

Quarterly Activity Report and Appendix 4C for Q2 FY2021

28 January 2021

Highlights

- Delivered the first commercial XV LVAS™ scan to a patient in Victoria, Australia, marking the first commercial use of XV LVAS since receiving TGA approval in September 2020
- Established 4DMedical's first U.S. research program, the Functional Lung Imaging Research Program, in partnership with the University of Miami Health System to advance breakthrough lung technologies
- Australian R&D Tax Incentive scheme Overseas Finding application approved by AusIndustry
- Addition of 10 new hires during the quarter bringing the total headcount to 59 full time employees across 4DMedical's offices in the U.S. and Australia
- Strong cash position with \$43.04 million held as at 31 December 2020
- Post quarter end, 4DMedical announced its first U.S. clinical pilot for XV LVAS at St. Joseph Hospital in Orange County, California

4DMedical Limited (ASX: 4DX, "4DMedical" or the "Company"), a medical technology company focused on commercialising its patented respiratory imaging platform, is pleased to release its Quarterly Activity Report and Appendix 4C Cash Flow Report for the quarter ending 31 December 2020.

4DMedical is pleased to have made significant clinical and commercial progress over the quarter. The COVID-19 pandemic has created significant challenges across the healthcare industry. 4DMedical is looking forward to playing a significant role in overcoming these challenges through the application of its unique respiratory imaging technology.

First commercial XV LVAS™ delivered in Australia

On 18 December 2020, the Company announced that it had delivered its first commercial XV Lung Ventilation Analysis Software (XV LVAS) scan to a patient based in Victoria, Australia, an important milestone achieved ahead of schedule following TGA approval in September 2020. The Company will now begin rolling out XV LVAS to hospitals and imaging centres nationwide, in both the inpatient and outpatient settings.

U.S. rollout and pipeline update

On 2 December 2020, 4DMedical announced it had partnered with the University of Miami Health System to establish its first research program in the U.S., the Functional Lung Imaging Research Program, at the Miller School of Medicine. The research program will encompass preclinical and clinical studies that utilise 4DMedical's proprietary XV Technology™ to assess and advance diagnostic approaches and management strategies for patients with chronic lung diseases. The program is being rapidly established with a number of studies due to commence in the coming months. Having worked closely with medical professionals and expert consultants, 4DMedical is pleased to announce it has made significant progress in verifying potential healthcare reimbursement pathways and billing channels for XV LVAS in both the U.S. and Australian markets.

Analysis of the U.S. payor market has identified American Medical Association (AMA), Current Procedural Terminology (CPT®), 76000 *Fluoroscopy (separate procedure)*, as an appropriate billing code for the fluoroscopic imaging component required for XV LVAS analysis in both inpatient and outpatient care. Widely recognised by all U.S. payors, CPT 76000 will allow 4DMedical to drive provider and payor adoption of XV LVAS while the Company develops the necessary requirements to secure new, distinct AMA Category I CPT codes specific to XV LVAS.

In Australia, reimbursement research and analysis has identified potential payment opportunities for XV LVAS in the public and private, inpatient and outpatient markets within existing Australian Refined Diagnosis-Related Groups (AR-DRGs) and Medicare Benefits Scheme (MBS) payment systems. 4DMedical will work towards securing distinct coverage and payment for XV LVAS through the Australian Medical Services Advisory Committee technology review processes.

As a result of the widespread presence of COVID-19 in the U.S., bans on certain activities and loss of bandwidth from decision makers at hospitals has delayed some of 4DMedical's commercialisation activities. Despite the slowdown, the Company has built a significant pipeline of hospital pilots and projects that are expected to resume once hospitals are better equipped to manage the pandemic. As previously mentioned, management believes COVID-19 will provide significant opportunities for 4DMedical in the medium to long term as previously diagnosed patients will require regular testing to assess their ongoing lung function.

Other company updates

During the quarter, 4DMedical received notification that its application for an Overseas Finding under the Australian R&D Tax Incentive scheme had been approved by AusIndustry. The Overseas Finding will allow the Company to receive credits for up to 43.5% of eligible overseas R&D expenditure. This extension of the Australian federal government's support to include the Company's overseas R&D activities, for example U.S. clinical trials, demonstrates the quality of the Company's R&D program and will facilitate an acceleration of product development.

On 21 December 2020, 4DMedical was added to the S&P/ASX All Technology Index (XTX.ASX). The All Tech Index provides investors direct access to ASX's fastest growing sector in a single index and comprises of 70 Australian leading and emerging technology companies across a range of sectors.

Subsequent to the end of the quarter, 4DMedical announced its first U.S. clinical pilot for its XV LVAS offering to the ASX on 27 January 2021. The clinical pilot will be conducted at St. Joseph Hospital located in Orange County, California, U.S. and will be used to aid hospital physicians to screen for a variety of lung conditions, including COVID-19. St. Joseph Hospital is one of 51 hospitals owned by Providence Health & Services, the third largest not-for-profit health system in the U.S. Over the coming months, St. Joseph Hospital will conduct a full review of 4DMedical's end-to-end solution.

In addition to the Company's recent operating success, 4DMedical has continued its trajectory of recruiting key talent and expertise with the addition of 10 new employees to its offices in the U.S. and Australia over the quarter, in line with current plans. The Company's focus on expanding its sales and distribution network in the U.S. has seen several key executive positions hired and appointed over the period in the go-to-market team including U.S. Director of Strategic Relationships.

As announced at 4DMedical's 2020 Annual General Meeting, Mr Heath Lee retired from the 4DMedical board of directors on 20 November 2020, completing his transition from non-executive director to executive management, in his role of Chief Financial Officer.

Financials

4DMedical's cash balance was \$43.04 million as at 31 December 2020. During the quarter, the Company received \$0.10 million in preclinical Software-as-a-Service (SaaS) revenue and a further \$0.08 million in government subsidies. This includes 4DMedical's final eligible payment under the Federal Government's JobKeeper payment scheme.

Net operating cash outflows for the quarter was \$4.64 million, mostly relating to payments for research and development, staff costs, administration, and general operating costs.

Use of Funds (Listing Rule 4.7C.2)

Uses of Funds	Prospectus dated 6 July 2020		Period ended 31 Dec 2020	
	Amount (\$'000)	%	Amount (\$'000)	% of total
Marketing through clinical trials and trade shows	\$15,230	30.5%	\$1,642	10.8%
Operating expenditure (inc. governance & working capital)	\$13,035	26.1%	\$3,738	28.7%
Product R&D and platform development	\$12,810	25.6%	\$2,578	20.1%
US sales and distribution (inc. clinical liaison & reimbursement)	\$3,075	6.1%	\$1,034	33.6%
Intellectual property and trademarks	\$1,450	2.9%	\$182	12.6%
Cost of the offer	\$4,400	8.8%	\$4,456	101.3%
Total from proceeds of issue of New Shares	\$50,000		\$13,630	

The expenditure for the 6-month period ended 31 December 2020 as set out in the table above is in accordance with the Use of Funds outlined in the Company's prospectus dated 6 July 2020 and there are no material variances against the estimated use of funds.

Related Party Transactions (Listing Rule 4.7C.3)

Payments to related parties of \$202.1k included in Item 6 of the attached Appendix 4C Cash Flow Report was for salaries and fees paid to executive and non-executive directors during the quarter ended 31 December 2020.

Investor presentation

During the quarter, 4DMedical CEO Andreas Fouras delivered a presentation as part of the NWR Communications Virtual Investor Conference. A replay of the presentation can be viewed at: https://www.youtube.com/watch?v=Hbhoh67-UPM&list=PLG3W9i74unvsmGeYs5SweR2T_2Xg2df-&index=13

Annual General Meeting

4DMedical held its 2020 Annual General Meeting on 20 November, with all resolutions put to the meeting passed via a poll. The resolutions were:

1. Remuneration Report;
2. Re-election of Mr Bruce Rathie as a Director;
3. Re-election of Ms Lilian Bianchi as a Director; and
4. Approval in respect of the 4DMedical Long Term Incentive Plan.

4DMedical Chairman Bruce Rathie delivered an address at the meeting which is available at: <https://investors.4dmedical.com/Investor-Centre/?page=announcements-and-media-releases>

ENDS

Authorised by the 4DMedical Board of Directors.

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About 4DMedical:

Based in Melbourne, Australia and Los Angeles, USA, 4DMedical (formerly 4Dx) was founded in 2012 and is listed on the Australian Securities Exchange (ASX: 4DX).

4DMedical is a medical technology company aiming to deliver the global gold standard in respiratory diagnostics for all lung disorders including: coronavirus, asthma, chronic obstructive pulmonary disease (COPD), cystic fibrosis and cancer.

The unique 4DMedical technology accurately and quickly scans lung function as the patient breathes, to assist in providing sensitive, early diagnosis, and to monitor changes over time. Our Software-as-a-Service (SaaS) scans deliver much more complete results, showing even subtle variations in lung function down to the finest details, using lower levels of radiation than traditional methods.

Respiratory diagnosis is a US\$31 billion per annum global industry. Through its technology 4DMedical provides clinicians with greater insights into diseases of the lung. 4DMedical is focused on providing better information to doctors and patients about lung function. Better information means better decisions, and better outcomes.

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Appendix 4C

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

Name of entity

4DMedical Limited

ABN

31 161 684 831

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	101	101
1.2 Payments for	-	-
(a) research and development	(2,256)	(3,785)
(b) product manufacturing and operating costs	(297)	(297)
(c) advertising and marketing	(175)	(388)
(d) leased assets	(30)	(68)
(e) staff costs	(1,048)	(2,165)
(f) administration and corporate costs	(1,018)	(2,779)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	12
1.5 Interest and other costs of finance paid	(11)	(23)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	77	319
1.8 Other (provide details if material)	15	(24)
1.9 Net cash from / (used in) operating activities	(4,638)	(9,097)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(62)	(79)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(263)	(323)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(325)	(402)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	50,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(4,177)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	(a) payment of lease liabilities	(89)	(181)
	(b) net cash paid for settlement of options	-	(1,533)
3.10	Net cash from / (used in) financing activities	(89)	44,109

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,091	8,429
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,638)	(9,097)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(325)	(402)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(89)	44,109
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	43,039	43,039

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	43,039	43,039
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	43,039	43,039

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	202
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<div style="border: 1px solid black; min-height: 100px; padding: 5px;"> N/A </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,638)
8.2 Cash and cash equivalents at quarter end (item 4.6)	43,039
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	43,039
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	9
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

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

Date: 28 January 2021

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

Notes

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