smith

Managing Director  
Qualifications: MBA, BA (Econ)

Mr G Smith was appointed Chief Executive Officer on 3 October, 2017 and appointed Managing Director on 10 May, 2018. He has over twenty years' experience in leading customer-centric businesses in periods of rapid growth.

Mr G Smith resigned from his position on 31 March 2022.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## Dr David Brookes

Independent Non-Executive  
Director

Qualifications: MBBS,  
FACRRM, FAICD

Dr D Brookes was appointed on 29 June 2020. Simultaneously Dr Brookes was appointed the Chair of the Audit Committee. Dr Brookes has extensive experience in the health and biotechnology industries and held Board positions in a number of ASX listed biotechnology companies, including as Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE:PKI) in June 2018. He is currently the Executive Chairman of Anatera Therapeutics Ltd (ASX: ANR) and Non-Executive Chair of Dominion Minerals Limited (ASX:DLM formerly Factor Therapeutics Ltd), and a Non-Executive Director of Island Pharmaceuticals Limited (ASX:ILA). He was the Non-Executive Chairman of the unlisted Better Medical Group until that company was acquired by private equity firm Livingbridge in January 2021.

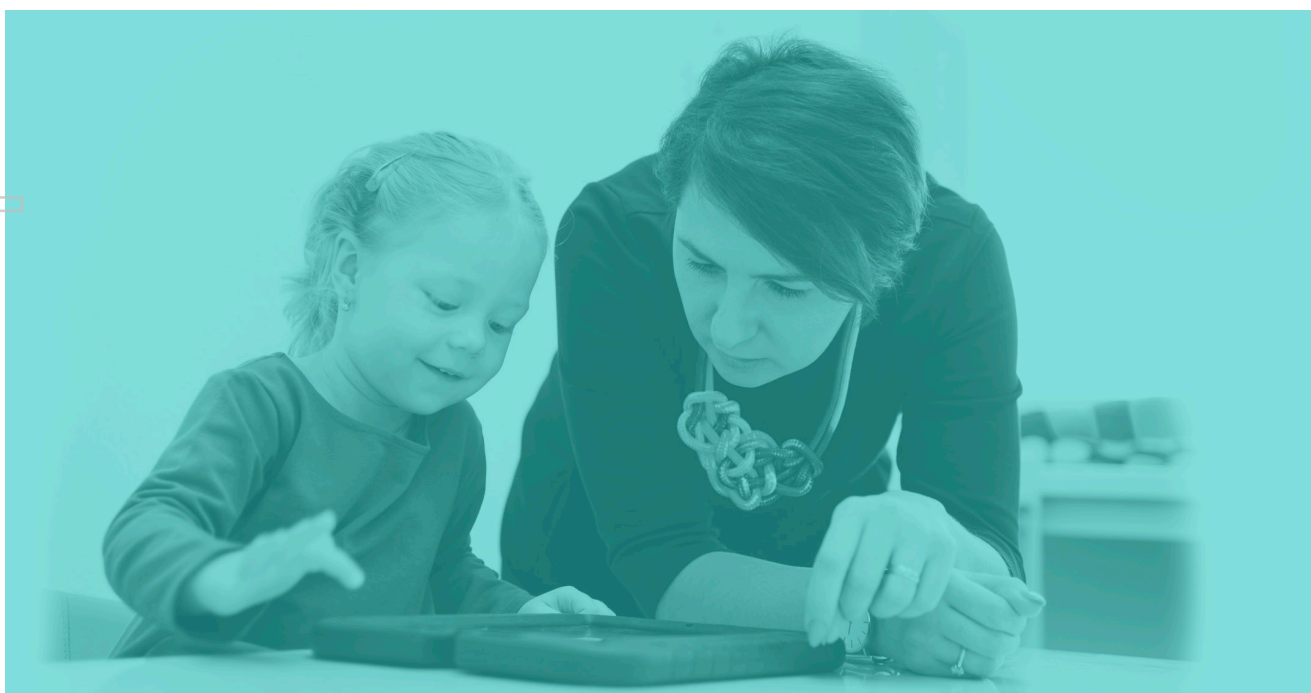
Dr. Brookes maintains roles as a clinician and as a biotechnology industry consultant. Dr Brookes, MBBS (Adelaide), is a Fellow of the Australian College of Rural and Remote Medicine and a Fellow of the Australian Institute of Company Directors.

## Mr David Williams

Independent Non-Executive  
Director

Qualifications: B.BUS,  
(Accounting, Law) GAICD

Mr D Williams joined the Board on 15 December 2021. He is a Non-Executive Director of the Company and is a member of the TALi Digital Audit Committee. Mr Williams brings extensive international and domestic healthcare sector experience including 25 years with Cochlear Limited. David held a number of senior commercial and financial roles with the medical devices leader including as Senior Vice President of Finance & Operations for Cochlear Americas, President of Cochlear Americas (acting) and General Manager, Acoustics. Most recently he was Cochlear's Vice President of Global Customer Experience.



# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## Company secretary

Dr Stephen Denaro BCom, CA, MAICD, Grad Dip Corp Gov, AGIA

Mr Denaro was appointed as Company Secretary of TALi Digital Limited on 21 February 2019. He has over 30 years of senior financial, administrative, commercial and company secretarial experience with ASX listed companies.

## Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G<sup>1</sup> of the Corporations Act 2001, as of 30 June 2022 was as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Ms S MacLeman	924,593	6,800,000
Dr D Brookes	4,571,430	3,400,000
Mr J Harcourt	44,254,065	3,400,000
Mr D Williams	-	-

## Directors' meetings and committee membership

Due to the small number of non-executive directors on the Board, all the incumbent non-executive directors are members of the Audit Committee. The Audit Committee considers quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Company's Remuneration and Nomination Committee was disbanded on 1 July 2016 and the responsibility for the composition of the Board and nomination of new directors and reviewing and monitoring the performance of for directors, executive and staff remuneration is now assumed by the full Board.

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board meetings		Audit committee meetings	
	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>
Ms S MacLeman	9	9	2	2
Mr J Harcourt	9	9	1	2
Mr G Smith	7	8	-	-
Dr D Brookes	9	9	2	2
Mr D Williams	4	4	1	1

<sup>1</sup>Held: represents the number of meetings held during the time the director held office.

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

## Dividends

The directors do not recommend a dividend be paid or declared by the Company for the year. No dividend has been paid by the Company since its incorporation on 7 April 2004.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

## Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The directors believe that the Group has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Group.

## Events subsequent to reporting date

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 to the Company's broker after approval from the extraordinary General Meeting held on 28 June 2022.

On 19 September 2022, the Company received a successful ruling from AusIndustry to its Advanced Overseas Finding in relation to clinical trial activity in the United States. The Company will subsequently record a further \$171,583 of Research and Development tax incentive income in relation to expenditure incurred in the year ended 30 June 2022.

## Indemnification and insurance of officers

### Indemnification

The Company has agreed to indemnify the directors of the Company against liability arising as a result of a director acting as a director or other officer of the Company. The indemnity includes a right to require the Company to maintain Directors' and Officers' Liability insurance that extends to former directors. The indemnity provided by the Company is an unlimited and continuing indemnity irrespective of whether a director ceases to hold any position in the Company.

### Insurance Premiums

Since the end of the financial year, the Company has paid a premium for Directors' and Officers' Liability

insurance for current and former directors and officers, including executive officers of the Company. The directors have not contributed to the payment of the policy premium.

The Directors' and Officers' Liability insurance policy covers the directors and officers of the Company against loss arising from any claims made against them during the period of insurance (including company reimbursement) by reason of any wrongful act committed or alleged to have been committed by them in their capacity as directors or officers of the Company and reported to the insurers during the policy period or if exercised, the extended reporting period.

## Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and each respective subcommittee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved strategic and operating plans and budgets and Board monitoring of progress against these plans, budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks.

The Audit Committee assists in discharging the Board's responsibility to manage the organisation's risks, and monitors Management's actions to ensure they are in line with Group policy.

## Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2022

been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

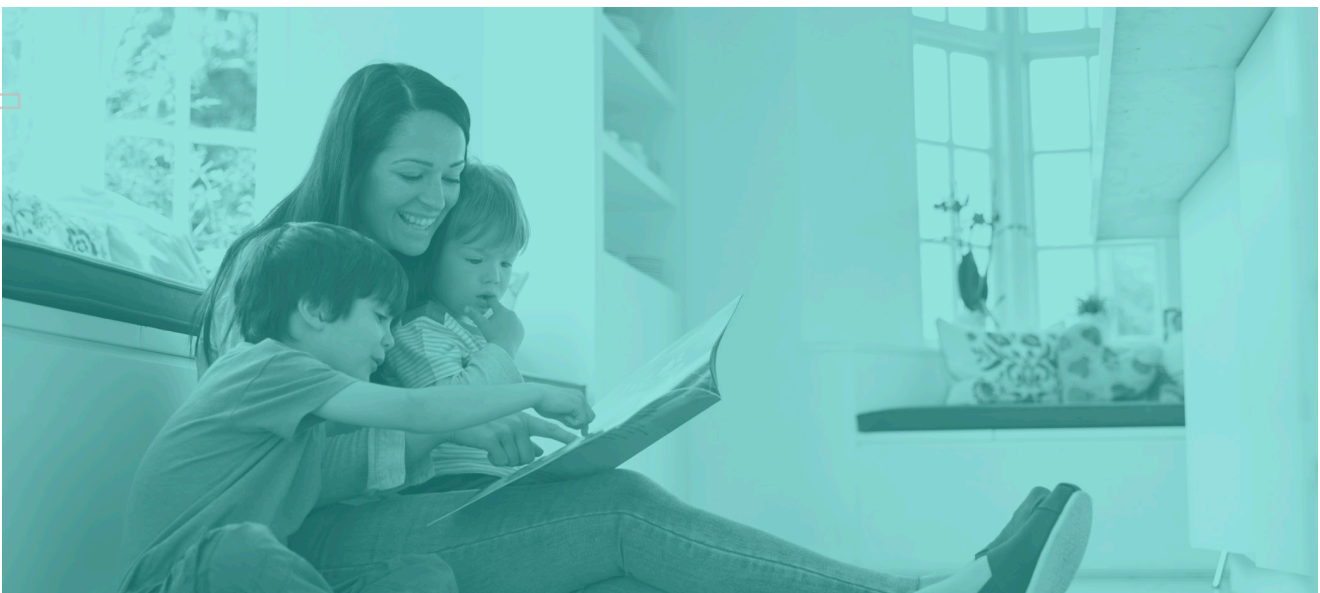
The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2022 and is set out after the Directors' report.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements. In the event non-audit services are provided by the auditor, the Board has established procedures to ensure that the provision of non-audit services is compatible with the general standard of independence for auditors.

These include:

- All non-audit services are reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- Non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.



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# Remuneration Report — AUDITED

FOR THE YEAR ENDED 30 JUNE 2022

**This report outlines the compensation arrangements in place for Non-Executive Directors (NEDs) and senior executives of the Group being the Key Management Personnel (KMP) of the Group – being those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director and includes all the executives in the Group.**

For the purposes of this report, the term “executive” includes the senior executives but does not include the NEDs or the secretary of the Company. All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report. Details of KMP including remunerated executives of the Group are set out in the tables on pages 21 and 22. Unless otherwise indicated, the individuals were KMP for the entire financial year. There have been no changes to KMP after the reporting date and before the date of this report.

## Principles of compensation and strategy

The full Board assesses the appropriateness of the nature and amount of remuneration of NEDs and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team and aligning the interests of the executives with those of the shareholders.

TALi Digital Limited’s remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group. To this end, key objectives of the Group’s reward framework are to ensure that remuneration practices are aligned to the Group’s business strategy, offer competitive remuneration benchmarked against the external market, provide strong linkage between individual and Group performance and rewards and align the interests of executives with shareholders.

Where relevant, the remuneration framework incorporates at risk components through Short-term Incentives (STI) and Long-term Incentives (LTI) arrangements tailored to the particular executive by reference to both financial and other metrics which generate value for shareholders. The Board also sets the aggregate fee pool for NEDs (which is subject to shareholder approval) and NED fee levels. In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

The Board assumes full responsibility for compensation policies and packages applicable to directors and senior executives of the Group. The broad compensation policy is to ensure the compensation package appropriately reflects the person’s duties and responsibilities, and that compensation levels are competitive in attracting, retaining and motivating people who possess the requisite level of skill and experience. Employees may receive at-risk incentive payments remunerated as cash and/or securities (performance rights or options) based on the achievement of specific goals related to the performance of the individual and the Group as a whole as determined by the directors. Incentives are provided to senior executives and employees for the achievement of individual and strategic objectives with the broader view of creating value for shareholders.

## Fixed compensation

Fixed compensation consists of a base salary package, which includes Fringe Benefits Tax calculated on any salary packaging arrangements and employer superannuation contributions. Fixed compensation levels for KMPs and senior members of staff are reviewed by the Board and comprising the Group’s KMP, through a process that considers the employee’s personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. The Board’s policy is to ensure that fixed remuneration is market competitive having regard to industry peers and companies of similar financial size. Given the Group’s size it is not considered necessary to engage remuneration consultants for this purpose and accordingly the Group undertakes its own informal review, which it does on an ongoing basis.

Key Performance Indicators (KPIs) are individually tailored by the Board in advance for each employee each year, and reflect an assessment of how that employee can fulfil his or her particular responsibilities in a way that best contributes to Group performance and shareholder wealth in that year with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Group.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

## Performance linked compensation

All employees are potentially eligible to receive at-risk incentive payments and/or securities (shares or options) based on the achievement of specific goals related to:

- (i) performance against individual key performance indicators; and/or
- (ii) the performance of the Group as a whole as determined by the Board based on a range of factors.

These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry specific factors. The purpose of these payments is to reward employees for their contribution to the Group.

Employment contracts for staff other than the KMPs do not generally provide for at-risk or short-term incentive compensation arrangements having regard to the above factors although the Board always retains the right to agree or otherwise provide payments on a discretionary basis in special circumstances or where individual performance merits a payment being made.

The Board is responsible for the determination of incentive compensation for employees and executives and for any decisions to award performance incentives. The Board at its sole discretion determines the total amount of performance-linked compensation payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year).

The Directors have the discretion to recommend the offer of performance rights to acquire ordinary shares, options or the direct issue of shares to any member of staff in recognition of exemplary performance.

Such securities may be fully vested upon issue given that they are issued as a reward for past performance rather than as an LTI. Any issue of such securities proposed as incentive compensation requires approval by the Board and is subject to any limitations imposed by the Corporations Act and the ASX Listing Rules. As at the date of this report, no such securities have been issued.

At, or as soon as practicable after, the beginning of the financial year, individual and team performance for the previous year is assessed for every employee by their manager and new objectives set for the forthcoming year. These objectives include department and project specific objectives together with individual stretch objectives, challenging, realistic and personal development objectives tailored to the employee's role within the organisation. Measurement, management support, target dates and training course requirements are all set. Progress against the objectives is reviewed during the year and percentage achievement concluded at the end of the year, whereupon the cycle recommences. The outputs of this process form the basis of the assessment of the individual's personal incentive compensation.

The Board has discretion to reduce, cancel or clawback any unvested performance-based remuneration in the event of serious misconduct or a material misstatement in the Group's financial statements. All Performance Rights are also subject to an overriding condition that the financial performance of the Group, in the absolute discretion of the Board, has been satisfactory.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

## Service contracts

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives.

	Notice period	Payment in lieu of notice	Treatment of Short-Term incentives	Treatment of Long-Term Incentives
<b>Termination by Company (death, disablement, redundancy etc)</b>	3 months	3 months	Any STI payments are at Board discretion	At the discretion of the Board
<b>Termination for cause</b>	None	None	Any STI payments are at Board discretion	Unvested awards forfeited. Vested and unexercised awards forfeited
<b>Resignation by employee</b>	6 weeks	None	Any STI payments are at Board discretion	Unvested awards forfeited

## Chief Executive Officer - Mary Beth Brinson

The Company has entered into an Executive Services Agreement (ESA) with Mary Beth Brinson (Brinson).

Under the ESA, Brinson is employed by the Company to provide services to the Company as Chief Executive Officer on a full-time basis. The Company will remunerate Brinson for her services with a base remuneration of \$310,000 per annum, exclusive of superannuation and subject to annual review by the Company.

The ESA may be terminated by either the Company or Brinson for any reason on 4 weeks' written notice, in which case the Company can elect for Brinson to serve out all or part of that notice period and/or to pay Brinson an amount in lieu of continuing her employment during all or part of that notice period.

The ESA may also be terminated by the Company summarily at any time if Brinson breaches a material term of the ESA, or engages in any act or omission constituting serious misconduct, in which case the Company need not make any payment to Brinson other than accrued entitlements.

Any discoveries and inventions made or discovered by Brinson during the term of the ESA which relate to the Company's business must be disclosed to the Company and will remain the sole property of the Company.

Mary Beth Brinson is also subject to restrictions in relation to:

- the use of confidential information during and after her employment with the Company; and
- being directly or indirectly involved in a competing business during and after her employment with the Company, on terms which are considered standard for agreements of this nature.

Otherwise, the ESA is on terms considered standard for agreements of this nature.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

## Performance linked compensation

The Company Secretary is engaged by the Company under a consultancy agreement. The agreement provides a fixed monthly fee for “in scope” services with additional work charged at hourly rates. The consultancy agreement is a rolling contract and can be terminated by either party by giving two months’ notice in writing to the other party.

## Long Term Incentive (LTI)

From time to time Board approval may be sought for the issue of securities (performance rights or options) to staff and executives as a means of providing a medium to long term incentive for performance and loyalty. Any such performance rights are issued under the TALi Digital Performance Rights Plan.

An amount of \$171,485 (2021: \$92,295) has been recognised in the 2022 financial year by way of shared based payment expense. In order to give the incentive medium to long term impact, the performance rights have an approximate three-year life and a vesting profile as shown following.

## Director compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount approved by shareholders is then divided between the directors as agreed by the Board. An amount of \$350,000 was approved at the Company’s inaugural Annual General Meeting held on 4 October 2005. The Board does not intend to seek any increase for the Non-Executive Director (NED) maximum aggregate fee pool at the 2022 AGM.

The Board seeks to set NED fees at a level which provides the Group with the ability to attract and retain NEDs of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The maximum aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies in similar industries.

Non-executive directors do not receive performance related compensation and the structure of non-executive director and senior management compensation is separate and distinct. Non-executive directors do not have contracts of employment but are required to evidence their understanding and compliance with the Board policies of TALi Digital Limited. These Board policies do not prescribe how compensation levels for non-executive directors are modified from year to year. Compensation levels are to be reviewed by the Board each year taking into account cost of living, changes to the scope of the roles of the directors, and any changes required to meet the principles of the overall Board policies.

## Arrangements with key management personnel

Position	Annual salary (inclusive of superannuation)
Non-Executive Chair	\$60,000
Non-Executive Directors	\$35,000

NEDs may be reimbursed for expenses reasonably incurred in attending to the Group’s affairs. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

## Directors' and Executive Officers' compensation tables

Details of the nature and amount of each major element of the compensation of each director of the Group and each of the 2 named officers of the Group receiving the highest compensation for the period that the director or officer held that position during the current and prior financial years are disclosed in accordance with Accounting Standard AASB 124 Related Party Disclosures and with the Corporations Act 2001 in the following tables.

Details of the Group's policy in relation to the proportion of compensation that is performance related are provided earlier in this report. For the individuals named in the Directors' and Executive Officers' compensation tables, details of their service contracts are provided under the heading of "Service contracts" earlier in this report.

### 2022:

	Base compensation (salary and fees) \$	Bonuses / incentives \$	Post Employment: Superannuation contributions \$	Share-based payments: Shares and options issued \$	Total compensation \$
<b>Directors</b>					
<i>Non-executive</i>					
Ms S MacLeman	54,545	-	5,455	-	60,000
Mr J Harcourt	35,000	-	-	-	35,000
Dr D Brookes	31,818	-	3,182	34,141	69,141
Mr D Williams <sup>1</sup>	17,418	-	1,742	-	19,160
<b>Total compensation</b>	<b>138,781</b>	<b>-</b>	<b>10,379</b>	<b>34,141</b>	<b>183,301</b>
<b>Executive Directors</b>					
Mr G Smith <sup>2,4</sup>	312,014	49,773	24,887	115,560	502,234
<b>Total compensation</b>	<b>312,014</b>	<b>49,773</b>	<b>24,887</b>	<b>115,560</b>	<b>502,234</b>
<b>Key Management Personnel</b>					
Dr MB Brinson <sup>3</sup>	<b>76,270</b>	-	<b>5,892</b>	-	<b>82,162</b>
<b>Total Compensation</b>	<b>76,270</b>	<b>-</b>	<b>5,892</b>	<b>-</b>	<b>82,162</b>
	<b>527,065</b>	<b>49,773</b>	<b>41,158</b>	<b>149,701</b>	<b>767,697</b>

<sup>1</sup> Mr David Williams was appointed as a Non-Executive Director on 15 December 2021.

<sup>2</sup> Mr Glenn Smith resigned as Managing Director and CEO on 31 March 2022.

<sup>3</sup> Dr Mary Beth Brinson was appointed interim CEO on 5 April 2022 and then CEO on 28 June 2022

<sup>4</sup> Mr Glenn Smith was awarded a bonus of 40% of his eligible short term incentive in relation to FY21. The bonus was at the discretion of the board and based on performance against KPI's set at the beginning of the relevant year.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

2021:

	Base compensation (salary and fees) \$	Bonuses / incentives \$	Post Employment: Superannuation contributions \$	Share-based payments: Shares and options issued \$	Total compensation \$
<b>Directors</b>					
<i>Non-executive</i>					
Ms S MacLeman	54,788	-	5,205	-	59,993
Mr J Harcourt	35,000	-	-	-	35,000
Dr D Brookes	31,963	-	3,037	20,391	55,391
<b>Total non-executive compensation</b>	<b>121,751</b>	<b>-</b>	<b>8,242</b>	<b>20,391</b>	<b>150,384</b>
<b>Executive Directors</b>					
Mr G Smith	250,000	93,750	23,750	70,500	438,000
	<b>371,751</b>	<b>93,750</b>	<b>31,992</b>	<b>90,891</b>	<b>588,384</b>



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### Grants, modifications and exercise of options and rights over equity instruments granted as compensation

Number of options	Grant date	Expiry date	Exercise price	Grantee
6,800,000	08/10/2018	21/11/2022	\$0.030	Ms S MacLeman
3,400,000	08/10/2018	21/11/2022	\$0.030	Mr J Harcourt
3,400,000	24/11/2020	21/11/2025	\$0.030	Mr D Brookes

During the year nil (2021: 22,500,000) options to acquire ordinary shares were issued to the CEO & Managing Director approved by Shareholders at the Annual General Meeting (AGM) held on 23 November 2021.

On 1 April 2022, 17,500,000 options previously issued to CEO and Managing Director were forfeited.

### Shares issued on exercise of options and performance rights

During the financial year the Company issued nil (2021: nil) ordinary shares upon the exercise of options or performance rights to Directors for total proceeds of nil (2021: nil). Since the end of the financial year up to the date of this report the Company has issued nil (2021: nil) shares upon exercise of options or performance rights to Directors for total proceeds of nil (2021: nil).

### Alteration to option terms

There have been no alterations to option terms and conditions during or since the end of the financial year up to the date of this report.

### Equity holdings and transactions

The movements during the reporting period and prior reporting period in the number of ordinary shares in TALi Digital Limited (formerly Novita Healthcare Limited) held, directly or indirectly or beneficially, by each specified director and specified executive, including their personally-related entities are shown in the following tables. For persons who commenced or ceased as a Director during a period, figures reported are for the period of appointment only.

# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

## Number of shares held in TALi Digital Limited:

2022:

	Holding of Ordinary Shares at 1 July 2021	Granted as compensation	Received on exercise of options/ performance shares	Net other change	Balance on Resignation	Holding of Ordinary Shares at 30 June 2022
	Number	Number	Number	Number	Number	Number
<b>Directors</b>						
Ms S MacLeman	505,920	-	-	418,673	-	924,593
Mr J Harcourt	38,688,423	-	-	5,565,642	-	44,254,065
Mr G Smith <sup>1</sup>	1,454,546	-	-	345,454	(1,800,000)	-
Dr D Brookes	3,000,000	-	-	1,571,430	-	4,571,430
Mr D Williams <sup>2</sup>	-	-	-	-	-	-
	43,648,889	-	-	7,901,199	(1,800,000)	49,750,088
<b>Key Management Personnel</b>						
Dr MB Brinson <sup>3</sup>	-	-	-	-	-	-
Total	43,648,889	-	-	7,901,199	(1,800,000)	49,750,088

<sup>1</sup> Mr Glenn Smith resigned effective 31 March 2022.

<sup>2</sup> Mr David Williams was appointed as a non-executive director on 15 December 2021.

<sup>3</sup> Dr Mary Beth Brinson was appointed interim CEO on 5 April 2022 and then CEO on 28 June 2022.

**Number of options held in TALi Digital Limited:**

**2022:**

	Balance at 1 July 2021	Granted as compensation	Lapsed	Balance on resignation	Balance at 30 June 2022
	Number	Number	Number	Number	Number
<b>Directors</b>					
Ms S MacLeman	6,800,000	-	-	-	6,800,000
Mr J Harcourt	3,400,000	-	-	-	3,400,000
Mr G Smith <sup>1</sup>	22,500,000	-	(17,500,000)	(5,000,000)	-
Dr D Brookes	3,400,000	-	-	-	3,400,000
Mr D Williams <sup>2</sup>	-	-	-	-	-
	36,100,000	-	(17,500,000)	(5,000,000)	13,600,000
<b>Key Management Personnel</b>					
Dr M E Brinson <sup>3</sup>	-	-	-	-	-
<b>Total</b>	<b>36,100,000</b>	<b>-</b>	<b>(17,500,000)</b>	<b>(5,000,000)</b>	<b>13,600,000</b>

<sup>1</sup> Mr Glenn Smith resigned effective 31 March 2022. The balance of options held at the date of resignation continued to be held post resignation date but no longer meet the requirement to be disclosed in the KMP holdings at balance date.

<sup>2</sup> Mr David Williams was appointed as non-executive director on 15 December 2021.

<sup>3</sup> Dr Mary Beth Brinson was appointed interim CEO on 5 April 2022 and then CEO on 28 June 2022.



# Remuneration Report continued

FOR THE YEAR ENDED 30 JUNE 2022

## Consequences of performance on shareholder wealth

In considering the Group's performance and how best to generate shareholder value, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the technical and commercial progress on the Group's projects and, where applicable, relationship building with health clinics and institutions and internal innovation etc. The Board has some but not absolute regard to the Group's result and cash consumption for the year. It does not utilise earnings per share as a performance measure and does not contemplate consideration of any dividends in the short to medium term given that all efforts are currently being devoted to obtaining value for the Group's assets and where possible building the business and partnerships to establish self-sustaining revenue streams and total shareholder value. The Group is of the view that any short term, adverse movements in the Company's share price should not necessarily be taken into account in assessing the performance of KMP's.

This concludes the remuneration report, which has been audited.

This report is made with a resolution of the directors.



**Sue MacLeman**

Chair

30th of September 2022

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## 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 audit of TALi Digital Limited for the year ended 30 June 2022, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 30 September 2022

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

2022	Note	2022 \$	2021 \$
<b>Revenue and other income</b>			
Revenue from continuing operations	4	13,165	34,238
Other income	5	868,251	514,667
<b>Total revenue and income</b>		<b>881,416</b>	<b>548,905</b>
<b>Expenses</b>			
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	21	(171,485)	(92,295)
Depreciation and amortisation expenses	6	(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		(2,113,584)	(885,247)
Other expenses		(277,555)	(277,479)
<b>Total expenses</b>		<b>(7,735,987)</b>	<b>(5,462,065)</b>
<b>Operating loss</b>		<b>(6,854,571)</b>	<b>(4,913,160)</b>
Net finance income/(expense)		(11,274)	(9,311)
Foreign exchange gains/(losses)		(70,284)	64,198
<b>Loss before income tax expense</b>		<b>(6,936,129)</b>	<b>(4,858,273)</b>
Income tax expense	7	-	-
<b>Loss after income tax expense for the year attributable to the owners of TALi Digital Limited</b>		<b>(6,936,129)</b>	<b>(4,858,273)</b>
Other comprehensive (loss)/income		-	-
<b>Total comprehensive loss for the year attributable to the owners of TALi Digital Limited</b>		<b>(6,936,129)</b>	<b>(4,858,273)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8	(0.69)	(0.59)
Diluted earnings per share	8	(0.69)	(0.59)

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

# Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2022

2022	Note	2022 \$	2021 \$
<b>Current assets</b>			
Cash and cash equivalents	9	1,845,128	2,726,518
Trade and other receivables	10	613,788	847,223
Investments	11	2,273	1,688
Other assets	12	102,299	2,016,270
<b>Total current assets</b>		<b>2,563,488</b>	<b>5,591,699</b>
<b>Non-current assets</b>			
Intangible assets	13	3,845,015	4,126,199
Property, plant and equipment	14	28,783	113,309
<b>Total non-current assets</b>		<b>3,873,798</b>	<b>4,239,508</b>
<b>Total assets</b>		<b>6,437,286</b>	<b>9,831,207</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	484,102	250,338
Deferred income	16	145,673	145,674
Lease liabilities	17	-	55,792
Borrowings	18	42,063	-
Employee benefits	19	75,680	159,344
<b>Total current liabilities</b>		<b>747,518</b>	<b>611,148</b>
<b>Non-current liabilities</b>			
Deferred income	16	1,791,075	1,936,746
Borrowings	18	462,053	-
Employee benefits	19	6,222	27,266
<b>Total non-current liabilities</b>		<b>2,259,350</b>	<b>1,964,012</b>
<b>Total liabilities</b>		<b>3,006,868</b>	<b>2,575,160</b>
<b>Net assets</b>		<b>3,430,418</b>	<b>7,256,047</b>
<b>Equity</b>			
Issued capital	20	211,038,225	208,157,446
Reserves		687,306	502,351
Accumulated losses		(208,295,113)	(201,403,750)
<b>Total equity</b>		<b>3,430,418</b>	<b>7,256,047</b>

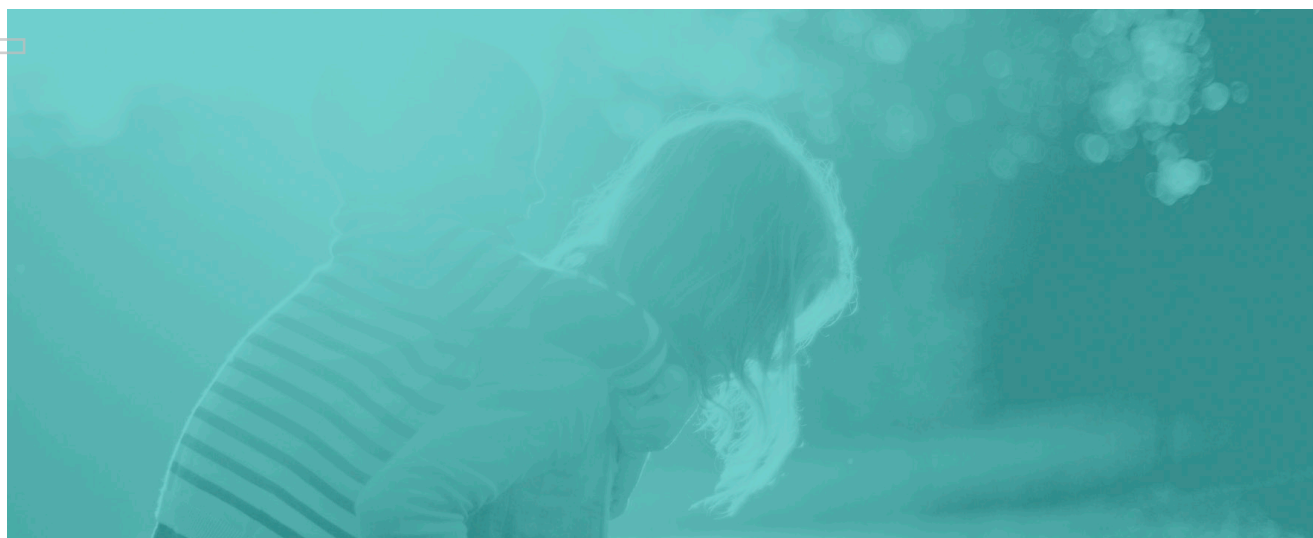
The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Issued capital \$	Share based payments reserve \$	Change in fair value reserve \$	Accumulated losses \$	Total equity \$
Balance as at 1 July 2020	202,113,795	1,098,238	(1,000,000)	(196,545,477)	5,666,556
Loss after income tax expense for the year	-	-	-	(4,858,273)	(4,858,273)
Other comprehensive (loss)/income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	<b>(4,858,273)</b>	<b>(4,858,273)</b>
Issue of ordinary shares	6,549,420	-	-	-	6,549,420
Transaction costs relating to issue of ordinary shares	(568,230)	-	-	-	(568,230)
Share-based payment transactions to employees	-	92,295	-	-	92,295
Share-based payment transactions to brokers and shareholders	-	311,818	-	-	311,818
Issue of ordinary shares from exercise of options	62,461	-	-	-	62,461
<b>Balance at 30 June 2021</b>	<b>208,157,446</b>	<b>1,502,351</b>	<b>(1,000,000)</b>	<b>(201,403,750)</b>	<b>7,256,047</b>

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



# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Issued capital \$	Share based payments reserve \$	Change in fair value reserve \$	Accumulated losses \$	Total equity \$
Balance as at 1 July 2021	208,157,446	1,502,351	(1,000,000)	(201,403,750)	7,256,047
Loss after income tax expense for the year	-	-	-	(6,936,129)	(6,936,129)
Other comprehensive (loss)/income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	<b>(6,936,129)</b>	<b>(6,936,129)</b>
Issue of ordinary shares	3,221,745	-	-	-	3,221,745
Transaction costs relating to issue of ordinary shares	(282,730)	-	-	-	(282,730)
Share-based payment transactions to employees	-	171,485	-	-	171,485
Share-based payments to brokers	(58,236)	58,236	-	-	-
Reversal of share-based payment transactions to employees from prior periods	-	(44,766)	-	44,766	-
<b>Balance at 30 June 2022</b>	<b>211,038,225</b>	<b>1,687,306</b>	<b>(1,000,000)</b>	<b>(208,295,113)</b>	<b>3,430,418</b>

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

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers from continuing operations		47,758	39,906
Payments to suppliers and employees		(5,284,889)	(6,997,809)
R&D tax incentive		795,874	694,848
Grants received		113,032	461,738
Interest received		80	3,271
<b>Net cash used in operating activities</b>	22	<b>(4,328,145)</b>	(5,798,046)
<b>Cash flows from investing purchases</b>			
Payments for intangible assets		-	(1,548,718)
Payments for property, plant and equipment		(12,634)	(23,283)
Proceeds from disposal of property, plant and equipment		-	299
<b>Net cash used in investing activities</b>		<b>(12,634)</b>	(1,571,702)
<b>Cash flows from financing activities</b>			
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	18	503,744	-
<b>Net cash used in financing activities</b>		<b>3,458,070</b>	6,167,291
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(882,709)</b>	(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)
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>1,845,128</b>	2,726,518

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

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

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# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 1. Reporting entity

TALi Digital Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at 2022 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in research and development, for commercialisation, of medical technology projects. The Company is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at Suite 201, 697 Burke Road, Camberwell Vic 3124. Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with that legislative instrument to the nearest dollar, unless specifically stated to be otherwise.

### (b) 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.

For the year ended 30 June 2022, the Group incurred a loss of \$6,936,129 (2021: \$4,858,273), had negative operating cash flows of \$4,328,145 (2021: \$5,798,046) and had cash reserves of \$1,845,128 (2021: \$2,726,518). The Group's main activity is developing and commercialising the TALi products and various service lines which will require further funding and investment.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cash flow in line with the available funds.

These conditions indicate an uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have considered a cash flow forecast, which indicates that the Company will be required to obtain additional capital in order to have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate and the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Company be unable to achieve the matters as described above, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the company be unable to continue as a going concern and meet its debt when they fall due.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 2. Basis of preparation (continued)

### (c) Use of estimates and judgements

The preparation of consolidated financial statements conforms with Australian Accounting Standards which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgments made in preparing the financial statements are:

- Assessing the carrying amount and estimated useful life of identifiable intangible assets (refer to note 13); and
- Assessing the carrying amount of investments (refer to note 11).

### 3. Significant accounting policies

The principle accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

#### (a) Revenue and other income

##### *Sale of goods*

The Group follows AASB15 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from sale of goods is for a one-off fixed fee. In accordance with the 5-step approach, revenues are generally recognised at the time of delivery of the goods to the customer. Invoices for goods or services transferred are generally due upon receipt of the goods.

##### *Government grants*

Conditional government grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

An unconditional grant is recognised in profit or loss as other income when the grant becomes receivable.

#### (b) Financial Instruments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

##### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

##### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

For financial assets measured at fair value through other comprehensive income, the loss is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit and loss.

Cash and cash equivalents comprise cash balances and call or term deposits. Accounting for finance income and costs are discussed in (c).

#### **(c) Financial income and costs**

Finance income comprises interest income on funds invested, dividend income, and changes in the fair value of financial assets at fair value through profit or loss, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income.

#### **(d) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **(e) Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are retranslated to Australian dollars

using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

#### **(f) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## (g) Property, plant and equipment

### (i) Owned assets

The Group holds no property. Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day to day servicing of plant and equipment are recognised in profit or loss as incurred. The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably.

### (ii) Depreciation

Depreciation is recognised in profit or loss on a straightline basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

• Plant and equipment	2.5–10 years
• Leasehold improvements	3 years
• Right-of-use asset	3 years

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

## (h) Intangible assets

Intangible assets acquired by the Group which satisfy the asset recognition criteria set out in AASB 138 Intangible Assets, are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets which are considered to have a finite life are amortised over their estimated useful life. In respect of acquired licences/marketing rights, amortisation commences upon the asset becoming available for use, based on commercialisation of the licensed or marketed product. The estimated useful life of acquired intellectual property is 5-20 years (2021: 5-20 years).

### *Research and development*

Research costs are expensed in the period in which they are incurred; development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite life. Management assessed the finite life in 2021 to be 14.5 years (previously 7 years) in line with the Group's major patent expiry dates.

## (i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity of three months or less.

## (j) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

An impairment loss in respect of an asset measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective original interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Aside from impairment of goodwill, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The carrying amounts for non-financial assets are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is determined as the greater of its value in use and its fair value less costs to sell. Value in use is assessed using discounted cash flow analysis. When determining fair value less costs to sell, the Group takes into account information from recent market transactions and other available market-based information.

### 3. Significant accounting policies (continued)

#### (k) Employee benefits

##### (i) Long-term service benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

##### (ii) Share-based payment transactions

The Group provides benefits to its employees in the form of share-based payments, via options over shares (equity-settled transaction). There is currently an Employee Share Option Plan in place as part of the LTI, for the issue of share based payments to staff and KMP to incentivise performance and loyalty. The options over shares will vest over a period of three years subject to the employee remaining employed by the Group. For KMP there may also be performance measures built into the vesting criteria. The cost of the equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (vesting period), ending on the date the relevant employees benefit become fully entitled to the award (the vesting date). The fair value of the performance rights is based on the Monte Carlo pricing model to test the likelihood of attaining the vesting criteria.

##### (iii) Wages, salaries, annual leave and at-risk performance incentives

Liabilities for employee benefits for wages, salaries, annual leave and performance incentives represent present obligations resulting from employees' services provided up to reporting date and are calculated at undiscounted amounts based on compensation wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Government stimulus payments such as PAYGW cash boost and JobKeeper are recorded as a reimbursement of expenditure.

##### (iv) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due. The Group has no defined benefit pension fund obligations.

#### (i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

##### *Lease make good provision*

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time.

Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

#### (m) Right-of-use asset

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct asset. If the supplier has a substantiate substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 3. Significant accounting policies (continued)

### (m) Right-of-use asset

- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - o The Group has the right to operate the asset; or
  - o The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising for a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments as associated with these leases as an expense on a straight-line basis over the lease term.

### 3. Significant accounting policies (continued)

#### (n) Research and development

Research expenditure undertaken with the prospect of gaining new scientific or technical knowledge or understanding is expensed in profit or loss as incurred. Development expenditure is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and completion of development is intended.

#### (o) Segment reporting

A segment is a distinguishable component of a Group engaged in providing products or services within a particular business sector or geographical environment. The Group determines and presents operating segments based on information that internally is provided to and used by the CEO, who is the Group's chief operating decision maker. From 1 July 2020 the Group deems to only operate within one business segment.

#### (p) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding for the period. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, including share options granted to employees and to third parties.

#### (q) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any associated tax benefit.

#### (r) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

#### (s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2021 have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

#### (t) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposals groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a noncurrent assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

#### (u) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the loans and borrowings using the effective interest method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

4. Revenue from continuing operations	2022 \$	2021 \$
Sale of licences	13,165	34,238

5. Other income	2022 \$	2021 \$
Co-development reimbursements	99,788	-
Grant income	153,852	125,204
Other income	252	297
R&D tax incentive	614,359	389,166
	<b>868,251</b>	514,667

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

7. Income tax expense	2022 \$	2021 \$
<b>Numerical reconciliation between tax expense and pre-tax net loss:</b>		
Loss before tax – continuing operations	<b>(6,936,129)</b>	(4,858,273)

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## 7. Income tax expense (continued)

	2022 \$	2021 \$
<b>Numerical reconciliation between tax expense and pre-tax net loss:</b>		
Loss before income tax expense	(6,936,129)	(4,858,273)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,734,032)	(1,263,151)
Change in unrecognised temporary differences	79,569	102,402
Add: Non-deductible expenses	43,706	24,824
Add: Use of tax losses not recognised	1,583,252	1,197,087
Add: Research and development allowance	292,819	167,390
Less: Items deductible for tax purposes	(111,724)	(105,864)
Less: Items not assessable for tax purposes	(153,590)	(122,688)
<b>Income tax expense</b>	-	-

The deductible temporary differences and any tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available from which the Group can utilise the benefits. There was no deferred tax recognised directly in equity. As at 30 June 2022 the Group has revenue losses of approximately \$165 million (2021: \$159 million).

## 8. Earnings per share

	2022 \$	2021 \$
Loss after income tax attributable to the owners of TALi Digital Limited	(6,936,129)	(4,858,273)
<b>Weighted average number of ordinary shares</b>		
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	999,766,317	820,820,227
Weighted average number of ordinary shares used in calculating diluted earnings per share	999,766,317	820,820,227
Basic earnings per share	(0.69)	(0.59)
Diluted earnings per share	(0.69)	(0.59)

## 9. Cash and cash equivalents

	2022 \$	2021 \$
<b>Current assets</b>		
Cash at bank	1,845,128	1,776,338
Cash on deposit	-	950,180
	<b>1,845,128</b>	<b>2,726,518</b>

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 10. Trade and other receivables

	2022 \$	2021 \$
<b>Current assets</b>		
Trade and other receivables	104,282	51,349
R&D tax incentive and other tax receivables	509,506	795,874
	<b>613,788</b>	<b>847,223</b>

### Allowance for expected credit losses

The Group has recognised a loss of nil (2021: nil) in profit and loss in respect of the expected credit losses for the year ended 30 June 2022.

## 11. Investments

	2022 \$	2021 \$
<b>Current assets</b>		
Financial assets classified at fair value through the profit & loss	2,273	1,688
<b>Reconciliation</b>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	1,688	1,418
Revaluation increments	585	270
<b>Closing fair value</b>	<b>2,273</b>	<b>1,688</b>

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

## 12. Other assets

	2022 \$	2021 \$
<b>Current assets</b>		
Prepayments	102,299	2,016,270
	<b>102,299</b>	<b>2,016,270</b>

On 6 January 2021 \$2,586,299 prepaid advertising credits were purchased from the Times Group India. As at 30 June 2022 the Group has \$32,895 (2021 : \$1,973,180) credits remaining which were utilised by their expiry date of August 2022. Due to various reasons outlined in the Director's Operations Report \$1,106,125 credits were not utilised by their expiry date. The Group requested an indefinite extension for the utilisation of the credits as management reassess the Group's Indian advertising and marketing plan. At the date of this report management assessed the likelihood of obtaining the extension as low and therefore the remaining credits were written off at 30 June 2022.

### 13. Intangible assets

	2022 \$	2021 \$
<b>Non-current assets</b>		
Development - at cost	4,007,982	4,007,982
Less: Accumulated amortisation and impairment	(764,757)	(523,723)
	<b>3,243,225</b>	3,484,259
Intellectual property - at cost	1,149,074	1,149,074
Less: Accumulated amortisation and impairment	(764,290)	(742,890)
	<b>384,784</b>	406,184
Acquired licences - at cost	375,000	375,000
Less: Accumulated amortisation and impairment	(157,994)	(139,244)
	<b>217,006</b>	235,756
<b>Total</b>	<b>3,845,015</b>	4,126,199

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

2022	Acquired licenses \$	Acquired intellectual property \$	Internally generated assets \$	Total \$
<b>Gross carrying amount</b>				
Carrying amount at beginning of period	375,000	1,149,074	4,007,982	5,532,056
Addition, internally developed	-	-	-	-
	375,000	1,149,074	4,007,982	5,532,056
<b>Amortisation and impairment</b>				
Carrying amount at beginning of period	(139,244)	(742,890)	(523,723)	(1,405,857)
Amortisation	(18,750)	(21,400)	(241,034)	(281,184)
	(157,994)	(764,290)	(764,757)	(1,687,041)
	<b>217,006</b>	<b>384,784</b>	<b>3,243,225</b>	<b>3,845,015</b>

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 13. Intangible assets (continued)

2021	Acquired licenses \$	Acquired intellectual property \$	Internally generated assets \$	Total \$
<b>Gross carrying amount</b>				
Carrying amount at beginning of period	375,000	1,149,074	2,887,266	4,411,340
Addition, internally developed	-	-	1,120,716	1,120,716
	375,000	1,149,074	4,007,982	5,532,056
<b>Amortisation and impairment</b>				
Carrying amount at beginning of period	(81,968)	(630,447)	(376,493)	(1,088,908)
Amortisation	(57,276)	(112,443)	(147,230)	(316,949)
	(139,244)	(742,890)	(523,723)	(1,405,857)
<b>Carrying amount at end of period</b>	<b>235,756</b>	<b>406,184</b>	<b>3,484,259</b>	<b>4,126,199</b>

### (i) Licences and intellectual property

On the acquisition of TALi Health Pty Ltd announced on February 15th 2016, TALi Digital recognised intellectual property (including licences) at a fair value of \$1,096,074. In June 2020 patents and other intellectual property were acquired in relation to TALi products at a fair value of \$428,000. Intangibles are initially recognised at cost and amortised on a straight-line basis over the period of expected benefit, less any adjustments for impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

### (ii) Internally developed assets

Internally developed assets include the applied development activities conducted on the TALi Technology in respect of the development stage of the TALi TRAIN© and TALi DETECT© projects.

On 1 April 2021, the estimated useful life of the internally developed assets was reassessed to align the useful life of the assets to the expiry of the assets' main issued patent. The estimated useful life was reassessed to be 14.5 years (previously 7 years). The date of reassessment occurred on 1 April 2021 in line with the assets roll out to the Indian market. Both TALi TRAIN© and TALi DETECT© assets were assessed as available and ready for use for customers from the date of reassessment and have been amortised accordingly.

An assessment was made by management to determine whether any indicators of impairment exist. Indicators assessed included but were not limited to; the Group's market capitalisation, technology obsolescence, changes in laws and regulations and COVID-19. No indicators of impairment were identified.

#### 14. Property, plant and equipment

	2022 \$	2021 \$
<b>Non-current assets</b>		
Leasehold improvements - at cost	-	156,848
Less: Accumulated depreciation	-	(130,994)
	-	25,854
Property, plant and equipment – at cost	<b>208,299</b>	216,588
Less: Accumulated depreciation	<b>(179,516)</b>	(162,475)
	<b>28,783</b>	54,113
Right-of-use asset	-	400,104
Less: Accumulated depreciation	-	(366,762)
	-	33,342
	<b>28,783</b>	113,309

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements <sup>1</sup> \$	Plant and equipment \$	Right-of-use asset <sup>1</sup> \$	Total \$
<b>Balance as at 1 July 2020</b>	83,297	66,965	166,710	316,972
Additions	-	21,145	-	21,145
Disposals	-	(258)	-	(258)
Reclassifications	(5,694)	5,694	-	-
Depreciation expense	(51,749)	(39,433)	(133,368)	(224,550)
<b>Balance at 30 June 2021</b>	25,854	54,113	33,342	113,309
Additions	-	9,069	-	9,069
Disposals	-	(3,399)	-	(3,399)
Depreciation expense	(25,854)	(31,000)	(33,342)	(90,196)
<b>Balance as at 30 June 2022</b>	-	<b>28,783</b>	-	<b>28,783</b>

<sup>1</sup>The right -of-use asset and leasehold improvements related to the lease of 19 William Street, Cremorne which ended on 30 April 2022.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 15. Trade and other payables

	2022 \$	2021 \$
<b>Current liabilities</b>		
Trade payables	316,492	100,010
Accruals and other payables	167,610	150,328
	<b>484,102</b>	<b>250,338</b>

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in note 23.

## 16. Deferred income

	2022 \$	2021 \$
<b>Current liabilities</b>		
Deferred income - R&D Incentive & Grant Income	145,673	145,674
<b>Non-current liabilities</b>		
Deferred income - R&D Incentive & Grant Income	1,791,075	1,936,746
	<b>1,936,748</b>	<b>2,082,420</b>
<b>Reconciliation</b>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening balance	2,082,420	1,685,916
Current year additions	-	487,512
Release of deferred revenues to profit or loss	<b>(145,672)</b>	<b>(91,008)</b>
Closing balance	<b>1,936,748</b>	<b>2,082,420</b>

Due to the capitalisation of the TALi products Development Cost Intangible Assets and the subsequent release of amortisation over the assets useful life as indicated in note 13, the related R&D and CRC-P grant income has been deferred and is proportionally released over the capitalised assets' useful life. This has resulted in a total of \$104,853 (2021: \$80,804) of R&D grant income and \$40,819 (2021: \$10,205) in CRC-P grant income being recognised in profit or loss for the year ended 30 June 2022. \$1,394,040 (2021: \$1,498,894) of R&D grant income relating to future periods and \$542,706 (2021: \$583,526) in grant income has been classified as deferred income.

## 17. Lease liabilities

	2022 \$	2021 \$
<b>Current liabilities</b>		
Lease liability	-	55,792

The lease liability related to the office lease held by the Group. The lease ended 30 April 2022.

Refer to note 23 for further information on financial instruments disclosure and financial risk management.

## 18. Borrowings

	2022 \$	2021 \$
<b>Current liabilities</b>		
R&D Funding	41,691	-
Accrued interest payable	372	-
	<b>42,063</b>	
<b>Non-current liabilities</b>		
Loan - R&D Advance	462,053	-
	<b>504,116</b>	

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 up to \$503,744.

The Company received the first tranche of \$300,000 in October 2021 and the second tranche of \$203,744 in February 2022.

Interest on Facility advances is variable at the "TCV11am" 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 reduce the LVR to 80% may be required by October 2022 and is therefore classified as current.

Refer to note 23 for further information on financial instruments disclosure and financial risk management.

## 19. Employee benefits

	2022 \$	2021 \$
<b>Current liabilities</b>		
Employee benefits provision	75,680	159,344
<b>Non-current liabilities</b>		
Employee benefits provision	6,222	27,266
	<b>81,902</b>	<b>186,610</b>

### At-risk incentive performance payments

Compensation for all employees other than non-executive directors includes an at-risk performance component. Provision has been made at reporting date for the amount payable in respect of performance for the financial year as measured against agreed criteria set on an employee by employee basis.

A reconciliation of movement for the year for all employee provisions is provided in the following table.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 19. Employee benefits (continued)

2021	Annual leave \$	Long service leave \$	Total \$
<b>Balance at 1 July 2020</b>	<b>125,820</b>	12,505	138,325
Provision utilised	<b>(124,322)</b>	-	(124,322)
Charges raised	<b>157,846</b>	14,761	172,607
<b>Balance at 30 June 2021</b>	<b>159,344</b>	27,266	186,610

2022	Annual leave \$	Long service leave \$	Total \$
<b>Balance at 1 July 2021</b>	<b>159,344</b>	27,266	186,610
Provision utilised	<b>(312,149)</b>	(26,309)	(338,458)
Charges raised	<b>228,485</b>	5,265	233,750
<b>Balance at 30 June 2022</b>	<b>75,680</b>	6,222	81,902

## 20. Issued capital

### 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.

Shares	2022	2021	2022	2021
	Number	Number	\$	\$
Ordinary shares, fully paid	<b>1,224,791,666</b>	<b>931,905,789</b>	211,038,225	208,157,446
<b>Movements in issued capital during the year were as follows:</b>				
Balance at the beginning of the financial year	<b>931,905,789</b>	<b>749,305,218</b>	208,157,446	202,113,795
Issue of shares through placement	<b>292,885,877</b>	<b>180,518,542</b>	3,221,745	6,549,420
Issue of shares on exercise of options	-	<b>2,082,029</b>	-	62,461
Transaction costs relating to rights issue and placements <sup>1</sup>	-	-	(282,730)	(568,230)
Transaction costs relating to rights issue and placements <sup>2</sup>	-	-	(58,236)	-
<b>Issued capital at the end of the financial year</b>	<b>1,224,791,666</b>	<b>931,905,789</b>	<b>211,038,225</b>	<b>208,157,446</b>

<sup>1</sup> Directly attributable costs incurred in raising capital are presented as a reduction in equity.

<sup>2</sup> Share based payment expense provided to the Lead Broker for services during the Placement.

## 21. Share-based payments

A performance right and share option plan has been established by the Group and approved by shareholders at the 2017 Annual General Meeting, whereby the consolidated entity may, at the discretion of the Board, issue performance rights and grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The performance rights and or options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of Performance Rights and options granted under the plan:

2022 Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year
21/11/2017	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
15/10/2019	\$0.030	2,100,000	-	-	(1,800,000)	300,000
29/11/2019	\$0.030	7,188,883	-	-	(7,188,883)	-
24/11/2020 <sup>3</sup>	\$0.030	22,500,000	-	-	(17,500,000)	5,000,000
24/11/2020	\$0.090	3,400,000	-	-	-	3,400,000
22/2/2021 <sup>2</sup>	\$0.090	-	5,000,000	-	-	5,000,000
22/2/2021 <sup>2</sup>	\$0.120	-	5,000,000	-	-	5,000,000
22/2/2021 <sup>2</sup>	\$0.150	-	5,000,000	-	-	5,000,000
20/7/2021 <sup>1</sup>	\$0.060	-	2,000,000	-	(1,400,000)	600,000
20/7/2021 <sup>1</sup>	\$0.090	-	4,000,000	-	(2,800,000)	1,200,000
		55,588,883	21,000,000	-	(30,688,883)	45,900,000
Weighted average exercise price		\$0.04	\$0.11	\$0.00	\$0.05	\$0.06

<sup>1</sup> Employee Options were issued under the shareholder approved Share Options Plan. The Options have the vesting dates of 20 July 2022 (2,000,000), 20 July 2023 (2,000,000) and 20 July 2024 (2,000,000) and are subject to the employees remaining employees of the Group at vesting date.

<sup>2</sup> Broker options issued vested upon issue.

<sup>3</sup> On resignation the former CEO agreed with the Company that of the 22.5 million options held, 17.5 million options would be forfeited and the remaining 5 million options would vest.

On 16 March 2022, 15,000,000 options were provisionally issued to the Broker of the placement. The options were provisionally issued as they are required to be approved by shareholders. The options were approved for issue by shareholders on 28 June 2022 and subsequently issued on 3 August 2022. Under accounting rules, expenses related to the options for the current financial year have been expensed based on the provisional grant date.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 21. Share-based payments (continued)

2021 Grant Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired/ forfeited other	At the end of the year
21/11/2017	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
8/10/2018	\$0.030	6,800,000	-	-	-	6,800,000
13/09/2019	\$0.030	360,507	-	-	(360,507)	-
19/09/2019	\$0.030	3,425,000	-	-	(3,425,000)	-
15/10/2019	\$0.020	2,400,000	-	-	(300,000)	2,100,000
26/11/2019 <sup>1</sup>	\$0.030	14,377,766	-	-	(14,377,766)	-
29/11/2019	\$0.090	7,188,883	-	-	-	7,188,883
12/06/2020	\$0.060	1,700,000	-	-	(1,700,000)	-
24/11/2020 <sup>1</sup>	\$0.030	-	22,500,000	-	-	22,500,000
24/11/2020 <sup>2</sup>	\$0.030	-	3,400,000	-	-	3,400,000
		49,852,156	25,900,000	-	(20,163,273)	55,588,883
Weighted average exercise price	\$0.00	\$0.04	\$0.03	\$0.00	\$0.03	\$0.04

<sup>1</sup>22,500,000 options were issued to the Managing Director, Glenn Smith replacing the 14,377,766 issued in 2019. Each option issued has an exercise price of \$0.03 and will expire on the fifth anniversary of the date of issue. The options 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.

<sup>2</sup>Shareholder approval was given to the issue of 3,400,000 options to Director, David Brookes. These were issued with an exercise price of \$0.03 and will expire on 21 November 2022.

## 21. Share-based payments (continued)

On 22 February 2021, 15,000,000 options were provisionally issued to the Broker of the placement. The options were provisionally issued as they are required to be approved by shareholders. The options will be granted and issued following approval at the Annual General Meeting. Under accounting rules, expenses related to the options for the current financial year have been expensed based on the provisional grant date.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Fair Value of option
20/07/2021	20/07/2026	\$0.033	\$0.060	95%	\$0.021
20/07/2021	20/07/2026	\$0.033	\$0.090	95%	\$0.018
22/02/2021	22/02/2023	\$0.042	\$0.090	146%	\$0.024
22/02/2021	22/02/2023	\$0.042	\$0.120	146%	\$0.022
22/02/2021	22/02/2023	\$0.042	\$0.150	146%	\$0.020
16/03/2022 <sup>1</sup>	03/08/2025	\$0.012	\$0.030	80%	\$0.004

<sup>1</sup>Options were issued on 3 August 2022 to the lead broker of the March 2022 capital raise. However options relate to services provided during the capital raise so the grant date is deemed to be the date the Placement of shares from the capital raise occurred.

### TALi Digital Long-Term Incentive Plan

The purpose of the TALi Digital Long-Term Incentive Plan (LTIP) is to provide long term rewards that are linked to shareholder returns. Under the LTIP, selected executives may be offered several performance rights (Right) and share options. Each Right provides the entitlement to acquire one TALi share at nil cost to the satisfaction of performance hurdles.

The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured by an independent third party at grant date and recognised over the three-year vesting period during which the employees become unconditionally entitled to the performance rights.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 22. Notes to the statement of cash flows

For the year ended 30 June 2022	2022 \$	2021 \$
<b>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:</b>		
Cash at bank and on hand	1,845,128	1,776,338
Bank short term deposits	-	950,180
<b>Cash assets (note 9)</b>	<b>1,845,128</b>	<b>2,726,518</b>
<b>Loss after income tax</b>	<b>(6,936,129)</b>	<b>(4,858,273)</b>
Add: depreciation, amortisation and loss on disposal of plant and equipment	371,381	541,800
Share based payment expense	171,485	92,295
Investment (gain)/loss on revaluation and unrealised foreign exchange (gain)/loss	(1,905)	16,161
<b>Total non-cash &amp; non-operating items</b>	<b>540,961</b>	<b>650,256</b>
(Increase)/decrease in receivables	233,436	108,844
(Increase)/decrease in other assets	1,913,972	(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	233,763	(156,538)
<b>Change in operating assets and other receivables</b>	<b>2,067,023</b>	<b>(1,590,029)</b>
<b>Net cash used in operating activities</b>	<b>(4,328,145)</b>	<b>(5,798,046)</b>

There have been no non-cash financing and investing transactions during the 2022 financial year (2021: nil) which have had a material effect on assets and liabilities of the Group.

### 23. Financial instruments disclosure and financial risk management

The Group has exposure to market, credit and liquidity risks from the use of financial instruments. This note presents information about the Group's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has adopted a Strategic Risk Management Framework through which it manages risks and aims to develop a disciplined and constructive control environment and action plans for risks that cannot be effectively managed through the use of controls. The Audit Committee oversees how management monitors compliance with the Group's Strategic Risk Management Framework in relation to the changing risks faced by the Group.

#### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the financial return. No more than \$2.7m of the Group's cash resources is permitted to be invested in securities or investments other than bank and term deposits without approval by the shareholders at an AGM. In respect of listed company investments, the holding is reviewed by the Audit Committee if the market price falls by more than 10% below the initial acquisition cost.

#### (i) Foreign currency risk

The Group has contracts denominated in foreign currencies, predominantly in US dollars and Euros, and may enter into forward exchange contracts where appropriate in light of anticipated future purchases and sales, conditions in foreign markets, commitments from customers and past experience and in accordance with Board-approved limits. Note 3(e) sets out the accounting treatments for such contracts. There were no hedged amounts payable or receivable in foreign currencies at reporting date (2021: nil).

At reporting date, the Group had the following exposures to foreign currency, converted to AUD:

Shares	2022				2021			
	GBP	USD	SGD	EURO	GBP	USD	SGD	EURO
Bank accounts	-	35,895	-	-	-	1,370	-	-
Receivables	-	67,168	-	-	-	-	-	-
Payables	-	(238,085)	-	-	-	(5,823)	-	-
<b>Net balance sheet exposure</b>	-	(135,022)	-	-	-	(4,453)	-	-

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 23. Financial instruments disclosure and financial risk management (continued)

### Foreign currency sensitivity analysis

A 10% strengthening or weakening of the Australian dollar applied against the Gross balance sheet exposure in the above table in respect of the above currencies as at 30 June 2022 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10% has been selected as this is considered reasonable taking in to account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. The analysis is performed on the same basis for 2021. There is no impact on equity.

2022 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Net balance sheet exposure	-	-	9,302	(9,302)

2021 Exposure	Equity		Profit and loss	
	Strengthening	Weakening	Strengthening	Weakening
Net balance sheet exposure	-	-	541	(541)

The following significant exchange rates applied during the financial year:

Currency	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
GBP	0.56	0.55	0.57	0.54
USD	0.72	0.72	0.69	0.75
EURO	0.65	0.63	0.66	0.63

### (i) Interest rate risk

Interest earned on cash at bank is determined in accordance with published bank interest rates. The Group's exposure to interest rate risk is confined to cash assets, the effective weighted average interest rate for which is set out below.

	Effective interest rate %	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>					
Cash assets – at 30 June 2022	-	-	-	1,845,128	1,845,128
Cash assets – at 30 June 2021	0.01	950,180	-	1,776,338	2,726,518
<b>Financial liabilities</b>					
Borrowings – at 30 June 2022	-	503,744	-	-	503,744
Borrowings – at 30 June 2021	-	-	-	-	-

## 23. Financial instruments disclosure and financial risk management (continued)

Profit and loss	2022		2021	
	Strengthening	Weakening	Strengthening	Weakening
Cash at bank – variable interest rate: \$AUD	23,502	(23,502)	4,751	(4,751)

An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by \$23,502 (2021: \$4,751), if all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

### (b) Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. For financial assets, the credit risk exposure of the Group is the carrying amount of the asset net of any provision for expected credit losses.

#### (i) Receivables

The Group undertakes due diligence prior to entering any collaboration, co-development or licensing agreement with a counterparty that exposes the Group to credit risk. The Group's exposure to credit risk from receivables is shown below. No amounts are past due and impaired at balance date.

Financial assets	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
<b>Receivables – at 30 June 2022</b>	<b>613,788</b>	-	-	<b>613,788</b>
Receivables – at 30 June 2021	847,223	-	-	847,223

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will maintain sufficient liquidity to meet its liabilities when due having regard to forecast cash inflows and outflows, which in turn may be impacted by planned corporate transactions.

The Group manages its liquidity risk using existing cash reserves managed in accordance with a Cash Management and Treasury Policy. Under this policy, sufficient liquidity to meet day to day operating requirements is maintained in interest-bearing operating, at-call and term bank accounts. Cash balances are prepared daily and cash requirements monitored on weekly, month end reporting and annual budget/forecast cycles.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 23. Financial instruments disclosure and financial risk management (continued)

### (c) Liquidity risk

At reporting date, the Group had the following financial liability exposures:

Financial liabilities	3 months or less \$	Greater than 3 months \$	Greater than 1 year \$	Total \$
Trade and other payables – at 30 June 2022	484,102	-	-	484,102
Trade and other payables – at 30 June 2021	250,338	-	-	250,338

Financial liabilities	Less than one year \$	One to five years \$	More than 5 years \$	Total \$
Borrowings – at 30 June 2022	41,691	462,053	-	503,744
Lease liabilities – at 30 June 2022	-	-	-	-
<b>Total</b>	<b>41,691</b>	<b>462,053</b>	<b>-</b>	<b>503,744</b>
Lease liabilities – at 30 June 2021	55,792	-	-	55,792

Maturity analysis – contractual undiscounted cash flows on lease liabilities	2022 \$	2021 \$
Less than one year	-	56,487
<b>Other disclosures</b>		
Interest expenses on lease liabilities recognised in the profit or loss	366	7,050
Total cash outflow for leases recognised in the statement of cashflows	35,795	137,073

### (d) Net fair values of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the Group on the following bases:

- For monetary financial assets and financial liabilities not readily traded in an organised financial market, values are determined by valuing them at the value of contractual cash flow amounts due from customers and payable to suppliers discounted as appropriate for settlements beyond 12 months;
- The carrying amounts of bank balances and deposits, trade debtors and accounts payable expected to be payable within 12 months.

At reporting date there were no material differences between carrying values and fair values.

### (e) Capital management

The Board's policy is to maintain a sufficient capital base so as to sustain investor, creditor and market confidence and to facilitate the future development of the business. As noted in note 2(b), in order to meet forecast operating cash requirements, the Group may need to raise funds from other sources which may include raising capital or securing debt facilities.

## 24. Dividends

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

## 25. Dividend franking account

The Company has no franking credits at reporting date.

## 26. Auditor's remuneration

	2022 \$	2021 \$
<b>Audit services:</b>		
Auditors of the Group – Grant Thornton	88,000	68,210

## 27. Segmented reporting

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

## 28. Related party transactions

Disclosures of compensation policies, service contracts and details of individual directors and executives' compensation are included in the Remuneration Report section of the Directors' Report.

### Directors and Key Management Personnel compensation

The Directors and Key Management Personnel compensation included in "employee expenses" are as follows:

Nature of compensation	2022 \$	2021 \$
Short-term employee benefits	527,065	371,751
Performance benefits	49,773	93,750
Post-employment benefits	41,158	31,992
Share-based payments	149,701	90,891
<b>Total compensation</b>	<b>767,697</b>	<b>588,384</b>

### Key Management Personnel transactions

Directors of the Company control 4.06% (2021: 4.68%) of the voting shares of the Company.

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. However, during the period the Group did not transact with any of these companies.

### Other Key Management Personnel transactions with the Group

No Key Management Personnel member has entered a material contract with the Group during either the 2022 or 2021 financial years and there were no material contracts with, amounts receivable from or payable to, interests involving directors or executives at period end. The value of transactions during the year with entities related to Directors included in the financial statements was nil (2021: nil).

### Other Key Management Personnel transactions with the Group

There are no outstanding balances at the reporting date in relation to transactions with related parties other than KMPs: No provision for doubtful debts has been raised against amounts receivable from other related parties.

# Notes to Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2022

## 28. Related party transactions (continued)

### Loans and other transactions with Key Management Personnel

There were no loans made to Directors or Executives or other loan movements during the 2022 year (2021: nil).

### Other related party transactions

Other than the transactions disclosed above, there were no transactions with other related parties during either the 2022 or 2021 financial years.

## 29. Group entities

Significant subsidiaries for the year ended:

Name	Country of incorporation	Ownership interest %	
		2022	2021
TALi Health Pty Ltd	Australia	100.00%	100.00%
TALi Digital INC	USA	100.00%	100.00%
TALi Digital (UK) Limited <sup>1</sup>	United Kingdom	-	100.00%

<sup>1</sup> On 10 June 2022, TALi Digital (UK) Limited (a dormant entity registered in the United Kingdom) was de-registered.

## 30. Parent entity disclosure

As at, and throughout, the financial year ended 30 June 2022, the parent entity of the Group was TALi Digital Limited.

	2022 \$	2021 \$
<b>Statement of profit and loss</b>		
Loss after income tax	(2,827,446)	(2,484,117)
Total comprehensive loss	(2,827,446)	(2,484,117)
<b>Statement of financial position</b>		
Total current assets	5,080,427	8,622,977
Total assets	5,464,119	9,077,531
Total current liabilities	282,460	416,608
Total liabilities	2,033,701	1,821,484
<b>Net assets</b>	<b>3,430,418</b>	<b>7,256,047</b>
<b>Equity</b>		
Issued capital	211,038,224	208,157,446
Change in fair value reserve	(1,000,000)	(1,000,000)
Share-based payments reserve	1,687,306	1,502,351
Accumulated losses	(208,295,112)	(201,403,750)
Total equity	3,430,418	7,256,047

### 31. Commitments

The Company has no commitments at year end.

### 32. Contingent liabilities

The Group is not aware of any contingent liabilities or contingent assets capable of having a material impact on the Group.

### 33. Events after the reporting period

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 to the Company's broker after approval from the extraordinary General Meeting held on 28 June 2022.

On 19 September 2022, the Company received a successful ruling from AusIndustry to its Advanced Overseas Finding in relation to clinical trial activity in the United States. The Company will subsequently record a further \$171,583 of Research and Development tax incentive income in relation to expenditure incurred in the year ended 30 June 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2022

In the opinion of the directors of TALi Digital Limited ('the Company'):

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



**Sue MacLeman**

Chair

30 September 2022

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## Independent Auditor's Report

To the Members of TALi Digital Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of TALi Digital Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Material uncertainty related to going concern**

We draw attention to Note 2(b) in the financial statements, which indicates that the Group incurred a net loss of \$6,936,129 during the year ended 30 June 2022, and the Group’s operating cash flow for the year was an outflow of \$4,328,145. The ability of the Group to continue as a going concern is principally dependant on the ability of the Group to secure funds by raising capital from equity markets and managing cash flows in line with available funds. As stated in Note 2(b), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Intangible assets – notes 3(h) and 13</b>	
<p>The Group has intangible assets with a written down value of \$3,845,015 as at 30 June 2022, which consist of both acquired and internally generated intangibles.</p> <p>The acquired assets consist of a health licence and intellectual property relating to the TALi technology acquired as part of the purchase of TALi Health Pty Ltd in 2016. Internally generated intangibles consist of capitalised development costs relating to the TALi Train and TALi Detect products that the Group has developed.</p> <p>In accordance with AASB 138 <i>Intangible Assets</i>, only directly attributable costs incurred during the development phase may be capitalised and recognised as an asset. AASB 136 <i>Impairment of Assets</i> requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. The entity shall estimate the asset’s recoverable amount if any indication exists.</p> <p>This area is a key audit matter due to the judgement and estimation required in determining the recoverable amounts and whether the requirements of AASB 138 and AASB 136 are satisfied.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Assessing the Group’s accounting policy for capitalisation of development costs for adherence to AASB 138;</li> <li>• Evaluating the assumptions utilised by management that support the generation of future economic benefits from the capitalised costs;</li> <li>• Considering other qualitative considerations, including market valuation of the Group compared to its net assets, recent trial results, additional public information and press releases to challenge management’s assessment of impairment indicators;</li> <li>• Obtaining supporting documentation to demonstrate ongoing use of the asset; and</li> <li>• Assessing the adequacy of the disclosures within the financial statements.</li> </ul>

**Key audit matter**

**How our audit addressed the key audit matter**

**R&D incentives – notes 3(a), 5 and 10**

The Group receives a 43.5% refundable tax offset of eligible expenditure under the Research and Development (R&D) Tax Incentive scheme if its turnover is less than \$20 million per annum, provided income tax-exempt entities do not control it.

An R&D plan is filed with AusIndustry in the following financial year, and upon lodgement of its income tax return, the Group receives the incentive in cash. Management has reviewed the Group’s total research and development expenditure to determine the potential claim under the R&D tax incentive legislation.

Calculating the R&D tax rebate requires judgement and specialised knowledge in identifying eligible expenditures, leading to anticipated R&D tax incentives. Balances in relation to R&D tax incentives are therefore considered to be a key audit matter.

Our procedures included, amongst others:

- Comparing the estimates made in the prior year to the amount of cash received after lodgement of the R&D tax claim;
- Obtaining FY22 R&D rebate calculations performed by management and performing the following audit procedures:
  - Reviewing the expenditure methodology employed by management and rebate calculations prepared by the Group’s external expert;
  - Assessing the competence, capability and objectivity of the Group’s external expert;
  - Evaluating whether included expenses agree to the underlying supporting documentation;
  - Testing the mathematical accuracy of the accrual; and
  - Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria.
- Assessing the adequacy of disclosures in the notes to the financial statements.

**Information other than the financial report and auditor’s report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2022, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

#### **Report on the remuneration report**

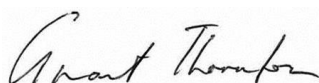
##### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 14 to 23 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of TALi Digital Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance  
Melbourne, 30 September 2022

# Shareholder Information

## Share capital

The shareholder information set out below was applicable as at 5 August 2022.

### Number

Number of shares quoted on the Australian Securities Exchange Limited 1,232,630,524.

TALi Digital Limited ordinary shares have been traded on ASX Limited since 28th December 2019 (former name Novita Healthcare Limited) and trade under the ASX code TD1. Melbourne is the Home Exchange. The Company's securities are not quoted on any other stock exchange.

Position	Holder name	Holding	% IC
1	BNP PARIBAS NOMINEES PTY LTD -IB AU NOMS RETAILCLIENT DRP-	67,799,306	5.50%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD -DRP A/C-	39,533,110	3.21%
3	GREY INNOVATION HOLDINGS PTY LTD	35,325,130	2.87%
4	CITOS SUPER PTY LTD -CITOS PTY LTD SF A/C-	33,000,000	2.68%
5	SAILORS OF SAMUI PTY LTD	24,500,000	1.99%
6	CITICORP NOMINEES PTY LIMITED -DPSL A/C-	21,085,253	1.71%
7	KEMBLA NO 20 PTY LTD -CAA A/C-	20,512,746	1.66%
8	MOONAH CAPITAL PTY LTD	18,999,999	1.54%
9	MONDO ELECTRONICS PTY LTD -MONDO ELECTRONICS S/F A/C-	15,884,346	1.29%
10	CITICORP NOMINEES PTY LIMITED	15,767,911	1.28%
11	PETERLYN PTY LTD -RPC SALMON SUPER FUND A/C-	15,452,915	1.25%
12	MR HYUN KIM	14,397,835	1.17%
13	MR ALAN CONIGRAVE	13,700,000	1.11%
14	MR DONAL FRANCIS O'SULLIVAN	13,500,000	1.10%
15	MR ANDRE ANTHONY LAHOOD	13,200,000	1.07%
16	LONGRIDGE PARTNERS PTY LTD	13,000,000	1.05%
17	BIG OAT PTY LTD	12,169,004	0.99%
18	PUNTERO PTY LTD	12,069,893	0.98%
19	MRS SHWETA PRIYADARSHINI	11,999,999	0.97%
20	HYDRONOMEES PTY LTD -HYDRO-CHEM SUPERFUND A/C-	10,672,727	0.87%
	<b>Totals</b>	422,570,174	34.28%
	<b>Total issued capital</b>	1,232,630,524	100.00%

## Distribution of shareholders as at 5 August 2022

Holding ranges	Holders	Total units	% Issued share capital
Above 0 up to and including 1,000	368	97,507	0.01%
Above 1,000 up to and including 5,000	196	550,574	0.04%
Above 5,000 up to and including 10,000	175	1,427,379	0.12%
Above 10,000 up to and including 100,000	1,018	42,960,023	3.49%
Above 100,000	852	1,187,595,041	96.35%
<b>Totals</b>	<b>2,609</b>	<b>1,232,630,524</b>	

The number of shareholders as at 5 August 2022 with less than a marketable parcel of \$500 worth of shares, based on the market price as at that date (\$0.007 per share), was 1,586, with total 29,289,126 amounting to 2.37% of Total Shareholding.

### Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 the Company's 2021 Corporate Governance Statement can be found at <https://talidigital.com/investors-centre/governance/>

### Voting rights

The voting rights attached to ordinary shares are set out in Rule 5(f) and 40 of the Company's Constitution. In broad summary, but without prejudice to the provisions of those Rules, each shareholder present at a general meeting in person or by duly appointed representative, proxy or attorney.

- On a show of hands, has one vote except if a shareholder has appointed more than one person as a representative, proxy or attorney, in which case none of those persons is entitled to vote or if a person is entitled to vote in more than one capacity, that person is entitled to only one vote; and
- On a poll, has one vote for each fully paid share held and for each other share held, has a vote in respect of the share equivalent to the proportion that the amount paid on that share is of the total amounts paid and payable on that share at the time a poll is taken but no amount paid on a share in advance of calls shall be treated as paid on that share.

As at 5 August 2022, the Options issued over unissued Ordinary Shares totalled 110,258,964 represented by 2,100,000 granted to employees under the ESOP, 18,600,000 issued to Directors, 49,358,964 placement options to shareholders and 40,200,000 issued to external suppliers for services rendered. There are no voting rights attached to either the Options or the underlying unissued Ordinary Shares.

# Shareholder Information continued

## Officers

Chief Executive Officer: Mary Beth Brinson

Company Secretary: Stephen Denaro

## Registered Office

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Email info@talidigital.com.au

## Share Registry

Automic Registry Services  
Level 5, 126 Phillip Street  
Sydney, New South Wales 2000 Australia

Telephone 1300 288 64

Website automic.com.au

Email hello@automic.com.au

## Securityholder Information

You can gain access to your security holding information in a number of ways. The details are managed via the Company's Registrar, Automic Registry Services, and can be accessed as outlined below. Please note your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) is required for access.

## Investor Phone Access

Provides telephone access, call 1300 288 664 to speak to an operator.

## Internet Account Access

Securityholders can access their details via the internet. Automic provides access via its InvestorShare online service. Go to [investor.automic.com.au](http://investor.automic.com.au) to view your information.

## Changing Shareholder Details

Changes to your name or address must be advised in writing to Automic Registry Services. If you are sponsored by a broker, your notice in writing must be sent to your sponsoring broker.

## TALi Digital Limited Publications Mailing List

The Annual Report is a major source of information about the Company. Shareholders who do not wish to receive this publication can assist the Company to reduce costs by advising Automic Registry Services in writing or doing so online using <http://investor.automic.com.au/#/home>. Shareholders will continue to receive all other shareholder information, including the Notice of Annual General Meeting and Proxy Form. The Annual Report. Other releases and general Company information are also available on the Company's website at [www.talidigital.com.au](http://www.talidigital.com.au)

## Investor Relations

If you have any questions or issues regarding your shareholding, please contact Automic Registry Services on 1300 288 664.

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