Quarterly Activity Report and Appendix 4C for Q2 FY2023

31 January 2023

Highlights

- Release of CT LVAS™ in Australia, accelerating patient access to XV Technology® with 27 I-MED sites now onboarded, up from 9 in previous period
- Receipts from customers of $0.7m for the quarter, up 396% on prior corresponding period
- Additional $14.6m in government grants and incentives received over period
- Strong cash balance of $45.7 million as at 31 December 2022, with cash runway of approximately 5 quarters, an improvement of one quarter from previous guidance
- US Omnibus Appropriations Bill, including 4DMedical-specific language, signed into law
- American Medical Association grants Category III CPT codes to establish reimbursement for XV LVAS® (0807T and 0808T)
- Highly successful first commercial exhibit at RSNA 2022 generating strong interest in XV Scanner
- Ex-GE Healthcare chief joins 4DMedical senior leadership team

Melbourne, Australia, 31 January 2023: Respiratory imaging technology company 4DMedical Limited (ASX:4DX, '4DMedical', or the 'Company') today announces its Quarterly Activity Report and Appendix 4C Cash Flow Report for the quarter ended 31 December 2022**.**

CT LVAS™ rolled out in Australia

In October, 4DMedical announced the release of its breakthrough image processing software, CT LVAS™, which provides an almost identical report to the Company's proven XV LVAS® product with industry leading richness and fidelity, and utilising widely available Computed Tomography (CT) imaging infrastructure instead of X-ray equipment.

Australia stands above the U.S., and every other nation outside of Japan, in terms of the number of CT scanners per head of population, making Australia the sensible launch point for the second XV Technology® product in 4DMedical's product pipeline. More importantly, it significantly broadens the accessibility to functional lung imaging for Australians living with lung disease.

CT LVAS™ uses existing CT hardware, enabling simple and seamless integration into clinical workflows. The Company's existing distribution agreement with the I-MED Radiology Network ('I-MED') has allowed a dramatic acceleration of the installation base, taking the total number of Australian sites to 27 as at 31 December 2022, with commercial CT LVAS™ scanning already being undertaken at multiple locations.

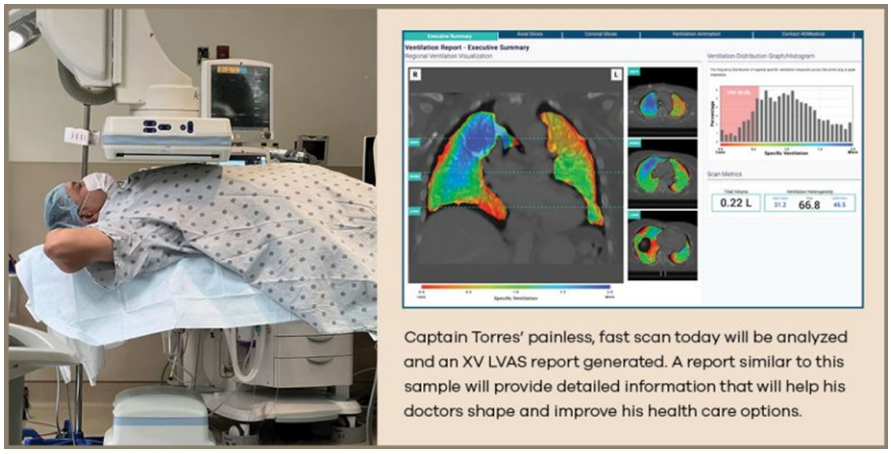
U.S. Army Captain Le Roy Torres receives XV LVAS® scan at University of Miami

High profile military veteran, Captain Le Roy Torres, who has previously been diagnosed with Constrictive Bronchiolitis because of exposure to airborne hazards while being deployed in the Middle East, received an XV LVAS® scan at University of Miami on 12 January.

In significant national media exposure, Captain Torres was quoted saying: "My scan today is a major step forward for fellow veterans who are suffering from burn pit exposures and are desperate for answers. Unfortunately, prior to passage of the PACT Act, the XV LVAS® software wasn't available and that meant I had to get a surgical lung biopsy. It was frankly a horrendous experience and incredibly painful."

"With the passage of the PACT Act, the United States Department of Veterans Affairs (VA) and Congress can develop protocols and use cutting-edge technologies that will bring new and expanded health care services to thousands of veterans like me," Captain Torres added.

The significant contribution of Captain Torres and his wife, Rosie Torres, to the passage of the PACT Act has been recognised by U.S. Senator Kirsten Gillibrand (Democrat: New York), recommending both for award of the Presidential Medal of Freedom. The full article can be read here.



Captain Torres' painless, fast scan today will be analyzed and an XV LVAS report generated. A report similar to this sample will provide detailed information that will help his doctors shape and improve his health care options.

Passing of the US Omnibus Appropriations Bill

In December the Omnibus Appropriations Bill passed the Senate. The Omnibus Bill allocates $5 billion for the Cost of War Toxic Exposures Fund, which provides additional funding to implement the landmark PACT Act that expands eligibility for health care services and benefits to veterans with conditions related to toxic exposure during their service.

The Omnibus Bill enshrines into legislation a directive for the Veterans Health Administration (VHA) to consider 'emerging technology that uses existing x-ray imaging equipment to derive four-dimensional models of lung function to identity respiratory illnesses and accompanying loss of lung function'. As well, the Bill urges the Department 'to evaluate this technology for the purposes of conducting population-wide surveillance of veterans who have been exposed to airborne hazards in order to conduct a full accounting of the health impact suffered by veterans and to provide full and effective medical care to this population'.

On 10 August 2022, President Joe Biden signed into law a broad expansion of healthcare benefits for millions of veterans exposed to toxic burn pits. The estimated 3.5 million veterans exposed to harmful toxins whilst deployed on operations since 2001 will now have access to an additional USD $280 billion healthcare commitment over ten years. Importantly, the new law also relieves veterans of the burden of proof that an illness is associated with exposure to toxic substances, with Constrictive Bronchiolitis listed as a presumptive condition. Included in this legislation is the requirement for the VHA to provide toxic exposure screening to each of the 9 million veterans enrolled in the VHA health care program.

Meeting with Representative Mikie Sherrill

At the end of September, 4DMedical and Rosie Torres met with Congresswoman Mikie Sherrill (Democrat: New Jersey). Rep Sherrill is an ex-U.S. Navy veteran and a champion of the PACT Act. Rep. Sherrill publicly announced "I am pleased the PACT Act is now law, and we must now act quickly and efficiently to

implement its key provisions. New and emerging technologies can not only expedite the implementation of the PACT Act but also ensure every veteran has access to early treatment and the full benefits they deserve."

American Medical Association grants CPT codes to establish reimbursement for XV LVAS®

4DMedical submitted a CPT application to the AMA CPT Editorial Panel for review in September 2022, which resulted in the acceptance and release of two new Category III CPT codes. In accordance with the AMA's Category III code's early-release policy, these codes become effective on 1 July 2023, following the six-month implementation period, which began on 1 January 2023:

> 0807T: Pulmonary tissue ventilation analysis using software-based processing of data from separately captured cinefluorograph images; in combination with previously acquired computed tomography (CT) images, including data preparation and transmission, quantification of pulmonary tissue ventilation, data review, interpretation and report
>
> 0808T: in combination with computed tomography (CT) images taken for the purpose of pulmonary tissue ventilation analysis, including data preparation and transmission, quantification of pulmonary tissue ventilation, data review, interpretation and report

The issuance of the new distinct Category III CPT codes by the AMA represents a major milestone towards advancing US reimbursement for XV LVAS®, as healthcare providers and facilities will be able to submit claims directly to payers identifying when XV LVAS® is ordered for patients to quantify their pulmonary tissue ventilation. Establishing a clear billing pathway and tracking utilisation of the technology are critical components in achieving US commercialisation success.

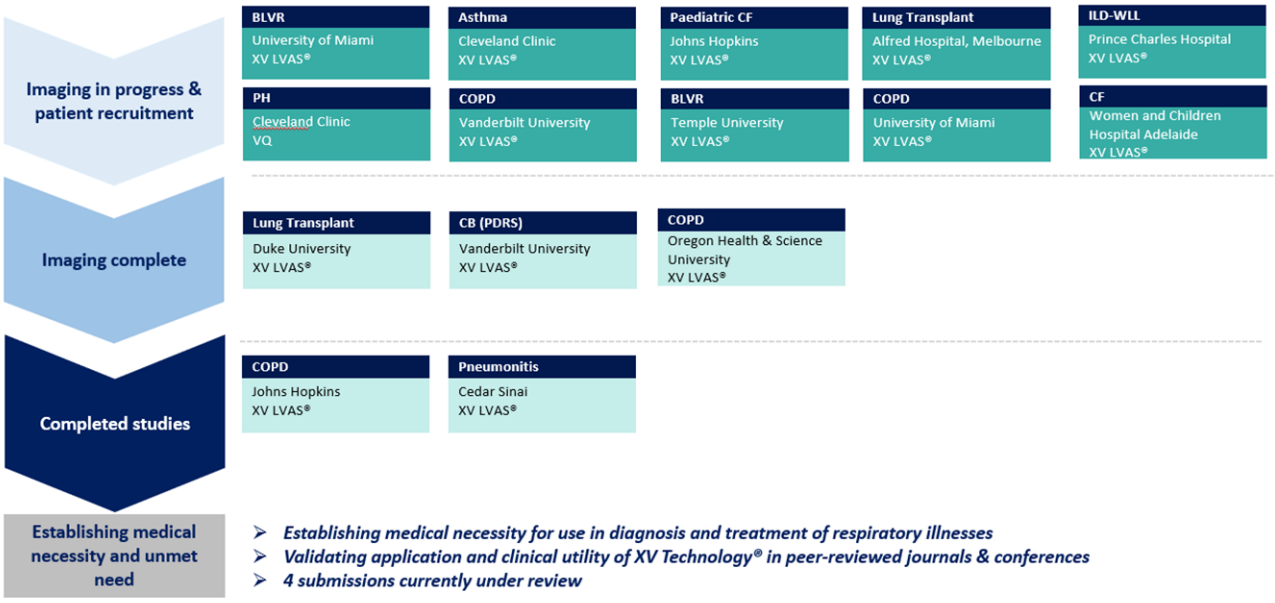
High profile participation at RSNA 2022

The annual conference of the Radiological Society of North America (RSNA) in Chicago is the world's largest gathering of medical imaging professionals. 4DMedical was a prominent exhibitor at RSNA 2022 during December, displaying the first export example of the XV Scanner – the world's first and only dedicated respiratory imaging platform – enabling rapid, low dose and high throughput scanning of patients using the company's core XV Technology® software on a commercial basis.

Beyond exposure to the largest professional audience of its kind globally, the Company conducted valuable meetings with potential clients and key influencers in the sector. Media coverage of 4DMedical's presence included major U.S. television news networks (inclusive of Fox, NBC, ABC and CBS affiliates) and specialty industry channels.

Clinical trial progress

4DMedical made significant progress in several clinical trials during the quarter. In particular, the XV LVAS® 'burn pit' trial at Vanderbilt University, which hit its primary endpoint in August, was submitted for publication, and a set of early results from the XV LVAS® COPD trial at the University of Miami have also been submitted for publication.



Ex-GE Healthcare chief joins 4DMedical senior leadership team

Highly experienced medical imaging executive, Mr Matt Tucker, was announced as the Company's new Senior Vice President of Business Development and Strategy in early December. Matt's skillset has been gained in a career working for leading global healthcare companies including GE Healthcare, SonoSite and Philips.

During his tenure as Chief Executive Officer and President of GE Healthcare in Australia, Matt occupied a high-profile role in the nation's medical technology sector, and delivered growth across key metrics including revenue generation, customer satisfaction and retention, and profitability.

Mr Tucker is set to make a valuable contribution to the ongoing commercialisation of the XV Scanner hardware product line, emulating his success in GE Healthcare's turnaround strategy, which resulted in market leadership across the ultrasound product space.

Financials

4DMedical's cash balance as of 31 December 2022 was $45.7 million. Cash received from operations for the quarter includes customer receipts of $0.7 million from SaaS and hardware revenues (up 396% on the prior corresponding period) and government grant and incentives of $14.6 million.

As previously announced, 4Dmedical received a $9.4 million (excluding GST) milestone payment from the Federal Government's Medical Research Future Fund (MRFF) after successfully meeting product development milestones associated with the $28.9 million grant awarded to the Company in March 2021. MRFF funding received to date totals $24.8 million including GST.

During the quarter, the Company received $4.2 million in R&D tax incentive refunds relating to the prior financial year ended 30 June 2022.

Operating cash outflows were $11.9 million, mainly relating to payments for research and development, staff costs, administration, and general operational costs.

Based on the Company's net cash outlay expectations, allowing for an additional $6.3 million in MRFF funds yet to be received, and the existing strong cash balance of $45.7 million, the Company has a cash runway of approximately five quarters, which represents an improvement of one quarter on previous guidance. This extended runway has been achieved through a combination of higher revenues and cost controls.

Related Party Transactions (Listing Rule 4.7C.3)

Payments to related parties of $0.5 million included in Item 6 of the attached Appendix 4C Cash Flow Report were for salaries and fees paid to executive and non-executive directors during the quarter that ended 31 December 2022.

4Dmedical CEO and Founder Andreas Fouras said:

As anticipated, the release of CT LVAS™ has delivered a dramatic acceleration of our commercial rollout across Australia tripling the number of sites at which Australian's can now access our world-leading technology. Overall, we have seen exciting successes across multiple parts of the business, which in combination have delivered an outstanding revenue result for the company this quarter. I look forward to continuing and building on this growth over the coming quarters.

During a period in which many significant aspirations were realised a personal and professional highlight was providing ex-U.S. Army officer and veterans' advocate Captain Le Roy Torres with his personal lung function results at the University of Miami in January. Captain Torres and his wife Rosie Torres have been powerful advocates for veterans' justice and healthcare. It was a privilege for me and a 4Dmedical delegation to accompany them for our meeting in Washington with a champion for veterans' welfare from inside Congress, Representative Mikie Sherrill.

More than 3.5 million American service personnel were exposed to toxins through the use of burn pits to dispose of all manner of materials during military operations. XV Technology® can provide the VA and Department of Defense with a cost-effective and safe basis for diagnosis, avoiding risky and invasive biopsy in determining the impact of toxic inhalation.

We look forward to continuing to work closely with legislators, the VA and DoD to help veterans gain the benefits and treatment they need and deserve.

–ENDS–

Authorised by the 4DMedical Board of Directors.

Contacts

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About 4DMedical

4DMedical Limited (ASX:4DX) is a global medical technology company that has created a step change in the capacity to accurately and quickly understand the lung function of patients with respiratory diseases.

Through its flagship patented XV Technology®, 4DMedical enables physicians to understand regional airflow in the lungs and identify respiratory deficiencies earlier and with greater sensitivity as they breathe. This technology powers 4DMedical's FDA-cleared XV Lung Ventilation Analysis Software (XV LVAS®) -- the first modality to dynamically quantify ventilation throughout the lungs, and its Computed Tomography-enabled counterpart software, CT LVAS®.

XV LVAS® and CT LVAS™ reports are prepared using 4DMedical's Software as a Service delivery model using existing hospital imaging equipment or the Company's revolutionary XV Scanner.

To learn more, please visit www.4dmedical.com.

Appendix 4C

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

Name of entity	
4DMedical Limited	
ABN	**Quarter ended ("current quarter")**
31 161 684 831	31 December 2022

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
1.	**Cash flows used in operating activities**		
1.1	Receipts from customers	739	739
1.2	Payments for		
	(a) research and development	(5,382)	(9,677)
	(b) product manufacturing and operating costs	(34)	(35)
	(c) advertising and marketing	(922)	(1,510)
	(d) leased assets	(385)	(682)
	(e) staff costs	(3,555)	(6,395)
	(f) administration and corporate costs	(1,637)	(3,122)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	80	131
1.5	Interest and other costs of finance paid	(76)	(154)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives (GST inclusive)	14,602	14,921
1.8	Other (provide details if material)	-	-
1.9	**Net used in operating activities**	**3,430**	**(5,784)**

2.	**Cash flows used in investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(102)	(132)
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	(106)	(159)
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	Research and development tax incentive	-	-
2.6	Capitalisation of development costs to intangible assets	-	-
2.7	Other (provide details if material)	-	-
2.8	**Net cash used in investing activities**	**(208)**	**(291)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	(251)	704
	(b) net cash paid for settlement of options	-	-
3.10	**Net cash from financing activities**	**(251)**	**704**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.	**Net (decrease)/increase in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	42,773	51,115
4.2	Net used in operating activities (item 1.9 above)	3,430	(5,784)
4.3	Net cash used in investing activities (item 2.8 above)	(208)	(291)
4.4	Net cash from financing activities (item 3.10 above)	(251)	704
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**45,744**	**45,744**

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	45,744	42,773
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)**	**45,744**	**42,773**

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	481
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** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
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 used in operating activities (item 1.9)	3,430
8.2	Cash and cash equivalents at quarter end (item 4.6)	45,744
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	45,744
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**N/A***

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.

* When allowing for an additional $6.3 million in MRFF funds yet to be received, and the existing cash balance of $45.7 million, the Company has a cash runway of over five 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: 31 January 2023

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.