



31 January 2019

Australian Securities Exchange (ASX) Announcement

December 2018 Quarterly Update and Appendix 4C

Total Brain Limited ("Total Brain," "TB" or "the Company"), a leader in the field of applying clinically-validated brain assessment and brain training to improve behavioural health outcomes, is pleased to report on its activities for the quarter ended 31 December 2018.

HIGHLIGHTS

- Based on preliminary figures, Total Brain finished CY2018 with A\$2.7 million (US\$2 million) of revenue, reversing the negative revenue growth trajectory from -23% to +22% in total revenue and -2% to +42% in Total Brain core recurring revenue compared to CY2017;
- Relative to its CY2018 Company Objectives published on the ASX in February 2018, Total Brain successfully completed all of its annual Product and Corporate goals, including:
 - i. the launch of a new product platform with a differentiated mental health screening tool;
 - ii. bottom-up business and technology overhaul;
 - iii. rebrand of the Company;
 - iv. the onboarding of 19 new staff, among others.
- Total Brain increased cumulative User Registrations by 29k during the quarter, a 5% quarter-on-quarter and 26% year-on-year growth;
- The Company increased cumulative Brain Profiles by 22k during the quarter, a 5% quarter-on-quarter and 34% year-on-year growth;
- Two new institutional shareholders lodged substantial shareholder notices as the share register is being strengthened to support the Company's long-term objectives;
- Following the launch of the new Total Brain product in September, the Company upsold two of its largest existing clients to the new platform, representing early market validation of the product, its value proposition, functionality, and the new pricing. Both Fortune 500 Companies expanded the size of their contracts adding a total of 65,000+ users and an annualised A\$260k in incremental CY2019 revenue;
- For the December 2018 quarter, the Company achieved A\$0.65 million in cash receipts, which represents a 30% decline quarter-on-quarter driven by the large upfront payment of A\$347k received from the American Association of Retired Persons ("AARP") in the September quarter. Adjusting for this amount, the



December 2018 figure represents a 13% increase in cash receipts quarter-on-quarter;

- Despite this turnaround of Total Brain during CY2018, the Company fell short of its ambitious Financial and User KPI objectives to achieve 100% revenue growth year-on-year to US\$3.2 million, and 100% growth in User Registrations and Brain Profiles due to unforeseen lengths of sales cycles from both existing and new customers;
- Management remains optimistic and committed to building a successful SaaS business and is focused on operationalising the numerous learnings from CY2018. Please refer to the CY2018 Review / CY2019 Outlook section of this update for additional detail.

CASH FLOW

<i>For the 3 months ended</i>	FY2018				FY2019	
	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Cash Receipts from Customers (\$AUD)	\$410,000	\$497,000	\$658,715	\$781,134	\$919,394	\$645,234
(-) Payments to suppliers and employees	(1,313,000)	(1,290,000)	(2,819,085)	(1,284,749)	(2,796,958)	(2,035,967)
(-) TB and Test Development	-	(250,000)	(2,108)	(1,395,518)	(549,263)	(755,876)
Total Quarterly net operational spend*	(903,000)	(1,043,000)	(2,162,478)	(1,899,133)	(2,426,827)	(2,146,609)
<i>Memo: Monthly net operational spend</i>	<i>(301,000)</i>	<i>(347,667)</i>	<i>(720,826)</i>	<i>(633,044)</i>	<i>(808,942)</i>	<i>(715,536)</i>
<i>Growth in cash receipts from customers</i>		21%	33%	19%	18%	(30%)

* Note: In order to reconcile to the cash flow statement, interest, tax receipts, financing activities and FX need to be added.

Cash Inflows

In the December 2018 quarter Total Brain delivered A\$0.65 million in cash receipts. As noted above, this represents a 30% decline quarter-on-quarter because of a large upfront payment of A\$347k received from the AARP in the September quarter. Adjusting for this large amount, the December 2018 figure represents a 13% increase in cash receipts quarter-on-quarter.

Cash Outflows

Maintenance of the current employee base and select hiring across technology, product, and marketing were the main drivers of the cash outflows during the past quarter. Looking ahead to the following quarter, Total Brain expects this level of business expenses to continue as forecast and in-line with this past quarter.

USER KPIS

User Registrations and Brain Profiles are the key user KPIs for the Total Brain business. These indicators directly reflect product adoption, use among clients and are a strong validator of TB's product-market-fit assumptions, while also powering the value of the Company's proprietary database.

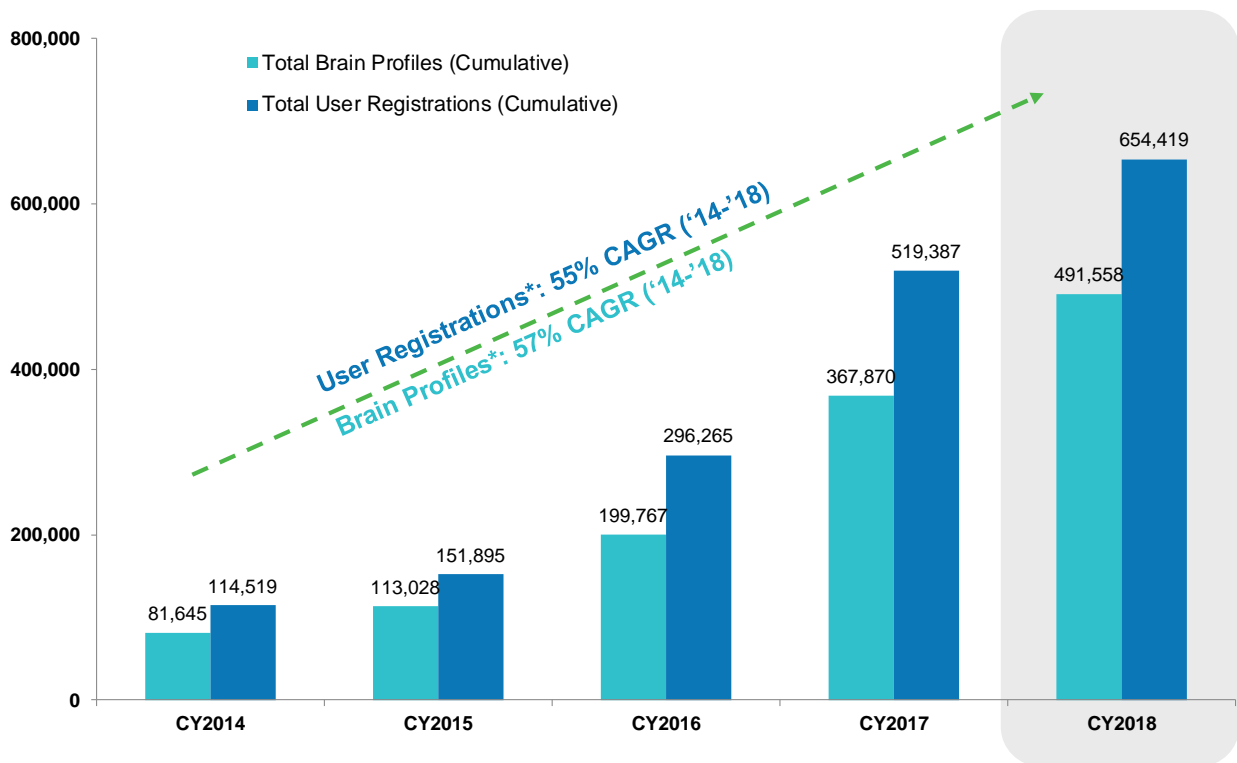


During the December 2018 quarter:

- User Registrations increased by 29k, a 5% quarter-on-quarter, 26% year-on-year growth in cumulative users and a 55% CAGR since 2014; and
- Brain Profiles increased by 22k, a 5% quarter-on-quarter, 34% year-on-year growth in cumulative profiles and a 57% CAGR since 2014.

This growth does not include user uplift which will occur from the re-launch of the direct partnership with the AARP, now forecast for H1 CY2019, as well as several large opportunities in the B2C Affinity pipeline. AARP contributed 85% of the CY2017 user base growth and is therefore a significant driver of TB's user KPIs.

Additional drivers of growth through CY2019 include the launch and subsequent optimisation of user engagement-focused product features such as redesigned training experience and dynamic notifications which are now being actively marketed to B2B customers, as planned.



Represents cumulative actual figures through the quarter ended 31 December 2018. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user.

BUSINESS OPERATIONS

The key areas of focus and key accomplishments across all business functions for the December quarter are highlighted below:



Product and Technology

- Build-out of scalable infrastructure for scheduled and dynamic email and push notifications to drive usage, engagement, and user habituation;
- Build-out of scalable infrastructure for video streaming ahead of launch of redesigned brain training exercises and addition of 40 pieces of mind-body content from Total Brain's partners at TLEX Institute planned for Q1 CY2019;
- Initial deep linking (web) and basic direct to consumer registration workflow to support testing into B2C Affinity market;
- General Data Protection Regulation ("GDPR") infrastructure ensuring compliance with the security and technology requirements of global B2B Corporate clients and expedited onboarding of new accounts.

Sales and Customer Success

- Successful roll-out of the new Total Brain platform to all current clients, and continuous review and validation of product-market-fit assumptions within B2B Corporate market;
- In-depth data review and upsell conversations with all current clients focused on offering the Screening tool resulting in the successful upsell of two existing clients to the new platform. This represents an important early market validation of the product, its value proposition, functionality, and the new pricing. Both Fortune 500 Companies expanded the size of their contracts adding a total of 65,000+ users and an annualised \$260k in incremental revenue in CY2019;
- Initiated build-out of Account-based Marketing ("ABM") strategy plan for CY2019, targeting the largest 875 enterprises in the United States to enhance scalability and effectiveness of sales and marketing efforts. Additional information on this approach is provided in the CY2019 Outlook section of this update;
- Implemented new Customer Relationship Management tool to support ABM strategy and best-in-class SaaS business practices.

Marketing

- Increased lead generation efforts and conducted discrete tests on social media sites with a focus on LinkedIn targeting the B2B Corporate market, and Google and Facebook targeting B2C Affinity;
- Executed against Q4 CY2018 event plan, representing TB in several leading industry conferences, including Connected Health in Boston, MA and Healthcare Revolution in Orlando, FL;
- Continued to build thought leadership credibility via publications in HR trade publications, partnership press releases, and 7-10 social weekly social posts to deepen engagement and broaden reach.

Human Resources

- Filled critical positions across technology, marketing and data science;



- Finalised Company transition of payroll services to a best-in-class software solution and established a bi-monthly payroll cycle in-line with common industry practices in the United States;
- Initiated review and renewal process of Company benefits offerings across medical, dental, vision, and life insurance plans.

Corporate

- Rebranded Brain Resource Limited (ASX: BRC) to Total Brain Limited (ASX: TTB) following shareholder approval at Company AGM held on 27 November 2018;
- Continued to explore the monetisation of the iSpot scientific assets, including data licensing agreements with US-based partners expected to be announced in Q1 CY2019;
- A large shareholder of Total Brain, who held a 36% equity interest following the December 2017 recapitalisation sold down the holding to 8.9% during the December quarter as two new institutional shareholders purchased shares and became substantial shareholders effectively improving the balance of larger holders and the overall share register composition;

CY2018 REVIEW / CY2019 OUTLOOK

CY2018 was a year of transformation for Total Brain. Relative to its CY2018 Company Objectives published on the ASX in February 2018, TB successfully completed all of its annual Product and Corporate goals, including:

- i. the launch of a new product platform with a differentiated mental health screening tool;
- ii. bottom-up business and technology overhaul;
- iii. rebrand of the Company, and
- iv. the onboarding of 19 new staff, among others.

These accomplishments resulted in the turnaround of the Company during CY2018, including the reversal of the negative revenue growth trajectory in CY2017 from -23% to +22% in total revenue and -2% to +42% in Total Brain Core revenue, based on preliminary year-end figures. This growth occurred whilst the Company made the decision to exit non-core revenue generating customers and channels worth approximately 8% of CY2017 revenues.

These milestones reflected critical validations of key business assumptions as summarised below:

1. There is strong demand for the Total Brain value proposition from the B2B Corporate ecosystem, from channel partners, resellers, benefits advisors, and large corporates as demonstrated by a marked increase in the B2B sales and channel partner pipelines;
2. Total Brain is solving a significant pain point for large corporates who are losing ~A\$19k per person per year due to lack of scalable mental health screening tools and loss of productivity, presenteeism of their employee base;



3. The Total Brain screening feature is a key catalyst for our product's transition from a "nice-to-have" to a "must-have," generating the necessary data to shorten the sales cycle with corporate clients by advising them of the percentage of their workforce that screens positively for a potential mental health condition;
4. There is market validation of our new modular pricing structure, which represents a 6x increase in our average rate card pricing;
5. It takes the same amount of resources, effort, and time to sell to a large business with 60,000 employees, as it does to sell to a business with 10,000 employees leading us to segment the market and apply an Account-based Management strategy that maximizes sales efficiency.

That said, several of the assumptions we made with limited information in the beginning of CY2018 regarding pipeline predictability were not validated and prevented us from achieving the aggressive revenue and user objectives we set for ourselves. Our goal of reaching US\$3.2 million in revenue was predicated on a strong December quarter, including the sale of the new Total Brain product to new and existing B2C Corporate customers, while the doubling of User Registrations and Brain Profiles was based on a Q4 roll-out by AARP of their new brain health platform, which includes the Total Brain solution. To that end, we encountered:

1. Longer-than-expected (9-12 months) sales cycles in B2B Corporate, delaying new sales opportunities originally earmarked for Q4 CY2018 into CY2019;
2. A buying and budget season among B2B Corporates heavily geared towards Q2 and Q3, delaying upsell opportunities with existing clients, many of which expressed an interest in purchasing the new Screening tool but did not have sufficient budget for CY2018 following our September 2018 product launch;
3. Several delays, outside of Total Brain's control, in the relaunch of the of the new AARP platform, which contributed 85% of our User Registrations in CY2017.

We remain excited about the business prospects for Total Brain and are committed to creating significant shareholder value in CY2019 and beyond. We view the rapid operationalisation of our CY2018 learnings outlined above as critical and are already in the process of executing on them. While a comprehensive list of objectives and KPIs will be provided in an investor presentation to be released to the ASX in February 2019, below is a summary of the 5 key go-to-market priorities for CY2019, based on the takeaways from CY2018:

- 1. Accelerate the sales cycle of B2B revenue via an Account-based Marketing strategy by broadening the target set of corporate buyers from benefit managers to other members of HR leadership and C-Suite**
 - a. Focused outreach via marketing nurture and outbound sales to the 875 largest corporates across the United States, representing an average of 60,000 employees per account and a potential A\$900k Annual Contract Value ("ACV") per account;
 - b. Pursuing these clients with an enhanced set of marketing and sales automation tools to launch in Q1 CY2019, including a pre-identified lead list of 94,000 key contacts (~110/company) and detailed corporate organizational charts of the HR departments in each account.



2. **Solidify our product positioning in the B2B Corporate market as a “must-have” via the Total Brain Screening feature**
 - a. Utilizing a free 30-day Mental Health Risk Assessment for new corporate clients to generate valuable data and advise them of the number of employees at risk of mental health conditions which, when untreated, cost more than ~A\$19K per person per year.
3. **Minimize time to revenue by diversifying to target sectors that have shorter sales cycles. Currently testing into the B2C Affinity market**
 - a. Positive early results with interest from a number of new partners in large verticals, including mental health and professional associations, expected to be contracted starting in Q1 CY2019
4. **Accelerate sales cycle of B2B revenue by increasing penetration of current and new Channel partners**
 - a. Bespoke approach to each channel with quarterly milestones to drive disciplined prioritisation on alignment, expected lead flow and ACV size;
 - b. Focus on contracting new channel partners starting in Q1 CY2019, seeking the next level of market validation of the Total Brain product.
5. **Retention and upsell of existing book of B2B Corporate clients**
 - a. We view the screening product as a strong catalyst for customer retention and upsells within our current book of business starting in Q1 CY2019.

For reference, a review of our published CY2018 Objectives is set out below:

	Objective	Result
FINANCIAL & USER KPIS	100% y/y growth in Total Revenue to US\$3.2M	22% y/y growth in Total Revenue to US\$2M (preliminary figures)
		42% growth in Total Brain Core revenue
	75%+ Recurring SaaS-based revenue (from 60% in CY17)	85% recurring SaaS revenue from core Total Brain business
	100% y/y growth in Total User Registrations (from 223k in CY17)	135k new Total User Registrations during CY2018
	100% y/y growth in Total Brain Profiles (from 131k in CY17)	124k new Total Brain Profiles during CY2018
PRODUCT	Upgrade MBS value proposition, new features & UX	Completed
	Transition to scalable cloud-based software infrastructure	Completed
	Complete iSPOT GWAS Testing and Validation and explore Strategic Options	Completed
	Rebrand MBS to Total Brain	Completed



CORPORATE	Enable sale of unmarketable parcel share	Completed
	Appoint 3 New Advisors & 1 New Board Director	Completed
	Complete hiring plan	Completed
	Increase media engagement and PR	Completed

Note: User Registrations defined as total individuals who create a registration in Total Brain system. Brain Profiles defined as number of total assessments captured. CY2018 revenue and revenue growth figures are preliminary.

QUARTERLY INVESTOR CALL

Investors are invited to participate in the quarterly conference call subsequent to the release of this update, with call details to be provided via the ASX platform.

Louis Gagnon
 Managing Director
 Total Brain Limited

For further queries please contact:

Investor
 Matt Morgan
 Director
 M: +61 408 019 458
 E: ir@totalbrain.com

Media
 Nigel Kasselke
 Canning Corporate Communications
 M: +61 (0) 407 904 874
 E: nkasselke@cannings.net.au

About Total Brain Limited (ASX: TTB)

Total Brain Limited is a San Francisco- and Sydney-based company at the forefront of applying clinically-validated brain assessment and brain training to improve behavioral health outcomes. The Company has developed the world's largest standardised brain database and predictive analytics, which serve as platform technology for products that benefit the behavioural health sector. Total Brain's SaaS-based online brain assessment and training tools, geared towards large employer and consumer groups, decrease stress, increase resilience and productivity for individual users and lead to reductions in healthcare costs for employers and insurers across the United States. For more information, please visit totalbrain.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

Brain Resource Limited

ABN

24 094 069 682

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	645	1,564
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(619)	(1,024)
(c) advertising and marketing	(103)	(267)
(d) leased assets	-	-
(e) staff costs	(1,192)	(3,206)
(f) administration and corporate costs	(121)	(335)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income Taxes paid	-	-
1.7 Government grants and tax incentives	967	967
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(416)	(2,286)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(28)	(28)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	-	-
(d) intellectual property	(756)	(1,305)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(36)	64
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(820)	(1,269)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,445	6,616
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(416)	(2,286)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(820)	(1,269)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	59	207
4.6	Cash and cash equivalents at end of quarter	3,268	3,268

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,900	738
5.2	Call deposits	1,368	3,682
5.3	Bank overdrafts		-
5.4	Other – Term Deposit		25
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,268	4,445

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
222
36

Salaries of Executive Directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(619)
9.3 Advertising and marketing	(103)
9.4 Leased assets	-
9.5 Staff costs	(1,949)
9.6 Administration and corporate costs	(121)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(2,792)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2019
(Director/Company secretary)

Print name: Matthew Morgan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.