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**4Dx Limited**

**ABN 31 161 684 831**

General purpose financial report  
for the year ended 30 June 2019

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## Directors' report

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Your directors submit their report on the consolidated entity (referred to hereafter as "4Dx" or the "Group") consisting of 4Dx Limited (the "Company") and its controlled entities for the financial year ended 30 June 2019.

### Directors

The names of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Andreas Fouras

Heath Lee

Robert Figlin

Julian Sutton

Lusia Guthrie

John Livingston

### Names, qualifications, experience and special responsibilities

#### Andreas Fouras (Director)

*MAICD, Member - Australian Institute of Company Directors*

*PhD - Monash University*

*Master of Engineering Science (Research) - Monash University*

*Bachelor of Engineering (Mechanical) - University of Queensland*

*Australian Davos Connection Australian Leadership Award 2013*

*Special responsibilities: Due Diligence Committee Member, Finance Committee Member, Investment Committee Member, Regulatory and Quality Committee Member*

Dr Andreas Fouras is the founder, Chairman and Chief Executive Officer of 4Dx Limited.

Completing a Masters and PhD, and then rapidly rising to the position of Professor and Director of the Laboratory for Dynamic Imaging, Andreas was recognised by various accolades from a wide range of premier research bodies including the National Health and Medical Research Council and the American Asthma Foundation.

Andreas conceived and developed the XV Technology during his time as a researcher at Monash University and founded 4Dx in December 2012 from a desire for his work to reach and positively influence as many people globally as possible.

A recognised leader, as evidenced by an Australian Davos Connection Australian Leadership Award (2013), Andreas is now dedicated to applying his business acumen, drive and innovation to the commercialisation of 4Dx technologies.

## Directors' report (continued)

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### Directors (continued)

#### Heath Lee (Director)

*GAICD, Graduate Member - Australian Institute of Company Directors  
F Fin, Fellow - Financial Services Institute of Australasia (FINSIA)  
Graduate Diploma of Applied Finance - Financial Services Institute of Australasia (FINSIA)  
Chartered Accountant - Institute of Chartered Accountants Australia  
Bachelor of Economics (Accounting Major) - Monash University*

*Special responsibilities: Finance Committee Chair*

Heath brings significant business acumen to 4Dx. Heath gained his Chartered Accountant qualification working with KPMG before moving into investment banking with BZW (Barclays Investment Bank) which was later acquired by ABN AMRO. As a merger and acquisition professional, Heath advised the Federal Government of Australia on the \$4 billion Phase 1 & 2 privatisation of Australia's airports and CSR on its \$6.7 billion demerger of Rinker Materials. With extensive experience advising companies in relation to trade sales, mergers & acquisitions and company strategy, Heath left ABN AMRO to launch his own business. Over a period of 9 years, as founder and CEO, Heath built OCIS from a startup contact centre and market research company with 10 staff in Melbourne to a business operating in Australia, New Zealand and Fiji with 637 staff servicing clients such as Optus, The Nielsen Company, Seek.com, Virgin Mobile and the New Zealand Government before the business was sold in 2013.

Heath actively invests across a range of asset classes and trades derivatives. He completed the AICD Graduate course in 2018 and currently works for clients in land development, hospitality and resort management.

#### Robert Figlin (Director)

*FACP, Fellow - American College of Physicians (ACP)  
MD, Doctor of Medicine - Medical College of Pennsylvania*

Robert A. Figlin, MD, FACP, is the Steven Spielberg Family Chair in Hematology-Oncology, Professor of Medicine and Biomedical Sciences, Director of the Division of Hematology-Oncology, Deputy Director of the Samuel Oschin Comprehensive Cancer Institute and Deputy Director, Integrated Oncology at Cedars-Sinai Medical Center in Los Angeles, California. Dr. Figlin received his medical degree from the Medical College of Pennsylvania. He completed his residency and chief residency in internal medicine at Cedars-Sinai Medical Center and a fellowship in hematology/oncology at the David Geffen School of Medicine at UCLA. He is an Emeritus Professor of Medicine and Urology at the David Geffen School of Medicine at UCLA.

A nationally recognised leader in genitourinary and thoracic oncology in the United States, Dr. Figlin brings a wealth of clinical knowledge and medical expertise, critical to 4DX's commercial success globally.

Dr. Figlin serves as Editor for Kidney Cancer Journal, and his studies have appeared in Clinical Cancer Research, Journal of Clinical Oncology, New England Journal of Medicine, Lancet, JNCI, Lancet Oncology, and Journal of Urology, among others. He has authored over 350 peer reviewed articles, more than 70 book chapters, and has published as Editor, multiple books on kidney cancer. He is the Editor of the Springer Science book entitled, Renal Cell Carcinoma: Translational Biology, Personalized Medicine, and Novel Therapeutic Targets.

## Directors' report (continued)

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### Directors (continued)

#### Julian Sutton (Non-executive Director)

*CFA, Charterholder - Chartered Financial Analyst Institute  
Bachelor of Science (Mathematics) - Monash University*

*Special responsibilities: Investment Committee Chair, Due Diligence Committee Member, People and Remuneration Committee Member*

Julian started his career in 1995 as an actuarial analyst for Towers Perrin in Melbourne where he consulted to some of Australia's largest superannuation funds. He later transferred with Towers Perrin to Brussels and then London, where he worked predominantly in an asset consulting capacity. In 2002, Julian joined Credit Suisse Asset Management in London as an assistant portfolio manager in their Multi-Manager team. Driven by strong performance, the team grew assets under management ten-fold from GBP50 million to GBP500 million over the following two years. In 2004, Julian joined Schroders Investment Management as a Senior Portfolio Manager in the Multi-Asset team, responsible for the management of a suite of investment funds with assets under management in excess of USD1 billion. These funds were invested on a global basis and had exposure to a broad range of asset classes including private equity, hedge funds, property, commodities, equities, bonds and cash. After seven years with Schroders, Julian returned to Australia with entrepreneurial ambitions. Julian established a sales and marketing business that helps best-in-class international fund management companies establish a presence in the Australian and New Zealand market. Currently, in partnership with Copia Investment Partners, Julian is responsible for the sales and marketing function of Odey Asset Management in the region.

#### Lusia Guthrie (Non-executive Director)

*MAICD, Member - Australian Institute of Company Directors  
Master of Science (Science and Technology Commercialisation) - University of Adelaide and University of Texas, Austin, USA  
Bachelor of Applied Science (Medical Technology) - University of South Australia*

*Special responsibilities: Regulatory and Quality Committee Chair*

With over 35 years in the pharmaceutical and bioscience industries, Lusia Guthrie is an experienced executive and medtech entrepreneur, with strong leadership skills and international industry networks. She commenced her career as a Medical Laboratory Scientist before joining the Manufacturing Division of Faulding Pharmaceuticals where she attained the position of Director of Operations. In 2004, Lusia co-founded medical technology innovation company LBT Innovations Limited (ASX:LBT) where she served as Chief Executive Officer and Managing Director until 2016.

Lusia has a passion and proven track record in bringing innovative products to global markets, embracing the entire process from company formation, capital raising and concept development to product launch. She has particular experience and ongoing interest in the development and commercialisation of new healthcare products that embrace automation, robotics, machine learning and artificial intelligence.

Current board and committee roles:

- Non-executive Director - 4Dx Limited
- Chair - BioMelbourne Network
- Chair - Steering Committee - Medical Device Partnering Program (MDPP) Victoria
- Chair - Advisory Committee - Medicines Manufacturing Innovation Centre, Monash University (MMIC)
- Member - Advisory Board - Australian Institute for Machine Learning (AIML)

Lusia previously served on the Manufacturing Consultative Committee for the State Government of South Australia and was a Member of the Future Manufacturing Industry Innovation Council for the Commonwealth Department of Industry, Innovation, Science and Research.

## Directors' report (continued)

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### Directors (continued)

#### John Livingston (Director)

*GAICD, Graduate Member - Australian Institute of Company Directors  
Bachelor of Applied Science (Medical Radiations) - RMIT  
Graduate Diploma of Health Science (Health Education) - University of Ballarat  
Graduate Certificate in Business Administration - Deakin University*

*Special responsibilities: People and Remuneration Committee Chair*

John Livingston was a founding partner of Lake Imaging, subsequently becoming part of Integral Diagnostics Ltd where John was CEO and Managing Director. John has a special interest in radiology efficiency and the enhancement of Radiological experiences. He is considered an industry leader in the implementation of PACS and RIS in a radiology setting. John was awarded the AGFA International award for Development of Digital Imaging Solutions in 2005.

He has lectured in Australia and abroad on the digital radiology environment, as well as business strategies and systems within the commercial sector. John has considerable commercial experience, having worked with the team at Lake Imaging and later Integral Diagnostics through acquisitions and the establishment of Greenfield facilities across Australia. During his career at Integral Diagnostics, John lead the group through Private Equity investment with Advent Partners in 2014 and in 2015 John worked with Advent to list Integral Diagnostics on the Australian Stock Exchange.

John is a former director of VicWest Community Telco and United Way; a current director at Comrad Medical Systems and Ballarat Clarendon College (Chair); a member of The Australian Institute of Radiography and a graduate member of the AICD.

### Company Secretaries

The names and details of the Group's secretaries in office during the financial year ended 30 June 2019 and until the date of this report are as follows. Secretaries were in office for this entire period, unless otherwise stated.

Charlene Stahr (Resigned: 12 December 2018)  
Melanie Jaye Leydin (Appointed: 12 December 2018)  
Andreas Fouras (Secretary of 4Dx Limited's wholly owned US subsidiary, 4Dx Inc.)

#### Charlene Stahr (Company Secretary)

*MAICD, Member - Australian Institute of Company Directors  
GIA(Cert), Certificated Member - Governance Institute of Australia  
Master of Engineering Science (Research) - Monash University  
Bachelor of Engineering (Mechanical) - Monash University  
Bachelor of Technology (Aerospace) - Monash University*

*Special responsibilities: Public Officer, Due Diligence Committee Chair, Finance Committee Member*

Charlene has 10 years' experience in the engineering and biomedical research sectors, where she has developed strong technical and business skills across corporate administration, finance and accounting, risk management, regulatory affairs, and grant writing. Her 7 years at Monash University saw core involvement in international research programs and technology development, leading to publication of her own research and patented IP. Charlene has extensive experience in administration management and auditing, with a strong focus on compliance and governance, previously holding a number of official roles at the University. Charlene holds a Master of Engineering Science (Research), with her thesis demonstrating the application of XV Technology's precursor preclinical research technology to a lung disease model. She is currently undertaking a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

## Directors' report (continued)

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### Company Secretaries (continued)

#### Melanie Jaye Leydin (Company Secretary)

*Registered Company Auditor  
Chartered Accountant - Institute of Chartered Accountants Australia  
Bachelor of Business (Accounting and Corporate Law major)*

Melanie has 25 years' experience in the accounting profession, 15 years' experience in company secretarial services and is a director and company secretary for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of chartered accounting firm, Leydin Freyer, specialising in outsourced company secretarial and financial duties.

### Dividends

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend (2018: none).

### Principal activities

The principal activities of the Group during the financial year ended 30 June 2019 were medical research technology and development of lung function analysis using four-dimensional imaging. The technology combines X-ray imaging and advanced visualisation to generate high-resolution images of motion and airflow in lung tissues. The intention is to enable medical professionals to view and measure abnormal function in lung regions in the earliest clinical stages of disease.

There have been no significant changes in the nature of these activities during the year.

### Operating and financial review

4Dx Limited is a software technology company founded to create a step change in the capacity of physicians to diagnose and manage patients with diseases of the lung.

The net loss after tax of the Group for the financial year ended 30 June 2019 was \$6,491,005 (2018: \$3,936,980)

This result is in line with the plan and reflects 4Dx Limited's continued investment in the development of the 4Dx patented imaging technology 'XV Technology', and the associated pipeline of Software-as-a-Service (SaaS) products.

4Dx Limited aims to validate its software products through clinical studies and obtain US Food and Drug Administration (FDA) clearance. Increased expenditure is resultant from an increase in staff numbers during this period, increased consulting costs associated with regulatory clearance, and an increased investment in go-to-market activities.

4Dx Limited has made substantial progress during the financial year in developing collaborations and partnerships with multiple leading hospitals and healthcare organisations in the United States of America (USA) such as Los Angeles Children's Hospital, Cedars-Sinai, Johns Hopkins University, University of California Los Angeles, and Cleveland Clinic. Through these collaborations, 4Dx Limited has successfully made the first release of the results from its clinical trials at the recently held American Thoracic Society International Conference in May 2019. The early stage validation data illustrated the efficacy of XV Technology in quantifying and visualising regional lung function defects in human subjects, throughout the course of a full breath. The Company is leveraging those partnerships and recent results to develop further clinical evidence to support its XV Technology 510(k) submission to the FDA, which it anticipates completing in 2019.

The main market for XV Technology lies within respiratory diagnostics (designated as RDx). RDx products provide detailed regional measurements of lung function - a key unmet need in this multi-billion-dollar industry. The RDx products are designed to be fully compatible with existing hospital equipment and will be delivered through a SaaS business model enabling 4Dx Limited to deliver its technology at low cost and scale quickly to meet projected demand.

## Directors' report (continued)

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### Operating and financial review (continued)

The Company recorded growing interest amongst key leaders in the industry as it continues to actively engage in dialogues with potential hospitals, healthcare institutions, partners and customers for both collaborative and commercial projects in the future.

In parallel with its efforts to achieve FDA clearance, 4Dx Limited is continuing to build revenue opportunities in business to business market sectors where regulatory clearance is not required. 4Dx Limited's hardware product lines which support accelerated validation of the XV Technology software platform includes small animal ventilators and pre-clinical scanners. The Company has successfully commissioned two (2) pre-clinical scanners to Cedars-Sinai Medical Center in Los Angeles and Cleveland Clinic in Ohio and completed the manufacture of its third pre-clinical scanner for South Australian Health and Medical Research Institute. The hardware pipeline includes the development of an equine scanner having received strong interest from the sector; and in the long term, a human scanner.

In April 2019, the Federal Government announced the award of \$960,000 to the Australian Lung Health Initiative (ALHI) under Stage One of the Medical Research Future Fund (MRFF) Frontiers initiative, which directs funding assistance to Australia's most innovative and transformational medical research. Led by 4Dx Limited, the Australian Lung Health Initiative was formed to bring together world-leading Australian scientists, engineers, manufacturers and medical researchers to revolutionise lung screening and treatment. According to the Federal Government announcement, should the ALHI be successful in winning stage 2 support, this will include funding of up to \$10-\$20 million per annum for five years. This five year project aims to produce the world's first dedicated lung function scanners using 4Dx's XV Technology.

During the financial year in review, 4Dx Limited commissioned a Freedom to Operate search in the USA. The Company has been advised by its US patent counsel that no issued US patent was found that would present a business risk to the manufacture, use or sale of the "XV Technology Lung Ventilation Analysis Software". In addition, 4Dx Limited continued to grow its patent portfolio to a total of 31 patents (11 granted, 2 accepted and 18 filed) across jurisdictions such as the USA, Europe, Australia, Japan, Singapore, Canada, India, New Zealand and China.

4Dx Limited entered into a new loan facility of up to \$3 million with Mitchell Asset Management Pty Ltd. This loan represented an early receipt of the estimated research and development tax refund and was drawn to fund the Company's short-term liquidity and working capital requirements. In a continuation to secure funding for its operations, 4Dx Limited completed an oversubscribed unlisted placement of fully paid ordinary shares in June 2019, which successfully raised \$4.125 million. The private placement, led by Baillieu Limited was offered to new institutional and individual investors at \$0.40 per share.

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2019.

### Significant events after the reporting period

In July 2019, the Group completed the delivery of its third pre-clinical scanner to the South Australian Health and Medical Research Institute. The sale of the pre-clinical scanner includes a five year SaaS and four year maintenance and support service agreement valued at \$1,600,000.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

### Likely developments and expected results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

### Environmental regulation and performance

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.



## Directors' report (continued)

### Share options and rights

For the financial year ended 30 June 2019, 1,273,083 (2018: 1,514,936) options to acquire, and 2,756,526 (2018: 2,205,318) rights to purchase shares in the Company have been granted to eligible employees of the Company. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options or rights. There are 19,884,402 and 4,862,261 options and rights, respectively, that have been granted but not yet vested at the date of this report (2018: 18,611,319 and 2,529,146). These disclosures do not include any options that have lapsed.

Unissued shares of 4Dx Limited under option granted during the year and up to the date of this report:

Date options granted	Expiry date	Issue price of shares	Number under option
1 July 2018	1 July 2028	0.37	373,568
1 April 2019	1 April 2026	0.37	899,515
1 July 2019	1 July 2026	0.40	153,670

4Dx Limited granted rights during the year and up to the date of this report:

Date rights granted	Expiry date	Issue price of shares	Number of rights
1 July 2018	N/A	0.37	1,791,219
1 September 2018	N/A	0.37	11,261
1 January 2019	N/A	0.37	954,046
1 July 2019	N/A	0.37	832,344

### Indemnification and insurance of directors and officers

No indemnities have been given or paid during, or since the end of the financial period for any person who is, or has been an officer of the Group. Key person insurance has been in place for the financial year ended 30 June 2019 for an officer of the Company.

### Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year ended 30 June 2019 and the number of meetings attended by each director were as follows:

	Board meetings		Finance		People & Remuneration		Regulatory & Quality	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Andreas Fouras	6	6	11	9	-	-	1	1
Heath Lee	6	6	11	11	-	-	-	-
Robert Figlin	6	5	-	-	-	-	-	-
Julian Sutton	6	6	-	-	3	3	-	-
Lusia Guthrie	6	6	-	-	-	-	1	1
John Livingston	6	6	-	-	3	3	-	-

There were no meetings for the Due Diligence Committee or the Investment Committee during the financial year ended 30 June 2019.

## Directors' report (continued)

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### **Auditor's independence**

The directors have received a declaration from the auditor of 4Dx Limited. This has been included on page 9.

Signed in accordance with a resolution of the directors.



Andreas Fouras  
Director  
26 September 2019

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**Auditor's Independence Declaration to the Directors of 4Dx Limited**

In relation to our audit of the financial report of 4Dx Limited for the financial year ended 30 June 2019 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**PKF**

Melbourne, 26 September 2019

**Steven Bradby**

Partner

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## Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue	4	695,001	789,259
Cost of sales		(631,388)	(1,030,918)
<b>Gross income</b>		<u>63,613</u>	<u>(241,659)</u>
Other income	4.4	861,387	1,247,524
Employee benefits expense	4.5	(3,686,610)	(2,608,851)
Depreciation and amortisation expense	4.6	(103,944)	(164,234)
Foreign currency losses		(34,033)	(2,059)
Other expenses	4.7	(3,290,712)	(2,158,816)
Finance costs - net	4.8	(296,569)	(8,885)
<b>Loss before income tax</b>		<u>(6,486,868)</u>	<u>(3,936,980)</u>
Income tax expense	5	(4,137)	-
<b>Loss for the year</b>		<u>(6,491,005)</u>	<u>(3,936,980)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u>(6,491,005)</u>	<u>(3,936,980)</u>

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

As at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,085,224	1,662,696
Trade and other receivables	7	676,986	213,416
Inventories	8	628,758	22,800
Research and development tax incentive receivable		926,662	1,115,838
Other assets		181,723	37,500
<b>Total current assets</b>		<b>5,499,353</b>	<b>3,052,250</b>
<b>Non-current assets</b>			
Trade and other receivables	7	118,005	115,900
Property, plant and equipment	9	769,461	343,824
Intangible assets	10	2,637,382	1,940,513
<b>Total non-current assets</b>		<b>3,524,848</b>	<b>2,400,237</b>
<b>Total assets</b>		<b>9,024,201</b>	<b>5,452,487</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	11	1,153,623	542,068
Contract liabilities	12	124,586	-
Loans and borrowings	13	1,500,000	1,000,000
Employee benefit liabilities	15	161,215	127,802
<b>Total current liabilities</b>		<b>2,939,424</b>	<b>1,669,870</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	1,500,000	-
Employee benefit liabilities	15	29,087	4,394
<b>Total non-current liabilities</b>		<b>1,529,087</b>	<b>4,394</b>
<b>Total liabilities</b>		<b>4,468,511</b>	<b>1,674,264</b>
<b>Equity</b>			
Issued capital	16	17,705,138	11,473,199
Other capital reserves	16	3,460,544	2,424,011
Accumulated losses		(16,609,992)	(10,118,987)
<b>Total equity</b>		<b>4,555,690</b>	<b>3,778,223</b>
<b>Total liabilities and equity</b>		<b>9,024,201</b>	<b>5,452,487</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 2019

	Issued capital (Note 16)	Share-based payment reserve (Note 16)	Accumulated losses	Total equity
	\$	\$	\$	\$
<b>At 1 July 2018</b>	<b>11,473,199</b>	<b>2,424,011</b>	<b>(10,118,987)</b>	<b>3,778,223</b>
Loss for the year	-	-	(6,491,005)	(6,491,005)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(6,491,005)	(6,491,005)
Issue of share capital	6,231,939	-	-	6,231,939
Share-based payments (Note 18)	-	1,036,533	-	1,036,533
<b>At 30 June 2019</b>	<b>17,705,138</b>	<b>3,460,544</b>	<b>(16,609,992)</b>	<b>4,555,690</b>
<b>At 1 July 2017</b>	<b>7,679,688</b>	<b>1,751,842</b>	<b>(6,182,007)</b>	<b>3,249,523</b>
Loss for the year	-	-	(3,936,980)	(3,936,980)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,936,980)	(3,936,980)
Issue of share capital	3,793,511	-	-	3,793,511
Share-based payments (Note 18)	-	672,169	-	672,169
<b>At 30 June 2018</b>	<b>11,473,199</b>	<b>2,424,011</b>	<b>(10,118,987)</b>	<b>3,778,223</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 2019

	2019	2018
Note	\$	\$
<b>Operating activities</b>		
Grant and receipts from customers	618,358	1,017,440
Payments to suppliers and employees	(5,219,711)	(3,964,367)
Interest received	3,698	6,115
Research costs	(2,050,001)	(871,156)
Research and development tax incentive	862,432	497,701
Net GST refund/(paid)	4,837	(58,941)
Other tax refund/(paid)	1,474	(5,509)
<b>Net cash flows used in operating activities</b>	<b>6</b> <u>(5,778,913)</u>	<u>(3,378,717)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(524,573)	(157,570)
Purchase of intangibles	(124,643)	(68,787)
Research and development tax incentive	253,406	523,044
Capitalisation of development costs to intangible assets	(634,688)	(1,202,400)
<b>Net cash flows used in investing activities</b>	<b>(1,030,498)</b>	<b>(905,713)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	6,231,939	3,793,511
Proceeds from borrowings	2,000,000	1,000,000
<b>Net cash flows from financing activities</b>	<b>8,231,939</b>	<b>4,793,511</b>
Net increase in cash and cash equivalents	1,422,528	509,081
Cash and cash equivalents at the beginning of the year	1,662,696	1,153,615
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b> <u><u>3,085,224</u></u>	<u><u>1,662,696</u></u>

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

# Notes to the consolidated financial statements

## For the year ended 30 June 2019

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### 1. Corporate information

The consolidated financial statements of 4Dx Limited and its controlled entities (the "Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on the date the directors' declaration was signed.

4Dx Limited (the "Company") is a for-profit public company limited by shares incorporated in Australia. It is not a listed entity.

The registered office and principal place of business of the Group is Suite 501, Level 5, 468 St Kilda Road, Melbourne, Victoria 3004.

The nature of the operations and principal activities of the Group are described in the directors' report.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars (\$).

The consolidated financial statements provide comparative information in respect of the previous periods.

#### 2.2 Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Australian Accounting Standards Board.

#### 2.3 Changes in accounting policies and disclosures

##### New and amended standards and interpretations

The Group applied AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the year ended 30 June 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

##### AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted AASB 15 using the modified retrospective method of adoption. The change did not have a material impact on the Group for the year.



## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.3 Changes in accounting policies and disclosures (continued)

##### New and amended standards and interpretations (continued)

###### AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied the requirements of AASB 9 and there was no impact on the Group from the adoption of the standard.

###### AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*

The AASB issued amendments to AASB 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

###### AASB 16 *Leases*

AASB 16 *Leases* comes into effect for annual periods beginning on or after 1 January 2019. Accordingly, the Group has not adopted the new standard for the year. The Group is currently assessing the impact of this new standard.

#### 2.4 Significant accounting policies

##### a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

###### a) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

###### b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred an operating loss during the year ended 2019 of \$6,491,005 (2018: \$3,936,980) and as at that date the Group's current assets exceeded current liabilities by \$2,559,929 (2018: \$1,382,380).

The directors consider that the going concern basis on which the financial report has been prepared is appropriate. This is evidenced by the Group's ability to secure funding in the form of equity contributions of \$4,125,000 and a new debt facility of \$3,000,000 from Mitchell Asset Management during the financial year.

Further, the Group has prepared profitability and cash flow forecasts for the next twelve months following the approval of these financial statements. Whilst operating losses are expected to continue for the 2020 financial year as a result of continued significant investment in the development of 4Dx's XV Technology, the cash flow forecasts indicate positive cash balances will be maintained for the forecast period. A key assumption in these forecasts is successful capital raising and receipt of anticipated R&D tax refunds. The Group also has the ability to request additional support from existing shareholders if financial assistance is required to continue its operations and fulfil its financial obligations.

As stated above, the Group's forecast of cash flows, profitability and ongoing future operations beyond 30 June 2019 are dependent upon the Group successfully obtaining additional funding. Given a number of these assumptions are uncertain until achieved and as a result of the reliance on R&D tax refund estimate to achieve an improved operating cash flow, including ongoing financial support from its key investors, there is a material uncertainty as to whether the Group can generate sufficient cash flows to meet its financial obligations and consequently whether the liabilities of the Group can be paid as and when they fall due. In the event that the above assumptions and forecasts are not achieved as contemplated, the Group may not be able to continue as a going concern which may require the Group to realise its assets at amounts different to those recorded in the consolidated statement of financial position and settle its liabilities other than in the ordinary course of operations and make provision for other costs which may arise as a result of cessation or curtailment of normal business operations.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

###### c) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

###### d) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars (\$).

Transactions in foreign currencies are initially recorded by the Group at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

###### e) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at bank.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above.

###### f) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

###### g) Property, plant and equipment

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Furniture and fixtures	10 years
- Workshop equipment	10 years
- Computer equipment	4 years
- Leasehold improvement	40 years
- Conference assets	10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

###### h) Intangible assets

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is, as follows:

	<b>Branding</b>	<b>Patents</b>
<b>Useful lives</b>	Finite (40 years)	Finite (20 years)
<b>Amortisation method used</b>	Amortised on a straight-line basis over the period of the brand	Amortised on a straight-line basis over the period of the patent

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

##### h) Intangible assets (continued)

###### **Development costs**

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in consolidated statement of profit or loss and other comprehensive income. During the period of development, the asset is tested for impairment when indicators of impairment are noted.

##### i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

##### j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income as an expense.

##### k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

##### l) Provisions and employee benefit liabilities

###### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

###### *Wages, salaries and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

###### *Long service leave and annual leave*

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### m) Loans and borrowings

Loans and borrowings are measured initially at fair value, net of directly attributable transaction costs.

Loans and borrowings are derecognised when the obligation under the loan or borrowing is discharged, cancelled, or expires.

##### n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

##### o) Share-based payments

Employees and directors (including senior executives) of the Group receive part, if not all of their remuneration in the form of share-based payments, whereby employees and directors render services as consideration for equity instruments (equity-settled transactions). Employees and directors working in the business development group are granted share appreciation rights. It is the intention of the Group that the options will be equity settled (equity-settled transactions).

###### **Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 18. Where it does not qualify for recognition as assets, the cost is recognised in employee benefits expense (Note 18), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

##### o) Share-based payments (continued)

##### Equity-settled transactions (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions or the cost qualifies for recognition as assets.

No expense is recognised for awards that do not ultimately vest because of non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

##### p) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

##### q) Revenue recognition

##### *For the year ended 30 June 2019*

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements and that it typically controls the goods or services before revenue transferring them to the customer.

##### **Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

##### **Ongoing support and maintenance and software licences**

The Group recognises revenue from ongoing support and maintenance and software licences over time, using an input method to measure progress towards complete satisfaction of the services, because the customer simultaneously receives and consumes the benefits provided by the Group.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

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#### 2. Summary of significant accounting policies (continued)

##### 2.4 Significant accounting policies (continued)

##### q) Revenue recognition (continued)

*For the year ended 30 June 2019 (continued)*

##### **Contract balances**

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### **Trade receivables**

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade and other receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost.

##### **Allowance for expected credit losses (ECLs)**

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### **For the year ended 30 June 2018**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

##### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and upon satisfaction of any agreed criteria.

##### **r) Finance income**

Interest income is recorded using effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.



## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

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### 2. Summary of significant accounting policies (continued)

#### 2.4 Significant accounting policies (continued)

##### s) Taxes

###### **Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

##### t) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

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### 3. Significant accounting judgements, estimates and assumptions

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

#### Development costs capitalised to intangible assets

The treatment of development costs depends on whether and when there is an identifiable asset that will generate expected future economic benefits.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

An intangible asset arising from the development phase of an internal project shall be recognised if, and only if, an entity can demonstrate all of the AASB 138 *Intangible Assets* requirements.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 4. Revenue and expenses

#### 4.1 Revenue

	<u>2019</u>	<u>2018</u>
	\$	\$
Revenue	695,001	789,259
<b>Total revenue</b>	<b><u>695,001</u></b>	<b><u>789,259</u></b>

#### 4.2 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<u>2019</u>
	\$
<b>Type of goods or service</b>	
Sale of goods	682,514
Ongoing support and maintenance	7,070
Software licences	5,417
<b>Total revenue from contracts with customers</b>	<b><u>695,001</u></b>
<b>Timing of revenue recognition</b>	
Goods transferred at a point in time	682,514
Services transferred over time	12,487
<b>Total revenue from contracts with customers</b>	<b><u>695,001</u></b>

#### 4.3 Performance obligations

##### **Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

##### **Ongoing support and maintenance**

Ongoing support and maintenance services are provided for a defined time period in which the customer has the ability to use the Group's support team in relation to goods purchased by the customer. The entitlement to this service is considered over time as the customer simultaneously receives and consumes the benefits provided for the 12 month support period (the satisfaction period). Payment is received in advance, and the revenue is recognised over the satisfaction period and commences from the date the related goods are delivered.

##### **Software licences**

The Group provides software licences with the goods sold for a fixed period. The commencement of the satisfaction period of the performance obligation is considered to be when the related goods are delivered. Payment is received in advance, and the revenue is recognised monthly over the satisfaction period of three years.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 4. Revenue and expenses (continued)

##### 4.3 Performance obligations (continued)

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are, as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Within one year	65,001	-
More than one year	59,585	-
	<u><b>124,586</b></u>	<u><b>-</b></u>

The remaining performance obligations expected to be recognised in more than one year relate to the provision of software licences that is to be satisfied within three years. All the other remaining performance obligations are expected to be recognised within one year. Please refer to Note 12.

##### 4.4 Other income

	<u>2019</u>	<u>2018</u>
	\$	\$
Research and development tax incentive	654,744	592,794
Other grant revenue	206,643	654,730
<b>Total other income</b>	<u><b>861,387</b></u>	<u><b>1,247,524</b></u>

##### 4.5 Employee benefits expense

	<u>2019</u>	<u>2018</u>
	\$	\$
Wages and salaries	2,284,120	1,361,793
Other employee and directors' benefits expenses	580,419	593,193
Equity settled share-based payment (Note 18)	822,071	653,865
<b>Total employee benefits expense</b>	<u><b>3,686,610</b></u>	<u><b>2,608,851</b></u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 4. Revenue and expenses (continued)

#### 4.6 Depreciation and amortisation expense

	<u>2019</u>	<u>2018</u>
	\$	\$
Leasehold improvements	1,547	1,452
Furniture and fixtures	18,710	3,007
Workshop equipment	11,100	6,321
Conference assets	4,518	-
Computer equipment	63,061	49,311
<b>Total depreciation expense</b>	<b><u>98,936</u></b>	<b><u>60,091</u></b>
Other intangible assets	5,008	104,143
<b>Total amortisation expense</b>	<b><u>5,008</u></b>	<b><u>104,143</u></b>
<b>Total depreciation and amortisation expense</b>	<b><u><u>103,944</u></u></b>	<b><u><u>164,234</u></u></b>

#### 4.7 Other expenses

	<u>2019</u>	<u>2018</u>
	\$	\$
Computer expenses	55,392	69,896
Insurance expenses	175,632	5,700
Legal, professional and consultant expenses	1,591,544	987,183
Occupancy and utilities expenses	498,964	276,224
Postage and couriers fees	12,656	5,493
Sales and marketing expenses	299,477	375,750
Travel expenses	406,382	285,685
Other	250,665	152,885
<b>Total other expenses</b>	<b><u><u>3,290,712</u></u></b>	<b><u><u>2,158,816</u></u></b>

#### 4.8 Finance costs - net

	<u>2019</u>	<u>2018</u>
	\$	\$
Interest expense	254,517	-
Loan establishment fees	45,750	15,000
<b>Total finance costs</b>	<b><u>300,267</u></b>	<b><u>15,000</u></b>
Interest income	(3,698)	(6,115)
<b>Total finance income</b>	<b><u>(3,698)</u></b>	<b><u>(6,115)</u></b>
<b>Total finance costs - net</b>	<b><u><u>296,569</u></u></b>	<b><u><u>8,885</u></u></b>

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## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 5. Income tax

##### 5.1. Income tax expense

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

	2019	2018
	\$	\$
<b>Current income tax charge:</b>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year	4,137	-
<b>Deferred tax:</b>		
Relating to the origination and reversal of temporary differences	-	-
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>4,137</b>	<b>-</b>

##### 5.2. Reconciliation between tax expense and the accounting loss multiplied by Australia's domestic tax rate for 2019 and 2018

	2019	2018
	\$	\$
<b>Accounting loss before income tax</b>	<b>(6,486,868)</b>	<b>(3,936,980)</b>
At Company's statutory income tax rate of 27.5% (2018: 27.5%)	(1,783,889)	(1,082,670)
Research costs (permanent differences)	563,750	249,521
Other losses not recognised	1,224,276	833,149
<b>Income tax expense reported in the statement of profit or loss</b>	<b>4,137</b>	<b>-</b>

##### Carry forward tax losses

As at 30 June 2019, the Group has carry forward tax losses of \$8,140,549 (2018: \$3,793,845) which may be utilised to reduce future net taxable income subject to satisfying one of the tax loss utilisation tests contained within the *Income Tax Assessment Act 1997*.

#### 6. Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank	<b>3,085,224</b>	<b>1,662,696</b>

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the above.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 6. Cash and cash equivalents (continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Cash flow reconciliation</b>		
Reconciliation of net loss after tax to net cash flows from operations:		
Net loss for the year	(6,491,005)	(3,936,980)
<i>Adjustments for:</i>		
Depreciation and amortisation expense	103,944	164,234
Research and development tax incentive	(654,744)	(592,794)
Share-based payment expense	1,036,533	672,169
Unrealised foreign currency gains	(13,759)	(54,202)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(465,675)	107,998
(Increase)/decrease in inventories	(605,958)	677,888
Increase in other assets	(144,223)	(37,500)
Increase in trade and other payables	410,850	198,757
Decrease in research and development tax incentive receivables	862,432	497,701
Increase in employee benefit liabilities	58,106	53,479
Increase/(decrease) in contract liabilities	124,586	(629,467)
Decrease in government grants	-	(500,000)
<b>Net cash flows used in operating activities</b>	<b><u>(5,778,913)</u></b>	<b><u>(3,378,717)</u></b>

#### 6.1 Changes in liabilities arising from financing activities

	<u>1 July 2018</u>	<u>Cash flows</u>	<u>30 June 2019</u>
	\$	\$	\$
Loan from third party	1,000,000	2,000,000	3,000,000
<b>Total liabilities from financing activities</b>	<b><u>1,000,000</u></b>	<b><u>2,000,000</u></b>	<b><u>3,000,000</u></b>
	<u>1 July 2017</u>	<u>Cash flows</u>	<u>30 June 2018</u>
	\$	\$	\$
Loan from third party	-	1,000,000	1,000,000
<b>Total liabilities from financing activities</b>	<b><u>-</u></b>	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 7. Trade and other receivables

	2019	2018
	\$	\$
<b>Current</b>		
Trade receivables	351,076	162,058
GST receivable	40,145	44,982
FBT receivable	765	6,376
Net other receivables	285,000	-
	<u>676,986</u>	<u>213,416</u>
<b>Non-current</b>		
Related party receivables	115,900	115,900
Net other receivables	2,105	-
	<u>118,005</u>	<u>115,900</u>

#### (i) Trade receivables

Trade receivables as at 30 June 2019 includes an amount relating to the sale of pre-clinical scanner #2 to the Cleveland Clinic. No provision for expected credit losses has been recognised on trade receivables (2018: none).

#### (ii) Related party receivables

The related party receivables are interest free, limited recourse loans to employees to facilitate the purchase of shares in the Group and do not have a specific repayment date. Repayment of the principal sum will be funded through after tax distributions/dividends paid by the Group.

If at the time of sale, transfer, buy-back or disposal of the shares a principal sum remains outstanding, the maximum amount payable by the borrower is limited to the value of the shares or the value of the loan (whichever is lower at that date). As at 30 June 2019, the Group had not impaired any of these loans because the market value of each share at that time was greater than the issue price.

### 8. Inventories

	2019	2018
	\$	\$
Raw materials	-	22,800
Work in progress	628,758	-
<b>Total inventories at the lower of cost and net realisable value</b>	<u>628,758</u>	<u>22,800</u>



## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 9. Property, plant and equipment

	Furniture and fixtures	Conference assets	Leasehold improvements	Workshop equipment	Computer equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost or valuation</b>						
At 1 July 2017	16,867	-	56,658	39,178	187,829	300,532
Additions	47,073	-	5,382	32,034	73,081	157,570
<b>At 30 June 2018</b>	<b>63,940</b>	<b>-</b>	<b>62,040</b>	<b>71,212</b>	<b>260,910</b>	<b>458,102</b>
At 1 July 2018	63,940	-	62,040	71,212	260,910	458,102
Additions	133,725	184,729	-	1,334	204,785	524,573
<b>At 30 June 2019</b>	<b>197,665</b>	<b>184,729</b>	<b>62,040</b>	<b>72,546</b>	<b>465,695</b>	<b>982,675</b>
<b>Depreciation</b>						
At 1 July 2017	724	-	1,077	607	51,779	54,187
Depreciation charge for the year	3,007	-	1,452	6,321	49,311	60,091
<b>At 30 June 2018</b>	<b>3,731</b>	<b>-</b>	<b>2,529</b>	<b>6,928</b>	<b>101,090</b>	<b>114,278</b>
At 1 July 2018	3,731	-	2,529	6,928	101,090	114,278
Depreciation charge for the year	18,710	4,518	1,547	11,100	63,061	98,936
<b>At 30 June 2019</b>	<b>22,441</b>	<b>4,518</b>	<b>4,076</b>	<b>18,028</b>	<b>164,151</b>	<b>213,214</b>
<b>Net book value</b>						
<b>At 30 June 2018</b>	<b>60,209</b>	<b>-</b>	<b>59,511</b>	<b>64,284</b>	<b>159,820</b>	<b>343,824</b>
<b>At 30 June 2019</b>	<b>175,224</b>	<b>180,211</b>	<b>57,964</b>	<b>54,518</b>	<b>301,544</b>	<b>769,461</b>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 10. Intangible assets

	Development costs	Other intangible assets	Total
	\$	\$	\$
<b>Cost</b>			
At 1 July 2017	1,098,150	394,571	1,492,721
Additions	588,625	68,787	657,412
<b>At 30 June 2018</b>	<b>1,686,775</b>	<b>463,358</b>	<b>2,150,133</b>
At 1 July 2018	1,686,775	463,358	2,150,133
Additions	577,234	124,643	701,877
Disposals	-	(185,698)	(185,698)
<b>At 30 June 2019</b>	<b>2,264,009</b>	<b>402,303</b>	<b>2,666,312</b>
<b>Amortisation</b>			
At 1 July 2017	-	105,477	105,477
Amortisation for the year	-	104,143	104,143
<b>At 30 June 2018</b>	<b>-</b>	<b>209,620</b>	<b>209,620</b>
At 1 July 2018	-	209,620	209,620
Amortisation for the year	-	5,008	5,008
Disposals	-	(185,698)	(185,698)
<b>At 30 June 2019</b>	<b>-</b>	<b>28,930</b>	<b>28,930</b>
<b>Net book value</b>			
<b>At 30 June 2018</b>	<b>1,686,775</b>	<b>253,738</b>	<b>1,940,513</b>
<b>At 30 June 2019</b>	<b>2,264,009</b>	<b>373,373</b>	<b>2,637,382</b>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 11. Trade and other payables

	2019	2018
	\$	\$
<b>Current</b>		
Trade payables	242,778	383,176
Other payables	273,803	92,892
Capital holdings	637,042	66,000
	<u>1,153,623</u>	<u>542,068</u>

### 12. Contract liabilities

	2019	2018
	\$	\$
<b>At 1 July</b>	-	-
Deferred during the year	124,586	-
<b>At 30 June</b>	<u>124,586</u>	-

Contract liabilities include advances received to deliver ongoing support and maintenance and software license services. The increase in contract liabilities in 2019 was due to the advances received in relation to sale of pre-clinical scanner #2 to the Cleveland Clinic.

### 13. Loans and borrowings

	2019	2018
	\$	\$
<b>Current</b>		
Loan from third party	<u>1,500,000</u>	<u>1,000,000</u>
<b>Non-current</b>		
Loan from third party	<u>1,500,000</u>	-

#### Loan from third party

The loan at 30 June 2018 represented an early receipt of the estimated research and development tax refund. The loan was unsecured and repaid in full on 31 October 2018. Interest was charged at a rate of 1.25% per month.

The loan at 30 June 2019 represents an early receipt of the estimated research and development tax refund. It consists of two tranches of \$1.5 million. The interest rate on the tranches are 1.25% and 1.80% per month. The first tranche of \$1.5 million is due to be repaid on 31 October 2019. The second tranche of \$1.5 million is due to be repaid on 31 October 2020.

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2019

### 14. Government grants

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>At 1 July</b>	-	<b>500,000</b>
Received during the year	206,643	137,500
Released to the consolidated statement of profit or loss and other comprehensive income	<u>(206,643)</u>	<u>(637,500)</u>
<b>At 30 June</b>	<u>-</u>	<u>-</u>

A \$1 million Victorian Government Future Industries Fund Sector Growth Program award was secured by 4Dx Limited, Hydrix Services Pty Ltd and Monash University (the Consortium) to facilitate a production line for pre-clinical scanner manufacturing. 4Dx Limited recently renegotiated the terms of the grant for the development and rapid manufacture of up to ten 4Dx pre-clinical scanners for sale and delivery to world leading institutions by the end of an extended four year project timeline.

The grant received from the Government is subject to milestone achievements. As at 30 June 2019, four of five milestones have been completed, including Milestone 4 for the delivery of pre-clinical scanner unit #2 during this reporting year. The remaining milestones need to be satisfied before additional funding will be granted. The Group is now progressing the manufacture of the next pre-clinical scanner unit against the next milestone.

As the grant relates to the build of scanners, the grant is initially reflected on the consolidated statement of financial position, and will be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate.

During the financial year, the Group qualified and received assistance under the Government's Export Market Development Grant scheme for its continued export marketing and promotional activities in the US. The Group was also successful in its application for a Business Growth Grant which assists businesses to engage a consultant to make business improvements that were recommended under the Government's Entrepreneurs' Programme. All conditions attached to the Business Growth Grant were satisfied and the Group was eligible to receive the maximum contribution under the grant.

### 15. Employee benefit liabilities

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Current</b>		
Employee entitlements	<u>161,215</u>	<u>127,802</u>
<b>Non-current</b>		
Employee entitlements	<u>29,087</u>	<u>4,394</u>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 16. Issued capital and reserves

	2019	2018
	\$	\$
Ordinary shares	<u>17,705,138</u>	<u>11,473,199</u>

#### 16.1 Terms and conditions of ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

#### 16.2 Movement in ordinary shares on issue

	No. of shares	\$
<b>At 1 July 2017</b>	<b>118,623,768</b>	<b>7,679,688</b>
13,513 Shares issued on 21 July 2017	13,513	5,000
42,640 Shares issued on 21 July 2017	42,640	13,325
31,554 Shares issued on 21 July 2017	31,554	11,675
162,163 Shares issued on 21 July 2017	162,163	60,000
108,109 Shares issued on 21 July 2017	108,109	40,000
1,000,000 Shares issued on 21 July 2017	1,000,000	370,000
100,000 Shares issued on 17 August 2017	100,000	37,000
108,200 Shares issued on 26 September 2017	108,200	40,036
540,541 Shares issued on 06 November 2017	540,541	200,000
27,028 Shares issued on 06 November 2017	27,028	10,000
27,028 Shares issued on 06 November 2017	27,028	10,000
140,000 Shares issued on 06 November 2017	140,000	51,800
675,676 Shares issued on 28 November 2017	675,676	250,000
210,000 Shares issued on 28 November 2017	210,000	77,700
540,541 Shares issued on 20 December 2017	540,541	200,000
94,594 Shares issued on 20 December 2017	94,594	35,000
67,568 Shares issued on 20 December 2017	67,568	25,000
300,000 Shares issued on 20 December 2017	300,000	111,000
1,351,351 Shares issued on 20 December 2017	1,351,351	500,000
5,405 Shares issued on 20 December 2017	5,405	-
5,405 Shares issued on 20 December 2017	5,405	-
580,000 Shares issued on 22 December 2017	580,000	214,600
1,022,283 Shares issued on 22 December 2017	1,022,283	378,245
270,271 Shares issued on 12 January 2018	270,271	100,000
26,987 Shares issued on 12 January 2018	26,987	9,985
47,000 Shares issued on 12 January 2018	47,000	17,390
100,000 Shares issued on 12 January 2018	100,000	37,000
65,000 Shares issued on 22 February 2018	65,000	24,050
270,270 Shares issued on 22 February 2018	270,270	100,000
100,000 Shares issued on 22 February 2018	100,000	37,000
277,027 Shares issued on 22 February 2018	277,027	102,500
756,000 Shares issued on 3 April 2018	756,000	279,720
13,514 Shares issued on 3 April 2018	13,514	5,000
100,000 Shares issued on 24 April 2018	100,000	37,000
200,000 Shares issued on 24 April 2018	200,000	74,000
350,000 Shares issued on 24 April 2018	350,000	129,500
20,000 Shares issued on 24 April 2018	20,000	7,400
442,000 Shares issued on 6 June 2018	442,000	163,540
40,000 Shares issued on 6 June 2018	40,000	14,800
38,500 Shares issued on 29 June 2018	38,500	14,245
<b>At 30 June 2018</b>	<b><u>128,893,936</u></b>	<b><u>11,473,199</u></b>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 16. Issued capital and reserves (continued)

##### 16.2 Movement in ordinary shares on issue (continued)

	<b>No. of shares</b>	<b>\$</b>
<b>At 1 July 2018</b>	<b>128,893,936</b>	<b>11,473,199</b>
15,766 Shares issued on 12 July 2018	15,766	5,833
67,568 Shares issued on 12 July 2018	67,568	25,000
178,378 Shares issued on 12 July 2018	178,378	66,000
17,471 Shares issued on 21 August 2018	17,471	6,464
81,081 Shares issued on 21 August 2018	81,081	30,000
27,027 Shares issued on 21 August 2018	27,027	10,000
27,027 Shares issued on 21 August 2018	27,027	10,000
27,027 Shares issued on 21 August 2018	27,027	10,000
135,135 Shares issued on 21 August 2018	135,135	50,000
27,027 Shares issued on 21 August 2018	27,027	10,000
54,054 Shares issued on 21 August 2018	54,054	20,000
135,135 Shares issued on 21 August 2018	135,135	50,000
270,270 Shares issued on 21 August 2018	270,270	100,000
48,000 Shares issued on 21 August 2018	48,000	17,760
17,758 Shares issued on 21 August 2018	17,758	6,570
35,797 Shares issued on 21 August 2018	35,797	13,245
52,623 Shares issued on 3 September 2018	52,623	19,471
17,830 Shares issued on 3 September 2018	17,830	6,597
270,230 Shares issued on 3 September 2018	270,230	99,985
18,000 Shares issued on 1 October 2018	18,000	6,660
10,000 Shares issued on 1 October 2018	10,000	3,700
281,081 Shares issued on 1 October 2018	281,081	104,000
270,270 Shares issued on 1 October 2018	270,270	100,000
945,946 Shares issued on 26 October 2018	945,946	350,000
405,405 Shares issued on 26 October 2018	405,405	150,000
47,297 Shares issued on 26 October 2018	47,297	17,500
1,351,351 Shares issued on 26 October 2018	1,351,351	500,000
67,567 Shares issued on 13 December 2018	67,567	25,000
270,270 Shares issued on 3 January 2019	270,270	100,000
75,000 Shares issued on 16 January 2019	75,000	27,750
75,000 Shares issued on 16 January 2019	75,000	27,750
13,500 Shares issued on 4 March 2019	13,500	4,995
105,000 Shares issued on 4 March 2019	105,000	38,850
13,500 Shares issued on 4 March 2019	13,500	4,995
60,000 Shares issued on 4 March 2019	60,000	22,200
10,000 Shares issued on 13 March 2019	10,000	7,042
40,000 Shares issued on 26 March 2019	40,000	14,800
25,000 Shares issued on 26 March 2019	25,000	9,250
13,513 Shares issued on 13 June 2019	13,513	5,000
41,952 Shares issued on 13 June 2019	41,952	15,522
125,000 Shares issued on 28 June 2019	125,000	50,000
125,000 Shares issued on 28 June 2019	125,000	50,000
187,500 Shares issued on 28 June 2019	187,500	75,000
125,000 Shares issued on 28 June 2019	125,000	50,000
62,500 Shares issued on 28 June 2019	62,500	25,000
25,000 Shares issued on 28 June 2019	25,000	10,000
250,000 Shares issued on 28 June 2019	250,000	100,000
62,500 Shares issued on 28 June 2019	62,500	25,000
187,500 Shares issued on 28 June 2019	187,500	75,000
37,500 Shares issued on 28 June 2019	37,500	15,000

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## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 16. Issued capital and reserves (continued)

##### 16.2 Movement in ordinary shares on issue (continued)

	<u>No. of shares</u>	<u>\$</u>
62,500 Shares issued on 28 June 2019	62,500	25,000
125,000 Shares issued on 28 June 2019	125,000	50,000
375,000 Shares issued on 28 June 2019	375,000	150,000
100,000 Shares issued on 28 June 2019	100,000	40,000
62,500 Shares issued on 28 June 2019	62,500	25,000
150,000 Shares issued on 28 June 2019	150,000	60,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
125,000 Shares issued on 28 June 2019	125,000	50,000
187,500 Shares issued on 28 June 2019	187,500	75,000
187,500 Shares issued on 28 June 2019	187,500	75,000
150,000 Shares issued on 28 June 2019	150,000	60,000
62,500 Shares issued on 28 June 2019	62,500	25,000
625,000 Shares issued on 28 June 2019	625,000	250,000
62,500 Shares issued on 28 June 2019	62,500	25,000
375,000 Shares issued on 28 June 2019	375,000	150,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
125,000 Shares issued on 28 June 2019	125,000	50,000
125,000 Shares issued on 28 June 2019	125,000	50,000
87,500 Shares issued on 28 June 2019	87,500	35,000
500,000 Shares issued on 28 June 2019	500,000	200,000
437,500 Shares issued on 28 June 2019	437,500	175,000
125,000 Shares issued on 28 June 2019	125,000	50,000
62,500 Shares issued on 28 June 2019	62,500	25,000
87,500 Shares issued on 28 June 2019	87,500	35,000
75,000 Shares issued on 28 June 2019	75,000	30,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
75,000 Shares issued on 28 June 2019	75,000	30,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
250,000 Shares issued on 28 June 2019	250,000	100,000
125,000 Shares issued on 28 June 2019	125,000	50,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
250,000 Shares issued on 28 June 2019	250,000	100,000
250,000 Shares issued on 28 June 2019	250,000	100,000
125,000 Shares issued on 28 June 2019	125,000	50,000
375,000 Shares issued on 28 June 2019	375,000	150,000
375,000 Shares issued on 28 June 2019	375,000	150,000
50,000 Shares issued on 28 June 2019	50,000	20,000
250,000 Shares issued on 28 June 2019	250,000	100,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
125,000 Shares issued on 28 June 2019	125,000	50,000

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 16. Issued capital and reserves (continued)

##### 16.2 Movement in ordinary shares on issue (continued)

	<u>No. of shares</u>	<u>\$</u>
187,500 Shares issued on 28 June 2019	187,500	75,000
62,500 Shares issued on 28 June 2019	62,500	25,000
62,500 Shares issued on 28 June 2019	62,500	25,000
250,000 Shares issued on 28 June 2019	250,000	100,000
125,000 Shares issued on 28 June 2019	125,000	50,000
50,000 Shares issued on 28 June 2019	50,000	20,000
400,000 Shares issued on 28 June 2019	400,000	160,000
312,500 Shares issued on 28 June 2019	312,500	125,000
<b>At 30 June 2019</b>	<b><u>144,888,792</u></b>	<b><u>17,705,138</u></b>

##### 16.3 Reserves

	<u>2019</u>	<u>2018</u>
	\$	\$
Share-based payment reserve	<b><u>3,460,544</u></b>	<b><u>2,424,011</u></b>
	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Movement in the share-based payment reserve</b>		
Balance at the beginning of the year	2,424,011	1,751,842
Share-based payments expense during the year	1,036,533	672,169
<b>Balance at the end of the year</b>	<b><u>3,460,544</u></b>	<b><u>2,424,011</u></b>

The share-based payment reserve is comprised of the value of the employee and director share plans that were granted during the year.

#### 17 Financial risk management objectives and policies

##### 17.1 Risk exposures and responses

###### *Interest rate risk*

The Group constantly analyses its interest rate exposure.

The Group's exposure to market interest rates is immaterial.

###### *Credit risk*

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group's exposure to credit risk is immaterial.

###### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through capital raising.



## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 17 Financial risk management objectives and policies (continued)

##### 17.2 Fair value estimation

###### *Trade and other receivables*

Trade receivables are non-interest bearing and generally on 30 day terms. An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired. Fair value approximates carrying amount due to their short-term nature.

###### *Trade and other payables*

Trade payables are non-interest bearing and are normally settled on 30 days terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

#### 18. Share-based payments

##### Description of the Share-based payments arrangement

Some employees (including key management personnel) were granted options and/or rights under the 4Dx Limited Employee Equity Plan during the current financial year. During the year, the Group had the following share-based payment arrangements, which are described below:

###### **2017 Options USA offer**

Date of grant: 1 October 2017

Number granted: 22,157

Vesting conditions: 50% on 1 July 2018 and 50% on 30 June 2019

###### **2017 Options offer**

Date of grant: 15 December 2017

Number granted: 1,200,000

Vesting conditions: 50% on 1 July 2018 and 50% on 1 July 2019

###### **2018 Special rights award**

Date of grant: 15 December 2017

Number granted: 527,026

Vesting conditions: 50% on 1 July 2018 and 50% on 1 July 2019

###### **2018 Rights award**

Date of grant: 15 December 2017

Number granted: 637,859

Vesting conditions: 50% on 1 July 2018 and 50% on 1 July 2019

###### **2018 Salary sacrifice offer**

Date of grant: 1 January 2018

Number granted: 455,131

Vesting conditions: 50% on 1 July 2018 and 50% on 1 January 2019

###### **2018A Salary sacrifice offer**

Date of grant: 8 March 2018

Number granted: 62,972

Vesting conditions: 50% on 1 July 2018 and 50% on 1 January 2019

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

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#### 18. Share-based payments (continued)

##### Description of the Share-based payments arrangement (continued)

###### 2019 Fee sacrifice offer

Date of grant: 1 June 2018

Number granted: 447,800

Vesting conditions: 100% on 1 July 2019

###### 2019 USA options incentive offer

Date of grant: 1 July 2018

Number granted: 373,568

Vesting conditions: 50% on 1 July 2019, 50% on 30 June 2020

###### 2019A USA options incentive offer

Date of grant: 1 April 2019

Number granted: 117,327

Vesting conditions: 50% on 1 July 2019, 50% on 30 June 2020

###### 2019 Special USA options offer

Date of grant: 1 April 2019

Number granted: 782,188

Vesting conditions: 100% on 30 November 2020

###### 2019A Salary sacrifice offer

Date of grant: 1 July 2018

Number granted: 691,752

Vesting conditions: 50% on 1 January 2019, 50% on 1 January 2020

###### 2019 Rights award

Date of grant: 1 July 2018

Number granted: 449,029

Vesting conditions: 50% on 1 July 2019, 50% on 1 July 2020

###### 2019 Special rights award

Date of grant: 1 July 2018

Number granted: 270,270

Vesting conditions: 50% on 1 January 2019, 50% on 1 January 2020

###### 2019A Special rights award

Date of grant: 1 September 2018

Number granted: 11,261

Vesting conditions: 50% on 1 January 2019, 50% on 1 January 2020

###### 2019B Salary sacrifice offer

Date of grant: 1 January 2019

Number granted: 910,803

Vesting conditions: 50% on 1 July 2019, 50% on 1 July 2020

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 18. Share-based payments (continued)

##### Movements during the year

The cost recognised for employee and directors' services received during the year and remunerated by equity-settled share based payment transactions is shown in the following table:

	2019	2018
	\$	\$
Recognised in employee and directors' benefits expense	822,071	653,865
Recognised in cost of inventories	-	2,889
Recognised in the cost of capitalised development costs	214,462	15,415
<b>Total expense arising from share-based payment transactions</b>	<b><u>1,036,533</u></b>	<b><u>672,169</u></b>

The following table illustrates the number of, and movements in, share options during the year:

	2019	2018
	Number	Number
<b>Outstanding at 1 July</b>	18,611,319	17,389,162
Granted during the year	1,273,083	1,514,936
Forfeited during the year	-	(292,779)
<b>Outstanding at 30 June</b>	<b><u>19,884,402</u></b>	<b><u>18,611,319</u></b>
Exercisable at 30 June	-	-

The following table illustrates the number of, and movements in, share rights during the year:

	2019	2018
	Number	Number
<b>Outstanding at 1 July</b>	2,529,146	547,723
Granted during year	2,756,526	2,205,318
Forfeited during the year	(423,411)	(223,895)
<b>Outstanding at 30 June</b>	<b><u>4,862,261</u></b>	<b><u>2,529,146</u></b>
Exercisable at 30 June	-	-

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 was 7.20 years (2018: 9.32).

The weighted average fair value of options granted during the year was \$0.1613 (2018: \$0.1312).

The range of exercise prices for options outstanding at the end of the year was \$0.55 to \$1.20 (2018: \$0.55 to \$1.20).

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 18. Share-based payments (continued)

##### Movements during the year (continued)

The following tables list the inputs to the models used for the plans for the year ended in 30 June 2019 and 30 June 2018 respectively:

##### 2019

###### Option plans

Weighted average fair values at the measurement (\$): 0.16

Expected volatility (%): 55

Risk-free interest rate (%): 1.03

Expected life of share options (years): 6

Weighted average share price (\$): 0.40

Model used: Black-Scholes

###### Fundraiser plans

Weighted average fair values at the measurement (\$): 0.09

Expected volatility (%): 55

Risk-free interest rate (%): 1.03

Expected life of share options (years): 2.75

Weighted average share price (\$): 0.40

Model used: Black-Scholes

###### Rights plans

Weighted average fair values at the measurement (\$): 0.37

Weighted average share price (\$): 0.40

Model used: Qualitative assessment

##### 2018

###### Option plans

Weighted average fair values at the measurement (\$): 0.16

Expected volatility (%): 55

Risk-free interest rate (%): 2.75

Expected life of share options (years): 6

Weighted average share price (\$): 0.37

Model used: Black-Scholes

###### Fundraiser plans

Weighted average fair values at the measurement (\$): 0.09

Expected volatility (%): 55

Risk-free interest rate (%): 2.75

Expected life of share options (years): 6

Weighted average share price (\$): 0.37

Model used: Black-Scholes

###### Rights plans

Weighted average fair values at the measurement (\$): 0.33

Weighted average share price (\$): 0.37

Model used: Qualitative assessment

The expected life of the share options is based on historical data and current expectations, and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 19. Group information

##### Information about subsidiaries

The consolidated financial statements of the Group include the Company and the following subsidiaries:

Subsidiaries	Principal Activities	Country of incorporation	% equity interest	
			2019	2018
4Dx Inc.	Business operations in USA, R&D, connecting 4Dx with medical institutions	USA	100	100
4Dx PTE Ltd*	Dormant	Singapore	100	-
Australian Lung Health Initiative Pty Ltd*	Dormant	Australia	100	-
Notting Hill Devices Pty Ltd	Dormant	Australia	100	100

\*These entities were incorporated by the Group during the year.

#### 20. Related party disclosures

##### Compensation of key management personnel of the Group

The total compensations of key management personnel of the Group was \$1,487,256 (2018: \$1,181,411). In addition, the Group paid key person insurance for an officer of the Group of \$2,683 during the year (2018: \$2,039).

	2019	2018
	\$	\$
<b>Key management personnel of the Group for each of the following categories:</b>		
Short-term employee and directors' benefits	846,818	649,204
Post-employment benefits	54,528	11,538
Termination benefits	-	29,898
Share-based payment	585,910	490,771
	<b><u>1,487,256</u></b>	<b><u>1,181,411</u></b>

#### 21. Commitments and contingencies

##### Operating lease commitments - Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 June are, as follows:

	2019	2018
	\$	\$
Within one year	400,679	129,789
Greater than 1 year but less than 5 years	1,022,114	519,156
Greater than 5 years	-	86,526
	<b><u>1,422,793</u></b>	<b><u>735,471</u></b>

## Notes to the consolidated financial statements (continued)

### For the year ended 30 June 2019

#### 22. Events after the reporting period

In July 2019, the Group completed the delivery of its third pre-clinical scanner to the South Australian Health and Medical Research Institute. The sale of the pre-clinical scanner includes a five year SaaS and four year maintenance and support service agreement valued at \$1,600,000.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

#### 23. Auditor's remuneration

The auditor of 4Dx Limited is PKF.

	<u>2019</u>	<u>2018</u>
	\$	\$
<i>Amounts paid or payable to PKF:</i>		
- An audit or review of the financial report of the entity	<u>25,020</u>	<u>24,650</u>

#### 24. Information relating to 4Dx Limited (Parent)

	<u>2019</u>	<u>2018</u>
	\$	\$
Current assets	5,200,387	2,907,868
Assets	8,982,891	5,365,748
Current liabilities	2,905,524	1,570,793
Liabilities	4,434,611	1,641,187
Issued capital	17,705,138	11,473,199
Other capital reserves	3,460,544	2,424,011
Accumulated losses	<u>(16,617,402)</u>	<u>(10,172,649)</u>
	<u>4,548,280</u>	<u>3,724,561</u>
Loss for the year	(6,444,753)	(3,990,650)

The commitments and contingencies of the Parent are that of the Group, which are disclosed at Note 21.

## Directors' declaration

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In accordance with a resolution of the directors of 4Dx Limited, I state that:

In the opinion of the directors:

- (a) the consolidated financial statements and notes of 4Dx Limited for the financial year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Andreas Fouras  
Director  
26 September 2019

## Independent Auditor's Report to the Members of 4Dx Limited

### Opinion

We have audited the accompanying financial report of 4Dx Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- (a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report.

We are independent of the Group in accordance with 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* (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.

### Material Uncertainty Relating to Going Concern

We draw attention to Note 2.4 b) in the financial report, which comments on conditions, including current financial loss and cash outflows on operations that, along with other matters and assumptions set forth in the Note indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

### 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 Note 2.2, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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 cease operations, or have no realistic alternative but to do so.

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## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit.

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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion on the financial report. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



PKF

Melbourne, 26 September 2019



Steven Bradby

Partner