



29 October 2021

Australian Securities Exchange (ASX) Announcement

September 2021 Quarterly Update and Appendix 4C

Total Brain Limited (“Total Brain,” “TTB” or “the Company”), a digital mental health SaaS company, is pleased to report on its activities for the quarter ended 30 September 2021. Key highlights from the quarter are set out below.

- During the quarter, Total Brain announced that its affinity partner IBM has entered into a contract with the first government client of the IBM Health & Wellness 360 platform. TTB supplies the Total Brain platform for use within GRIT, IBM’s initial deployment of the Health & Wellness 360 platform, which targets the support of large populations in transition. The initial roll-out is for 25,000 users, which represents A\$600k in Annual Recurring Revenue (“ARR”) to TTB
 - The contract between IBM and its government client includes provisions for potential deployment up to hundreds of thousands of users over the next 2 years, representing a very significant additional ARR opportunity for Total Brain.
 - GRIT is scheduled to launch in November. It will be promoted by the government agency across their social media handles, web properties, and through a variety of other on- and off-line channels to drive agency members, their families and their caregivers to register for the app. Revenue recognition and cash receipts are expected to commence subsequent to the launch in Q4 CY21, subject to risks of process delays inherent in transactions of this kind
 - Following the close of this initial contract through IBM, management has seen increased activity in the joint IBM / TTB pipeline of other opportunities in the government and non-government sectors. Management expects this to accelerate in the coming quarters
- The anticipated transaction for the commercialization of a Direct-to-Consumer (D2C) version of the Total Brain platform continues to progress following partner delays during the quarter. Management continues negotiations with the other side and expect the contract to conclude in the near term
- During the quarter, the Company entered into 6 contracts with small and medium businesses and behavioral health and addiction clinics. In total, they represent A\$43k in ARR to the Company
 - 5 of these contracts are with clients in the clinical space, representing an estimated 1,150 addressable patients annually. While, these opportunities start at a lower level of ARR, management expects material growth in the size of each account as TTB’s solution gains traction within their patient and clinician in the coming quarters
- During the quarter, User Registrations increased by 40k, a 4% quarter-on-quarter and 22% year-on-year growth in cumulative users, while Brain Profiles increased by 25k, a 3% quarter-on-quarter and 24% year-on-year growth in cumulative profiles
- During the September 2021 quarter, Total Brain collected A\$554k in cash receipts, representing a 65% decline quarter-on-quarter, driven by large one-off payment received in the June 2021 quarter. On an adjusted basis, cash receipts increased 8% quarter-on-quarter
- Total cash outflows via payments from operating and investing activities (items 1.2 and 2.1 in Appendix 4C) increased by 3% quarter-on-quarter (A\$159k increase), driven by an increase in



administrative and corporate expenses due to the capital raise in July 2021 (A\$355k), offset by a 5% decrease in staff costs and wages capitalized as intellectual property (A\$202k), and a 17% decrease in marketing costs (A\$55k)

- Note: in accordance with Listing Rule 4.7C, payments made to related parties and their associates included in item 6.1 of the Appendix 4C include payments for remuneration of director fees to executive and non-executive directors in the normal course of business, excluding reimbursements of out-of-pocket expenses which is equivalent to the previous quarters expense
- During the month of October 2021, the Company undertook a significant right-sizing exercise in order to minimize ongoing expenditure
 - Approximately \$4.2M of the company's annual cost basis was eliminated (25% of total), with reductions across all major line items, including people expense, marketing, corporate, administrative, directors' fees, and other. As part of the right-sizing, 15 active positions were eliminated and another 5 open positions that were previously being recruited for, were halted. As a result, Total Brain expects a 30% reduction in its 3-month-average cash burn down to A\$830k/month
 - As part of this right-sizing exercise, management is refocusing the company's direct go-to-market efforts on the most scalable Affinity, Clinical, and D2C markets, and it plans to continue its work in the B2B Corporate market via distribution and channel partnerships
 - In addition, management is focused on securing additional funds for the business in the very near term, including proceeds from (i.) a A\$2.3M R&D tax receivable that is currently being applied for, (ii.) D2C license transaction, and (iii.) select data licensing deals
- Given the proximity of the release of this report with the upcoming Annual General Meeting ("AGM") of Total Brain, investors are invited to participate in the AGM on 30 November at 10 am Melbourne time via <https://web.lumiagm.com/358539167> with further instructions available in the Notice of Meeting, which has been made available on the ASX platform and TTB website.

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About Total Brain Limited (ASX: TTB)

Total Brain Limited is a San Francisco and Sydney based company that has developed and offers Total Brain, the world's first mental health self-monitoring & self-care platform powered by the largest standardised brain database. Its SaaS platform has helped more than 1 million registered users to-date scientifically measure and optimise their brain capacities while managing the risk of common mental conditions. Benefits for employers, large organisations and insurers include productivity improvements and healthcare cost reduction. For more information, please visit www.totalbrain.com and follow us on [Twitter](#), [LinkedIn](#) and [Facebook](#).

Authorised on behalf of the Total Brain board of directors by Non-Executive Director Matt Morgan

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Appendix 4C

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

Name of entity

Total Brain Limited

ABN

24 094 069 682

Quarter ended ("current quarter")

30 Sep 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 554 | 554 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (279) | (279) |
| (c) advertising and marketing | (263) | (263) |
| (d) leased assets | - | - |
| (e) staff costs | (2,403) | (2,403) |
| (f) administration and corporate costs | (474) | (474) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (2,865) | (2,865) |

| | | |
|--|---------|---------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (10) | (10) |
| (d) investments | - | - |
| (e) intellectual property | (1,401) | (1,401) |
| (f) other non-current assets | - | - |

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| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (1,411) | (1,411) |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 6,523 | 6,523 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (472) | (472) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (692) | (692) |
| 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 | 5,359 | 5,359 |
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,427 | 1,427 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (2,865) | (2,865) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (1,411) | (1,411) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 5,359 | 5,359 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | 84 | 84 |
| 4.6 | Cash and cash equivalents at end of period | 2,594 | 2,594 |

| 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 | 2,594 | 1,427 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,594 | 1,427 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

231

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 includes payments for remuneration of director fees to executive and non-executive directors in the normal course of business, excluding reimbursements of out-of-pocket expenses which is equivalent to the previous quarters expense

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

| | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---------------------------------------|---|---|
| 7.1 Loan facilities | 1,258 | 1,258 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 1,258 | 1,258 |

7.5 Unused financing facilities available at quarter end -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 25 June 2021, the company announced unsecured loans from current shareholders and an unrelated third-party. The loans were provided on an unsecured basis over 5 months at an interest rate of 12% per annum. The loans and accrued interest are repayable in cash during the term at the discretion of the company with no prepayment penalty, or otherwise is due at the end of the term. In the event of a capital raise during the term of the loans, and subject to applicable shareholder approvals required under the ASX listing rules and/or the Corporations Act 2001 (Cth), the lenders have the option to settle amounts owed with fully paid ordinary shares in the company at the price of the capital raise. Some of the loans were settled in the current quarter with the outstanding balances pertaining to one shareholder and the unrelated third-party.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (2,865) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 2,594 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 2,594 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 0.9 |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Given the significant cost-cutting exercise undertaken by the company in October 2021, management expects that cash outflows will be reduced by ~30% going forward. Additionally, Total Brain is expecting several material cash receipts in the December quarter, including anticipated funding from the company's partnership in the Direct-to-Consumer ("D2C") space, A\$2.3M in R&D rebate from the ATO (taken up as a receivable in the FY2021 Annual Report), ongoing data licensing transactions, and other expected receipts from customers.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The entity is expecting several material cash receipts, as detailed in the answer to 8.6.1. The company believes it will be successful in procuring those funds on the basis of its historical ability to receive funds from its clients and long-lasting R&D rebate track-record.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the entity expects to continue its operations and meet its business objectives on the basis of the answer to 8.6.1.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 29 October 2021

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.