

Quarterly Activity Report and Appendix 4C for Q3 FY2021

26 April 2021

Highlights

- \$28.9 million MRFF grant funding awarded to ALHI, a consortium incorporated and led by 4DMedical, to deliver the world's first dedicated lung function scanner – XVD Scanner™
- Successfully completed capital raising of approximately \$46.0 million via strongly supported placement to institutional and sophisticated investors and share purchase plan
- Three 4DMedical clinical trials are now active following the resumption of U.S. hospital workflows previously interrupted by the COVID-19 pandemic
- Secured streamlined access to U.S. Department of Defense and Veterans Affairs contracts at a pre-agreed pricing structure
- Mr Craig Pendleton-Browne joined 4DMedical as Chief Information Officer
- Strong cash position with \$76.5 million held as at 31 March 2021

4DMedical Limited (ASX: 4DX, "4DMedical" or the "Company"), a medical technology company focused on commercialising its patented, FDA cleared and TGA approved, respiratory imaging platform, is pleased to release its Quarterly Activity Report and Appendix 4C Cash Flow Report for the quarter ending 31 March 2021.

MRFF \$28.9 million funding success for 4DMedical research consortium

In March 2021, the Australian Government Department of Health announced Australian Lung Health Initiative Pty Ltd ("ALHI") as recipient of \$28.9 million in funding from its Medical Research Future Fund (MRFF) Frontier Health and Medical Research initiative.

ALHI, a joint venture between 4DMedical, The University of Adelaide and South Australian Health and Medical Research Institute ("SAHMRI"), was established to deliver groundbreaking lung healthcare advancements. The funding provided by the MRFF Frontier initiative will be used by ALHI in progressing development of the world's first dedicated lung function scanner (XVD Scanner™), producing detailed lung information using an automated scanning process.

XVD Scanners will be integrated with 4DMedical's proprietary XV Technology™, overcoming the limitations of existing diagnostics and imaging tools by providing low dose, contrast free rapid lung analysis for adults and children. 4DMedical will receive 100% of the revenue generated from XVD Scanner sales and associated service revenue, as well as any software sales generated from the use of XV Technology to complete lung scans.

Development of XVD Scanners will continue with the first units expected to be deployed into Australian hospitals in early 2022 and commercialisation of first generation XVD Scanners targeted for 2023.

Successful A\$46 million capital raising via placement and share purchase plan

Following the announcement of the MRFF Stage Two funding award, 4DMedical successfully completed a share placement ("Placement") that raised approximately A\$40.0 million before costs, which was strongly supported by new and existing institutional and sophisticated investors. The Placement, completed on 11 March 2021, resulted in the issue of approximately 25.8 million shares at the offer price of A\$1.55 per share.

In addition to the Placement, the Company raised approximately \$6.0 million from its heavily oversubscribed share purchase plan ("SPP"). The SPP was also completed at the same offer price as the Placement of \$1.55 per share and saw overwhelming support from existing eligible shareholders with applications totalling approximately \$32 million.

Proceeds raised under the Placement and SPP will be primarily used to accelerate development and commercialisation of the XVD Scanner, in conjunction with the MRFF Frontier initiative grant. It was a commitment of the MRFF grant bid that 4DMedical provide new capital for the development of the XVD Scanner. Funds raised will also provide balance sheet flexibility to pursue identified growth opportunities that have the potential to drive commercialisation of the Company's XV Lung Ventilation Analysis Software (XV LVAS™).

Commercialisation update

Integral to 4DMedical's commercialisation strategy, the Company continues to remain focused on securing clinical pilots and completing clinical trials with leading hospitals and healthcare institutions. Adding to the Company's current pipeline of clinical trials, 4DMedical announced at the start of this quarter, its first clinical pilot for XV LVAS would be conducted at St. Joseph Hospital located in Orange County, California, U.S.

The clinical pilot represents the first clinical usage of XV LVAS on patients in the U.S. and will be used to aid hospital physicians to screen for a variety of lung conditions, including asthma, emphysema, pulmonary fibrosis, lung cancer and COVID-19. As part of the pilot, St. Joseph Hospital will conduct a full review of 4DMedical's end-to-end solution over the coming months. St. Joseph Hospital is part of the Providence health care organisation which serves 51 hospitals and 1,085 clinics across the U.S.

Whilst the COVID-19 pandemic had initially impacted on hospitals' capacity to commence new clinical trials, the rollout of COVID-19 vaccines across the U.S. has allowed clinical trial programs to recommence. 4DMedical is pleased to announce that it has three clinical trials currently active. These clinical trials are being conducted at separate medical institutions and will assist to validate the accuracy of XV LVAS on separate, specific indications. The Company also has a strong pipeline of clinical trials awaiting hospital readiness, at various stages of development, which it expects will resume in the coming months as hospitals return to business as usual.

During the quarter, 4DMedical also secured streamlined access to securing contracts with the U.S. Department of Defense (DoD) and Veterans Affairs (VA). This access will allow DoD and VA affiliated healthcare facilities to contract with 4DMedical to integrate and use XV LVAS to deliver valuable insights of lung health.

As part of the arrangement, 4DMedical has negotiated a fixed price for its XV LVAS offering at DoD and VA facilities without requiring separate reimbursement. This will streamline commercial engagements with these facilities by having a pre-agreed pricing structure.

Other corporate updates

4DMedical appointed Mr Craige Pendleton-Browne as Chief Information Officer (CIO) during the quarter. Mr Pendleton-Browne is responsible for leading 4DMedical's Information Technology department and will oversee business transforming technology-based products and projects, in particular the Company's Software-as-a-Service platform.

Mr Pendleton-Browne is a highly qualified executive bringing over 25 years' experience in the information technology industry to 4DMedical, having held senior leadership roles in operations, technology and product development. He has extensive expertise working in the UK and Australia with companies including iCareHealth (now Telstra Health), ASX-listed OFX Group, News International and News Digital Media (both subsidiaries of News Corporation).

As anticipated, 4DMedical has continued building its team with the addition of 17 new employees to its offices in the U.S. and Australia over the quarter. The Company attracted strong talents, growing its pool of research and platform development experts as well as its Australia and U.S. based go-to-market teams.

In February, the Company occupied its newest site in the Fishermans Bend industrial district of Port Melbourne which will house 4DMedical's Advanced Manufacturing Facility. The facility will have the capacity to support 4DMedical's existing XV Technology activities, as well as the concurrent ideation, prototyping and the early stages of commercial production of XVD Scanners. This site will also include a 'showroom' enabling examples of all the Company's product to be displayed in a purpose-built environment enabling visual aspects of the technology to be conveyed by media such as interactive video.

Financials

4DMedical's cash balance was \$76.5 million as at 31 March 2021. Net operating cash outflows for the quarter was \$4.5 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 Mar 2021	
	Amount (\$'000)	%	Amount (\$'000)	% of total
Marketing through clinical trials and trade shows	\$15,230	30.5%	\$2,005	13.2%
Operating expenditure (inc. governance & working capital)	\$13,035	26.1%	\$6,169	47.3%
Product R&D and platform development	\$12,810	25.6%	\$4,273	33.4%
US sales and distribution (inc. clinical liaison & reimbursement)	\$3,075	6.1%	\$2,025	65.9%
Intellectual property and trademarks	\$1,450	2.9%	\$221	15.2%
Cost of the offer	\$4,400	8.8%	\$4,456	101.3%
Total from proceeds of issue of New Shares	\$50,000		\$19,149	

The expenditure for the 9-month period ended 31 March 2021 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 \$261.6 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 March 2021.

ENDS

Authorised by the 4DMedical Board of Directors.

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About 4DMedical:

Based in Melbourne, Australia and Los Angeles, USA, 4DMedical 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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	101
1.2 Payments for	-	-
(a) research and development	(1,580)	(5,365)
(b) product manufacturing and operating costs	-	(297)
(c) advertising and marketing	(221)	(609)
(d) leased assets	(57)	(125)
(e) staff costs	(1,576)	(3,741)
(f) administration and corporate costs	(1,021)	(3,800)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	13
1.5 Interest and other costs of finance paid	(16)	(39)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	319
1.8 Other (provide details if material)	-	(24)
1.9 Net cash from / (used in) operating activities	(4,470)	(13,567)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(96)	(175)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(8)	(331)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(104)	(506)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,000	90,000
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	(1,803)	(5,980)
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	(165)	(346)
	(b) net cash paid for settlement of options	-	(1,533)
3.10	Net cash from / (used in) financing activities	38,032	82,141

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	43,039	8,429
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,470)	(13,567)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(104)	(506)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	38,032	82,141
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	76,497	76,497

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	76,497	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)	76,497	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	262
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.10)	(4,470)
8.2	Cash and cash equivalents at quarter end (item 4.6)	76,497
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	76,497
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	17*
	<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>	
	* As disclosed in Cash flows from financing activities (item 3), 4DMedical raised \$38.197 million (net of costs) during the quarter via a share placement. Excluding those funds which have been allocated to specific purposes, the cash at the end of the quarter would have been \$38.3 million representing estimated available funding of 9 quarters.	
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

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

Compliance statement

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

Date: 26 April 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.