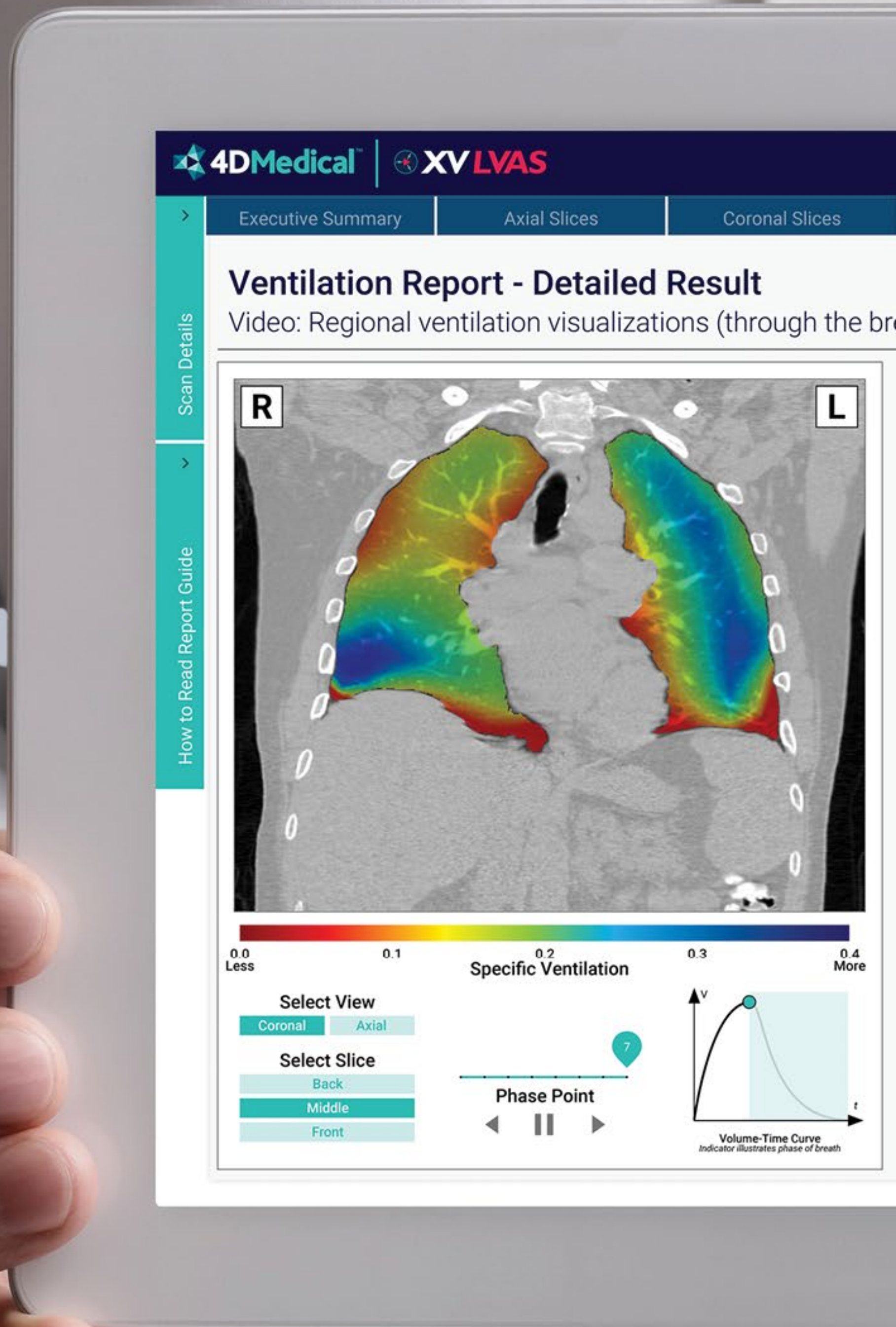
4DMedical™
FORMERLY 4Dx

Annual Report 2020



4DMedical Limited
2020 Annual Report
Announcement of Full-Year Results
for the year ended 30 June 2020

4DMedical™
FORMERLY 4Dx

The XV LVAS Ventilation Report is the first in a series of reports to be made available for clinical application.

Providing a state-of-the-art way of understanding regional lung motion and airflow, it enables highly detailed maps of both the patterns of lung motion and pulmonary function, with functional deficits detected through local (regional) differences in movement.

The XV LVAS Ventilation Report delivers information not available via other modalities.

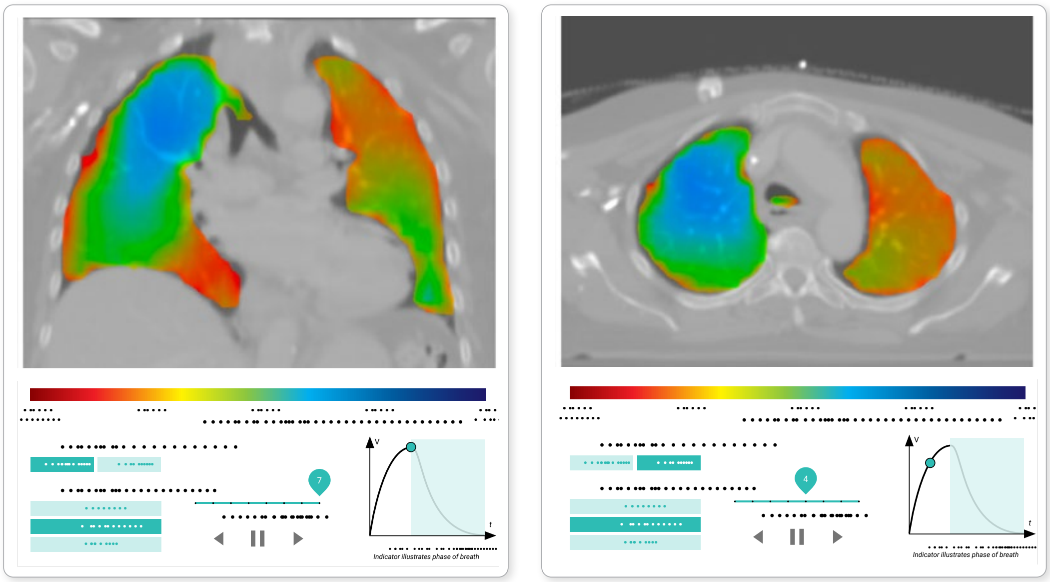
Capable of measuring quantified regional ventilation, the report enables physicians to detect areas of high and low ventilation with pinpoint accuracy. Ventilation is calculated for all parts of the lung in all phases of the breath.

For the first time, physicians are able to have a clear indication of a patient's lung health, before lung structure changes are detectable.

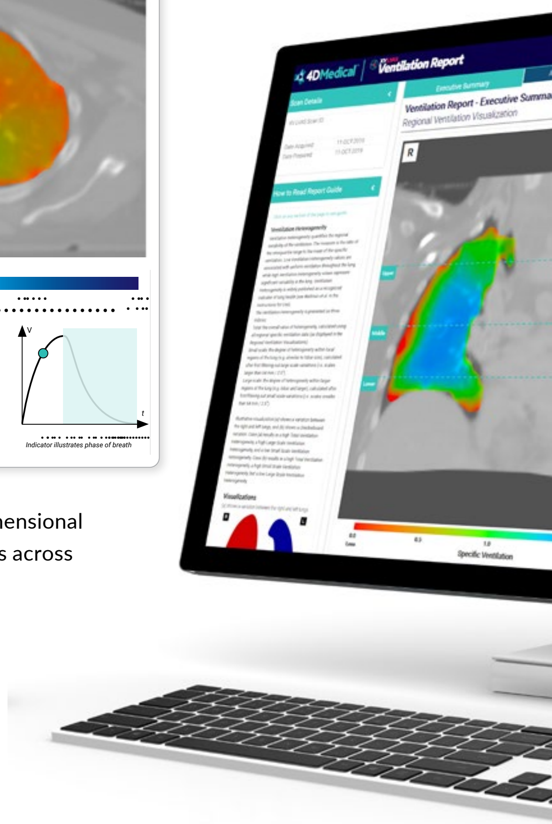
Seeing in full colour

The XV LVAS's Regional Ventilation Visualisations indicate, through colour, regional-specific ventilation. Red depicting regions of low ventilation, green depicting regions of average ventilation and blue representing regions of high ventilation.

The visualisation is available across still axial and coronal slices as well as a dynamic interactive animation view.

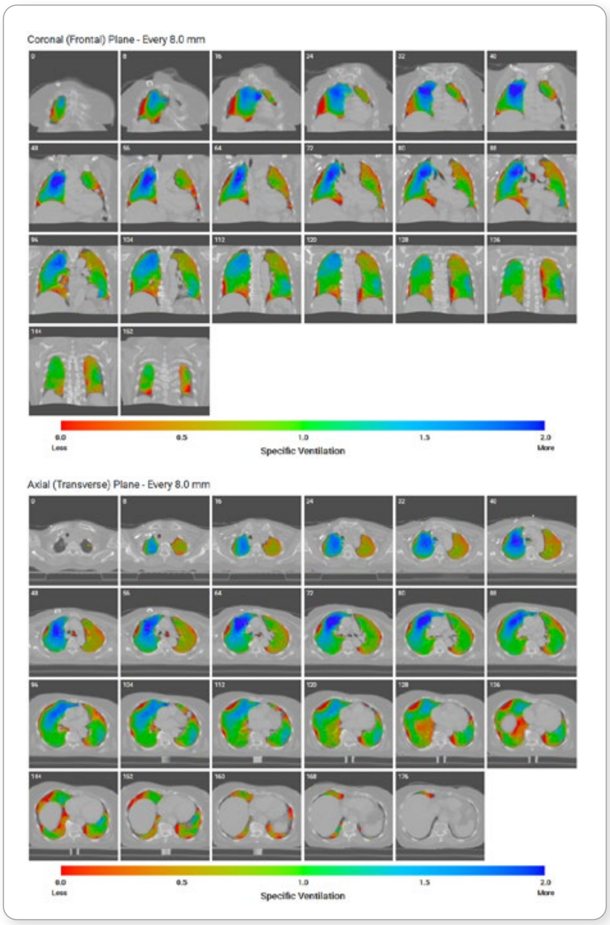


Ventilation Animation View allows physicians to interact with the XV LVAS scan in a four-dimensional so they can quickly and easily evaluate the magnitude and location of ventilation lung defects across space and time.

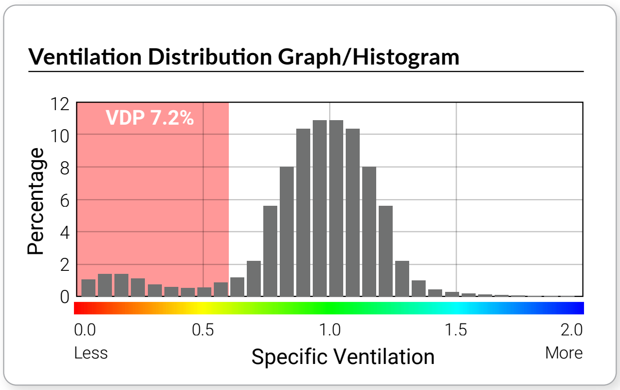


XV LVAS

XV LUNG VENTILATION ANALYSIS SOFTWARE



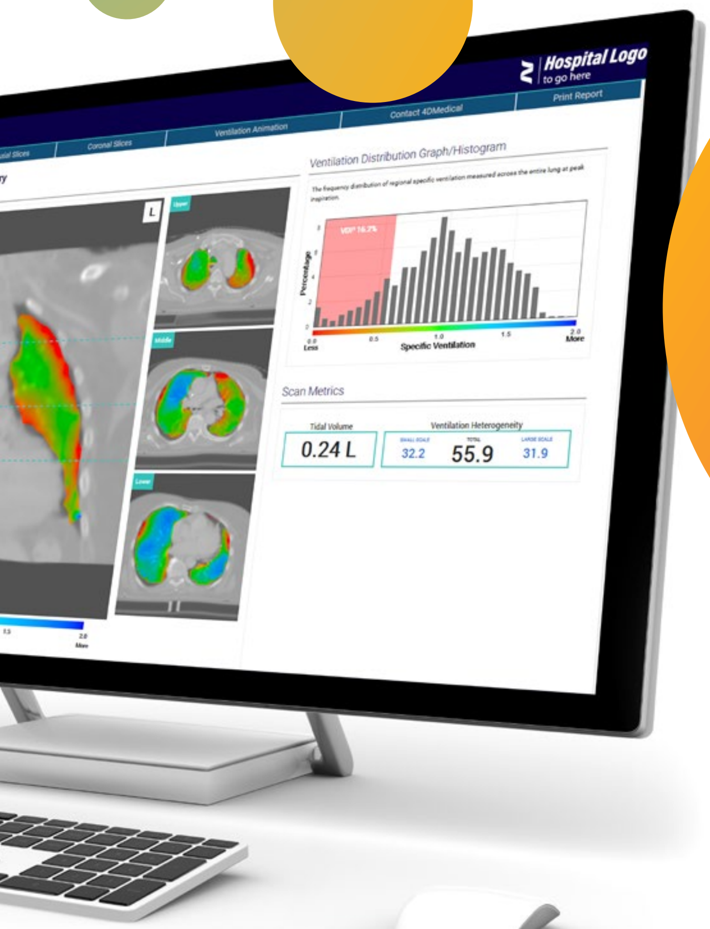
Static slices from both Axial and Coronal views taken at 8mm spacing throughout the lung allow a detailed view of the lung.



Scan Metrics

Tidal Volume	Ventilation Heterogeneity		
	SMALL SCALE	TOTAL	LARGE SCALE
0.22 L	29.5	55.4	42.0

High and low Ventilation Heterogeneity values are associated with the uniformity or variability of ventilation throughout the lung. Ventilation Heterogeneity is widely recognised as an indicator of lung health.



The details that matter

Tidal Volume, Ventilation Heterogeneity and Ventilation Deficit Percentage (VDP) are just some of the scores contained in the XV LVAS Ventilation Report.

4DMedical™

TECHNOLOGY CONCEIVED 2005
INCORPORATED IN MELBOURNE 2012

US$31 BILLION GLOBAL MARKET OPPORTUNITY*

SUPERIOR RESPIRATORY DETAIL FOR IMPROVED PATIENT OUTCOMES

CLINICALLY VALIDATED
FDA CLEARED 2020

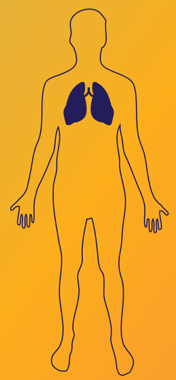
DISTRUPTIVE SaaS MODEL
LEVERAGING EXISTING X-RAY HARDWARE

43 GLOBAL PATENTS

GLOBALLY RECOGNISED U.S. HOSPITAL CUSTOMERS AND COLLABORATORS

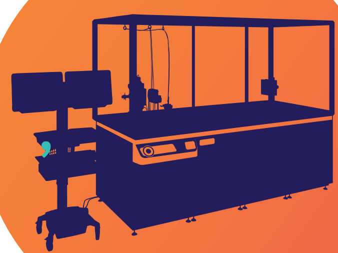
TGA SUBMISSION PLANNED FOR FY21

A DECADE OF RESEARCH
70+ PEER REVIEWED PUBLICATIONS



XV Technology HUMAN 2016 STUDIES COMMENCED

EMPLOYING 41 STAFF



PRECLINICAL SCANNER DESIGNED, BUILT TESTED AND COMMERCIALISED 2017

ASX LISTED 2020

U.S. OFFICE OPENED 2017

* *US$31 billion global market opportunity. 377 million procedures annually.*
US$13.7 billion U.S. market opportunity. 73.5 million procedures annually.
Source: Frost & Sullivan 2020

FY20 Summary

SALES REVENUE
FY20: $1.23m
FY19: $0.70m
Up 77%

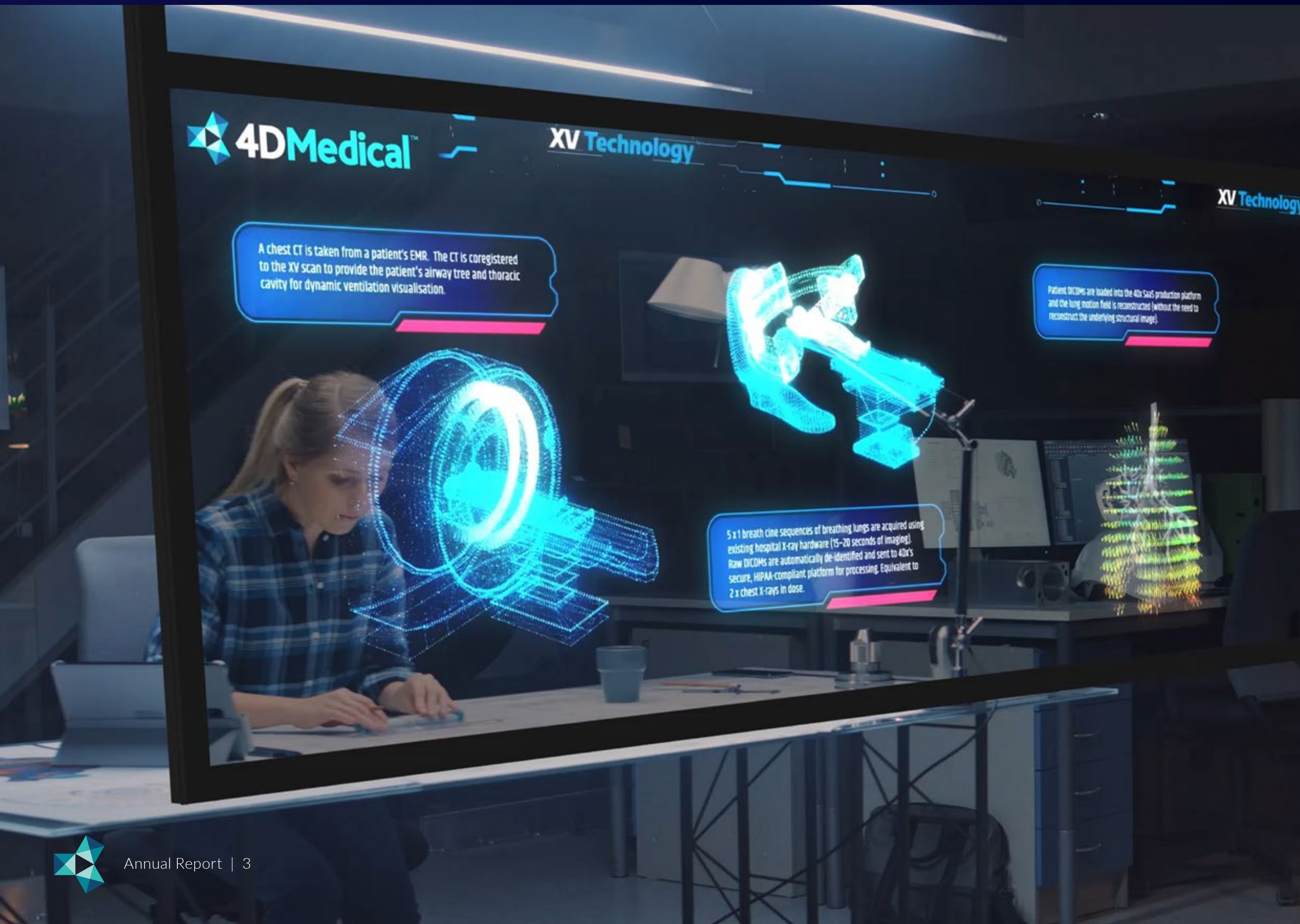
OTHER INCOME
FY20: $2.14m
FY19: $0.86m
Up 149%

OPERATING COSTS
FY20: $16.07m
FY19: $7.08m
Up 127%

CASH RESERVES
FY20: $8.43m
FY19: $3.09m
Up 173%

LOSS AFTER TAX
FY20: $21.98m
FY19: $6.49m
Up 239%

FULL TIME EMPLOYEES
FY20: 41
FY19: 25
Up 64%



Contents

Our Mission

Our mission is to improve global health by providing unique and non-invasive imaging technologies that enable unprecedented insight into pulmonary function, critical in the analysis and management of respiratory diseases.


4DMedical
BNX 03
BNX 04
BNX 05
VPD
Left / Segment 1
Left / Segment 2
Left / Segment 3
Right / Segment 1
Right / Segment 2
Ventilation Distribution Histogram

Chairman and CEO Letter

Dear Shareholders,

On behalf of the board of directors of 4DMedical Limited ("Board"), we are pleased to present the 2020 Annual Report of 4DMedical Limited (the "Company" or "4DMedical") for the year ended 30 June 2020.

The past 18 months has been the most exciting period in 4DMedical's history. After submitting our 510(k) application to the U.S. Food and Drug Administration ("FDA") in November 2019, we received confirmation that our Lung Ventilation Analysis Software ("XV LVAS") had been cleared for wide indication use in adult patients for any lung condition in May this year. FDA clearance represents a significant milestone for the Company and its controlled entities (the "Group") as it validates more than 15 years of extensive research and development of our XV Technology and enables us to commence marketing and selling XV LVAS to hospitals and clinics in the U.S.

The U.S. respiratory diagnostic market represents the largest jurisdictional opportunity for 4DMedical, with 73.5 million lung diagnostic procedures performed every year, contributing an annual spend of US$13.7 billion to the global market worth US$31 billion. The Group will initially target large hospitals operating at scale, including its clinical trial partners, to drive take up and market adoption.

Having raised sufficient capital from the pre-IPO convertible notes issuance in December 2019 and February 2020, the Group has been able to expand our team in Melbourne and Los Angeles. We are thrilled to have welcomed 16 new employees to 4DMedical over the financial year, including 6 sales and marketing staff, bringing the total to 41 full time employees. We are also pleased to have strengthened the executive management team with the appointment of Dr Jason Kirkness as Vice President, Medical and Clinical Affairs in June 2020. Dr Jason Kirkness has over 20 years training and experience in developing and implementing novel technology and will lead our Medical Affairs department and supervise the roll out of our XV LVAS product in the U.S.

Since receiving FDA clearance, the Group has been making steady progress towards obtaining regulatory clearance in Australia. As part of our application to the Therapeutic Goods Administration ("TGA"), we have continued to develop our Quality Management System ("QMS") that will conform with ISO 13485 under the FDA's Medical Device Single Audit Program ("MDSAP"). We look forward to being able to sell and market our products in Australia and expect to submit our TGA application in FY21.

An important milestone for our shareholders and employees that occurred after the financial year end was our Initial Public Offering ("IPO") on the Australian Securities Exchange on 7 August 2020. The Board was very pleased with the outcome of the IPO which raised $50 million of new capital and was strongly supported by a wide range of institutional and retail investors, including both new and existing shareholders.

Whilst the COVID-19 pandemic has temporarily impacted our ability to interact with potential customers face-to-face, we believe it will lead to a significant, permanent increase in the demand for lung health assessments and new lung health technologies in the medium-to-long term. The U.S. is forecast to be one of the major consumers of lung assessments tests in the future, having recorded approximately 25% of the total number of confirmed cases worldwide. Our XV technology can be used to monitor and assess all conditions of the lung, including Acute Respiratory Distress Syndrome (ARDS), a respiratory condition that is caused by COVID-19. As such, we have confidence in our XV Technology and its potential to assist the global effort against COVID-19.

Over the next 12 months 4DMedical will be focused on generating sales from our U.S. network, as well as continuing to develop our existing technologies and product pipeline. XV Technology is fully compatible with some of the most widely used hospital X-ray systems. As part of broadening our potential customer base, we will be looking to improve the compatibility of our technology with additional third-party X-ray systems.

In addition, we recently commenced the engineering phase for our future Ventilation Perfusion (VQ) product that will compete directly with nuclear medicine scans. Our VQ product will measure both ventilation and perfusion, however unlike nuclear medicine scans it will be free of costs and risks associated with the use of contrast agents. Clinical trials for our VQ product are expected to commence in 2021.

We would like to take this opportunity to thank 4DMedical's staff worldwide for all their efforts throughout the year. The quality and commitment of our team is the foundation of the Group and we are fortunate to have many industry experts dedicated to the success of our business. We also wish to thank shareholders for their support and encouragement.

Faithfully,

Mr Bruce Rathie
Non-Executive Director and Chairman

Dr Andreas Fouras
Managing Director and
Chief Executive Officer

The Year Ahead

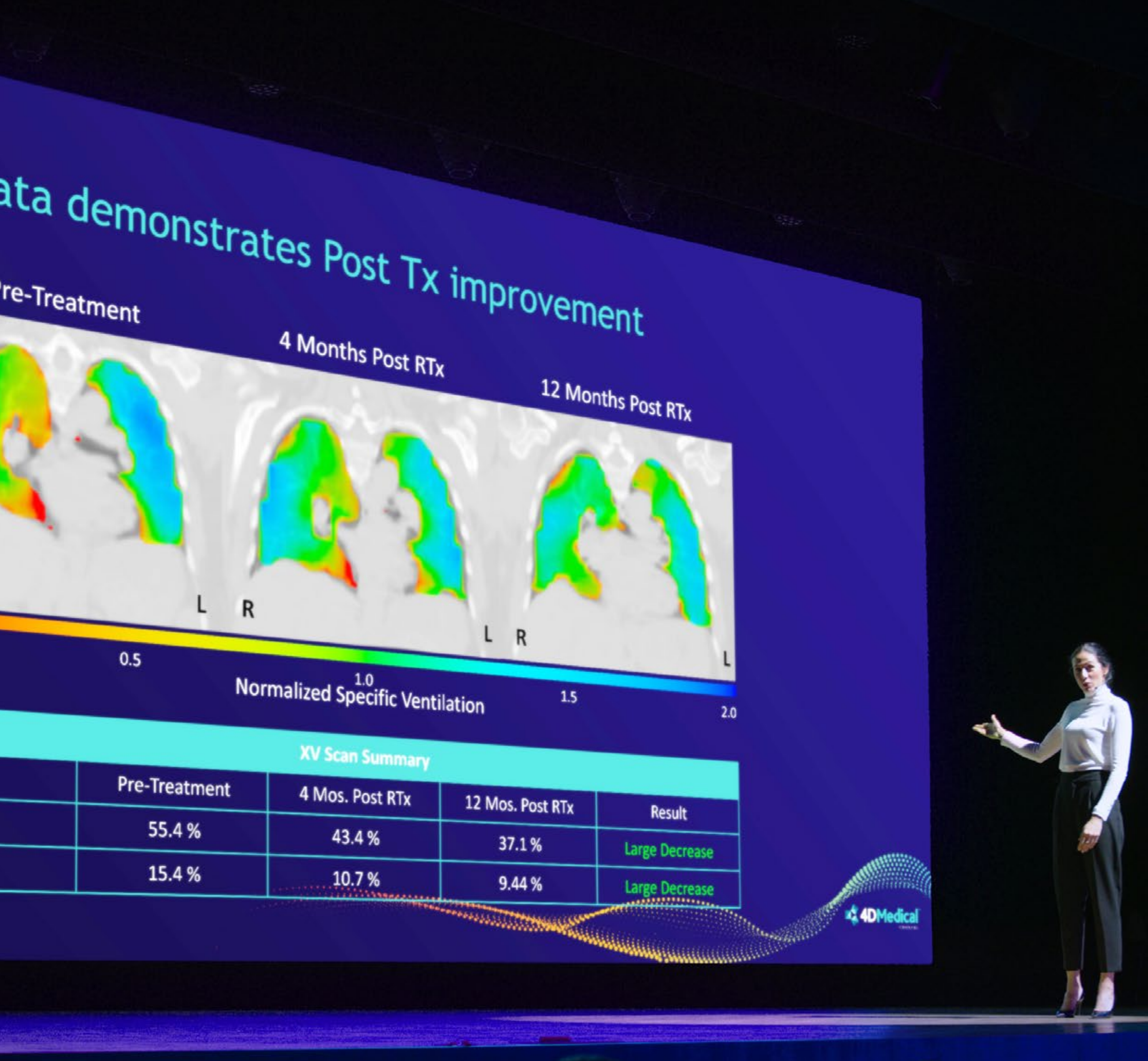
During the last financial year, the Group was actively engaged in developing its technology as well as working with regulators to progress commercialisation of its products in the U.S. Having obtained FDA 510(k) clearance for its XV LVAS product in May 2020, 4DMedical expects it will successfully grow its revenues in the coming year.

4DMedical's focus over the next twelve months will be to:

- Continue recruitment of sales and marketing staff in the U.S. to drive revenue generation. The in-house sales and marketing team will work closely with potential channel partners to establish additional means of revenue generation.
- Accelerate the roll out of the Group's XV LVAS product to priority hospitals and clinics located in the U.S. that have been identified by the go-to-market team.
- Increase the number of hospital X-ray systems compatible with 4DMedical's technology, which in turn will broaden the potential customer base for 4DMedical's products and services.
- Continue to develop and commercialise the Group's product pipeline, which includes VQ and Contrast Free Pulmonary Angiography (CFPA) products. When commercialised, these products may be easily rolled out to existing customers using XV LVAS with little to no additional cost, enabling increased market penetration and quicker hospital take up.
- Plan and conduct clinical trials to drive awareness, education, and necessary evidence of efficacy to accelerate product adoption. These programs are designed to achieve long-term strategic value by partnering with leading hospitals and clinics in treating respiratory disease.

- Prepare for ISO 13485 certification of the Group's QMS under the Medical Device Single Audit Program (MDSAP). As a medical device company, an external audit under MDSAP will provide certification of the Group's QMS to support future applications for Australia, the U.S., and other future target jurisdictions.
- Initiate the validation and verification process for XV LVAS in preparation for its Australian TGA submission in FY21. Regulatory clearance by the TGA would allow 4DMedical to market and sell its XV LVAS product to hospitals and clinics in Australia.
- Continue promotion of 4DMedical's software and technologies at some of the largest health-related trade show and conferences around the world. The Group has confirmed virtual reservations at the annual meetings for the American College of Chest Physicians (CHEST) in October 2020, the Radiological Society of North America (RSNA) in November 2020, the Association of Military Surgeons of the United States (AMSUS) in December 2020, as well as the American Thoracic Society (ATS) conference in May 2021.

COVID-19 has made 2020 a challenging year for many businesses. 4DMedical has not be immune to the impact of COVID-19. Medical conferences, a significant part of our marketing strategy, were cancelled, postponed or reconfigured to be online only. 4DMedical embraced this challenge by creating a world leading virtual experience for the launch of our XV LVAS. Unveiled at ATS 2020 virtual conference in August, 4DMedical received significant traffic and user engagement with over 18 hours of our digital content consumed over the first 6 days of the event.



Directors' Report

After over a decade of global research and development, the Company announced its first clinical presentation of XV Technology at the Respiratory Innovation Summit (RIS) 2019. The presentation was well received and generated significant clinical interest in the technology.

Directors' Report

The directors of 4DMedical Limited (previously known as 4Dx Limited) (the "Company" or "4DMedical") and its controlled entities (the "Group") present the Directors' report, together with the financial report on the consolidated entity (referred to hereafter as the "Group") for the financial year ended 30 June 2020.

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.

BRUCE RATHIE
NON-EXECUTIVE DIRECTOR AND CHAIRMAN
B.Comm, LLB, MBA, FIML, FAICD, FGIA

Appointed Non-Executive Director (11 December 2019) and Chairman (11 March 2020)

Bruce is a professional Non-Executive Director of nearly 20 years, having completed successful prior careers in law and finance. He holds degrees in law (LLB), commerce (B. Commerce) and business (MBA Geneva). He is particularly strong in governance being a Fellow of the Australian Institute of Company Directors and holding its Diploma Company Director, a Fellow of Australian Institute of Managers & Leaders and a Fellow of the Governance Institute of Australia and holding its Graduate Diploma in Company Secretarial Practice (Governance).

His legal career included being partner of a prominent private law firm, then Senior Corporate Counsel to Robert Holmes à Court's Bell Resources Limited in the 1980's. After completing his MBA in Switzerland, he went into investment banking in 1986 which took him to New York for 3 years returning to Sydney in 1990. He spent the 1990's as an investment banker in Sydney, the last 5 as Director Investment Banking and Head of the Industrial Franchise Group at Salomon Brothers and then Salomon Smith Barney where he lead the firm's joint lead manager roles in the privatisations or IPOs of Qantas, Commonwealth Bank and Telstra amongst other major transactions of the day.

Bruce has been a professional director since 2000 in roles with ASX listed and unlisted companies predominantly in the financial services, biotechnology and technology sectors. He is currently a Non-Executive Director of ASX 200 PolyNovo Limited, Capricorn Society Limited, ASX listed Netlinkz Limited and Australian Meat Processors Corporation Limited. He is also Chairman of Capricorn Mutual Limited.

Bruce is an independent director.

DR ANDREAS FOURAS
MANAGING DIRECTOR
BEng, MEngSc(Res), PhD, MAICD

Dr Andreas Fouras is the Managing Director and Chief Executive Officer of the Group.

Andreas started his career in academic research studying experimental fluid dynamics in the Department of Mechanical and Aerospace Engineering at Monash University in Melbourne, Australia. His early research in wind tunnel quantification placed him as a young leader in the area of imaging (within fluid dynamics) developing a number of new approaches to the imaging of gas and liquid flow.

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 was able to apply novel concept to clinical use through the development of XV Technology, uniquely measuring airflow within the breathing lungs, at every stage of the breath, with both high spatial and temporal resolution at very low dose. Andreas' research has been documented in over 100 peer reviewed publications and over 40 patents and patent applications.

Andreas founded 4DMedical (previously known as 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 4DMedical's technologies.

Directors' Report (continued)

LILIAN BIANCHI
NON-EXECUTIVE DIRECTOR
BSc(Econ), MSc, GAICD, UK CISI

Appointed Non-Executive Director (11 December 2019)

Lilian brings to 4DMedical an invaluable history of experience in technology products and business transformations, helping lead boards to build an agile and robust strategy through expansive growth. She has participated in business transformations for US-listed technology companies and risk collaborations across financial risk modelling, climate science and primary industry productivity models. She is an experienced contributor to business transformations for US-listed technology companies with technology product expertise with AI and SaaS offerings and has vast international experience in the US, Australia, India, Singapore, UK, France, Germany, New Zealand, Italy and Spain.

Lilian's value to the 4DMedical Board lies in her CEO, board, and senior executive track record in financial services, global listed billion dollar tech corporations, tech start-ups, tier 1 management consultancies, public sector organisations, and international research operations. Her governance, strategy and capital raising experience has helped her lead corporations in periods of massive growth, guiding them in the pivot to stock market listings and international sales.

Lilian is an independent director and also is the Chair of the Audit and Risk Committee.

DR ROBERT FIGLIN
NON-EXECUTIVE DIRECTOR
MD, FACP

Robert is a Professor of Medicine and Biomedical Sciences and the Steven Spielberg Family Chair in Hematology-Oncology, 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 4DMedical'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.

Robert is an independent director.

Directors' Report (continued)

LUSIA GUTHRIE
NON-EXECUTIVE DIRECTOR
BAppSc(Med Tech), MSSTC, MAICD

With over 35 years in the pharmaceutical and bioscience industries, Lusia Guthrie is an experienced CEO, technology developer and medtech entrepreneur, with strong leadership skills and international industry networks. She started her career as a Medical Laboratory Scientist before joining the Manufacturing Division of pharmaceutical company FH Faulding & Co (now Mayne Pharma). Lusia then went on to co-found medical technology innovation company LBT Innovations Limited (ASX:LBT) where she was Chief Executive Officer and Managing Director until 2016.

Lusia has a 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 and sales. She has an ongoing interest in the development and commercialisation of innovative healthcare products that embrace automation, robotics, machine learning and artificial intelligence.

Lusia is a generous contributor to the Australian life sciences sector through various engagements including: Chair of BioMelbourne Network; Chair of the Medical Device Partnering Program in Victoria; Chair of Australian Lung Health Initiative. She is also a member of the Innovation Taskforce, an initiative of the Victorian Government Minister for Jobs, Innovation and Trade.

She currently serves as: Chair, BioMelbourne Network; Chair, Australian Lung Health Initiative Pty Ltd; and is a Member of the Innovation Taskforce for the Victorian Government and Member, Springboard Enterprises Life Science Council.

Lusia is an independent director and serves on the Audit and Risk Committee.

HEATH LEE
EXECUTIVE DIRECTOR
BEcon, CA (ICAA), FFin (FINSIA), GAICD

Heath brings significant business acumen to 4DMedical. Heath gained his Chartered Accountant qualification working with KPMG before moving into investment banking with BZW (Barclays 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.

As an active investor, advisor and non-executive board director, Heath holds a degree in Economics from Monash University and a Graduate Diploma in Applied Finance from FINSIA. Heath is also a Qualified Chartered Accountant, Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Effective 1 January 2020, Heath Lee transitioned from Non-Executive Director to Executive Director following his appointment as Chief Financial Officer of the Company.

Directors' Report (continued)

JOHN LIVINGSTON
NON-EXECUTIVE DIRECTOR
BAppSc(MedRad), GradDipHlthSc(HlthEdu), GradCertBusAdmin, GAICD

John Livingston was previously one of the founding partners of Lake Imaging, subsequently becoming part of Integral Diagnostics Ltd where John was CEO and Managing Director. 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 ASX.

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

John is Chairman of the Remuneration and Nomination Committee.

JULIAN SUTTON
NON-EXECUTIVE DIRECTOR
BSc, CFA

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, Julian is responsible for the sales and marketing function of Brown Advisory in Australia.

Julian serves on the Remuneration and Nomination Committee.

Directors' Report (continued)

Company Secretaries

The names and details of the Group's secretaries in office during the financial year ended 30 June 2020 and until the date of this report are as follows. Secretaries were in office for this entire period, unless otherwise stated.

MELANIE LEYDIN
COMPANY SECRETARY
BBus (Acc)(Corp Law), CA (ICAA), FGIA

Resigned as Company Secretary (11 September 2019)

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.

CHARLENE STAHR
COMPANY SECRETARY
BEng, BTech(Aero), MEngSc(Res), GIA(Affiliate), MAICD

Appointed Company Secretary (11 September 2019)

Charlene has over 12 years experience in the engineering and biomedical research sectors, where she has developed strong technical and business skills across corporate administration, finance and accounting, project and risk management, regulatory affairs, and grant writing. Her 7 years of employment at Monash University saw core involvement in international research programs and technology development, leading to publication of her own research and patented intellectual property. 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 Monash University. Charlene received a Master of Engineering Science (Research), her thesis demonstrating the application of XV Technology's precursor preclinical research technology to a lung disease model.

Directors' Report (continued)

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 (2019: none).

Principal activities

The principal activities of the Group during the financial year ended 30 June 2020 were medical research technology and development of a non-invasive respiratory imaging solution using four-dimensional imaging. This four-dimensional lung imaging technology utilises proven, patented mathematical models and algorithms to convert X-ray scans into quantitative data to enhance the capacity of physicians to manage patients with respiratory diseases and diseases of the lung.

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

Operating and financial review

4DMedical 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.

REVIEW OF OPERATIONS

During the year, 4DMedical's patented imaging technology, 'XV Technology' successfully completed analysis of 60 patient procedures datasets as part of its US Food and Drug Administration (FDA) clinical validation and pilot studies. In October 2019, 4DMedical concluded its first clinical trial (Phase 1A and 1B) in the US. The clinical trial successfully validated the application of XV Technology in quantifying and visualising regional lung function defects in human subjects and indicated that the XV Technology gave clinicians much more detailed information than the commonly used diagnostic methods, such as X-ray, CT and Pulmonary Function Tests (including spirometry).

The Company leveraged the trial results and data collected to support and complete its XV Technology 510(k) submission to the FDA in November 2019. In May 2020, 4DMedical received FDA 510(k) clearance for its XV Lung Ventilation Analysis Software (XV LVAS), the Company's first key offering which utilises its XV Technology platform, and as such is permitted to market and sell XV LVAS to hospitals and clinics in the US.

The main market for XV Technology lies within respiratory diagnostics market. Respiratory diagnostic products provide detailed regional measurements of lung function - a key unmet need in this multi-billion-dollar industry. XV Technology is accessible through a cloud-based Software-as-a-Service (SaaS) platform that fully integrates with existing hospital equipment enabling 4DMedical to deliver its technology at low cost and scale quickly to meet projected demand.

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. The COVID-19 pandemic has created a significant increase in global demand for lung health technologies. 4DMedical believes that COVID-19 will substantially and permanently increase the demand for lung health assessments and in turn grow the respiratory diagnostics market.

Australian Lung Health Initiative Pty Ltd ("ALHI"), a collaboration led by 4DMedical along with a consortium of Australian research project partners worked to integrate 4DMedical's XV Technology into the development of the world's first zero-dose dedicated lung scanner. ALHI, the recipient of the Federal Government's $960,000 award under Stage One of the Medical Research Future Fund ("MRFF") Frontiers initiative, saw ALHI partner with Micro-X, the University of Adelaide, Monash University, South Australian Health and Medical Research Institute, and Telethon Kids Institute to revolutionise lung screening and treatment built on the 4DMedical's XV Technology. ALHI remains a subsidiary of 4DMedical as at the date of this report.

ALHI is one of 10 applicants seeking to obtain Stage Two grant funding, which would provide one or more successful applicants with the opportunity to each secure between $10 million to $20 million in funding per year for up to five years. If successful in obtaining a Stage Two grant, 4DMedical is proposing to fund ALHI's ineligible expenditure (notably, operational expenses) of approximately $4 million over the course of the grant, with the option to contribute further as needed.

Prior to receiving FDA 510(k) clearance, 4DMedical recorded a number of revenue opportunities in business to business market sectors where regulatory clearance is not required. 4DMedical's hardware product lines which support accelerated validation of the XV Technology software platform includes small animal ventilators and pre-clinical scanners. In September 2019, the Company successfully delivered and commissioned 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 $1.60 million.

4DMedical continued to grow its portfolio of intellectual property rights that complement and facilitate the Company's business objectives. During the year, 4DMedical's patent portfolio grew to a total of 43 patents (15 granted and 28 filed) across jurisdictions such as the US, Europe, Australia, Japan, Singapore, Canada, India, New Zealand and China. The Company also has 13 trademark applications and during the financial year, filed trademarks for 4Dx, 4DMedical and XV Technology in China (1 accepted and 4 filed).

Directors' Report (continued)

As part of its ongoing efforts in enhancing board governance, the Company appointed new Non-Executive Directors, Bruce Rathie and Lilian Bianchi in December 2019. Bruce was subsequently appointed as Chairman of the Board in March 2020. Additionally, 4DMedical's Advisory Board welcomed the appointment of its new members, Dr Sam Hupert and Professor Bruce Thompson. The Advisory Board brings together key opinion leaders with significant clinical and commercialisation experience, providing valuable strategic advice to maximise the Company's ability to determine the clinical and commercial value of its products and to provide guidance for regulatory affairs.

FINANCIALS

The net result after tax of the Group for the financial year ended 30 June 2020 was a loss of $21.98 million (2019 : $6.49 million).

This result is in line with 4DMedical's continued investment in the development of the 'XV Technology' platform, and the associated pipeline of SaaS products. The net loss after tax includes a non-cash interest expense of $7.74 million relating to the convertible notes.

In a continuation to secure funding for its operations, 4DMedical completed a convertible notes issue in December 2019 and February 2020, which successfully raised $17.41 million. The proceeds from the convertible notes issue will fund the Company's go-to-market activities, provide short-term liquidity and working capital to ensure it is fully prepared to capitalise on new market opportunities.

Total revenue and other income for the Group increased by $1.82 million to $3.37 million with $1.23 million in reported sales of preclinical hardware and SaaS revenue during the year. Other income reported for the full year of $2.14 million comprises R&D Tax Incentive credits of $0.82 million and grant income of $1.32 million, which includes $0.96 million received by ALHI under the Federal Government's Stage One MRFF Frontiers initiative.

Total expenses including cost of sales and before depreciation and amortisation were higher by $16.82 million from last year, on the back of an increase in operating expenditure of $8.99 million and interest cost totalling $7.96 million. 4DMedical incurred increased interest expenses compared to prior periods on borrowings of $3.00 million which have since been repaid during the year and on convertible notes of $17.41 million issued in December 2019 and February 2020, respectively. A breakdown of these costs can be seen in Note 4.8.

Operating expenditure reported for the full year was $16.07 million compared to $7.08 million last year, driven by increased headcount and employment expenses, increased efforts in clinical development and conducting validation trials, increased capital raising activities and in obtaining FDA clearance for its XV LVAS software. Operating expenditure includes employee related expenses and share based payments totalling $7.66 million, clinical development advisory and related trial costs of $0.99 million, capital raising expenses and fees of $0.71 million, regulatory consultancy and fees of $0.37 million, go-to-market expenses of $1.18 million and operating costs of ALHI of $0.83 million.

The Group's net cash balance as at the end of the period was $8.43 million. Included in total liabilities are convertible notes of $17.05 million and an embedded derivative of $6.17 million recognised in relation to the convertible notes.

Options and rights

For the financial year ended 30 June 2020, 8,893,413 (2019: 1,273,083) options to acquire, and 3,938,512 (2019: 2,486,256) rights to purchase shares in the Company have been granted. No shares have been issued during the financial year by virtue of the exercise of any options or rights. There are 28,777,815 options and 8,492,850 rights that have been granted but not yet vested as at 30 June 2020 (2019: 19,884,402 and 4,582,505). From balance date to the date of this report, the Company issued 11,723,763 ordinary shares as a result of the accelerated vesting, conversion and exercise of rights and options issued under the Company's Employee Equity Plan. Refer to Significant events after reporting period for further details. These disclosures include options and rights that have lapsed.

Unissued shares of 4DMedical under option granted during the year:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
1 July 2019	1 July 2026	0.40	129,466
24 October 2019	24 October 2022	0.40	2,256,775
1 January 2020	31 December 2024	0.40	2,000,000
1 January 2020	1 July 2027	0.40	139,260
1 March 2020	1 March 2025	0.40	4,367,912

4DMedical granted rights during the year:

DATE RIGHTS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER OF RIGHTS
1 July 2019	N/A	0.40	1,817,637
1 January 2020	N/A	0.40	2,120,875

Directors' Report (continued)

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 2020.

Significant events after the reporting period

4DMedical listed on the ASX on 7 August 2020 raising $50 million of new capital. The IPO of the Company includes the issue of 68,493,152 fully paid ordinary shares and the sale and transfer of 7,936,549 fully paid ordinary shares, at the issue price of $0.73 per share. The Company received approximately $45.5 million in net proceeds from the IPO after the payment of fees and expenses of approximately $4.5 million. The proceeds raised in the IPO will be used to execute the Group's growth strategy, which is predominantly focused on increasing sales and marketing capabilities in the US, its clinical trial strategy to drive market penetration, and investment of additional resources into research and development of its product portfolio.

In addition, the convertible notes were converted to equity at the IPO. Upon conversion, a total of 36,511,199 ordinary shares were issued at a conversion price of $0.50 per share.

Under the Company's Employee Equity Plan which has ceased at IPO ("Legacy EEP"), 8,492,850 rights, 26,521,040 options were issued with various vesting conditions and 2,256,775 'Series C' options issued have been accounted for as equity settled share-based payments. Immediately prior to the completion of the IPO, all 8,492,850 rights were automatically converted to ordinary shares on a 1 for 1 basis.

4DMedical accelerated the vesting of 10,775,268 options issued under the Legacy EEP of which 7,332,732 options were bought back and cancelled for a net cash consideration of approximately $2.2 million, valued using the Black-Scholes model based on the issue price of $0.73 per share. The remaining 3,442,536 options were either net settled by shares or exercised resulting in the issue of 3,230,913 ordinary shares. At completion of the IPO, 15,745,772 options issued under the Legacy EEP remain. 'Series C' options remain outstanding at completion of the IPO. As at the date of the report, the value of the accelerated vested options at IPO date is still being quantified.

In addition, the Board resolved to grant 2,599,572 options under the Company's long-term incentive plan for key employees identified by the Board, which includes Executive Directors, Dr Andreas Fouras and Heath Lee. The vesting of these options will be subject to the satisfaction of appropriate service-based conditions and performance hurdles determined by the Board.

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.

Indemnification and insurance of directors and officers

Deeds of access and indemnity were issued to Bruce Rathie and Lilian Bianchi on 11 December 2019. No other 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 2020 for an officer of the Company.

Indemnification of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor, PKF Melbourne Audit & Assurance Pty Ltd, of the Company or of any related body corporate against a liability incurred as auditor.

Auditor's independence

The directors have received a declaration from the auditor of 4DMedical. This has been included on page 24. The auditor did not perform any non-audit services during the year.

Directors' Report (continued)

Directors' meetings

During the financial year, the Board dissolved the Committees for Finance, Investment and Regulatory and Quality, established an Audit and Risk Committee, and renamed the People and Remuneration Committee to Remuneration and Nomination Committee.

The number of meetings of directors (including meetings of committees of directors) held during the financial year ended 30 June 2020 and the number of meetings attended by each director were as follows:

	BOARD MEETINGS		AUDIT AND RISK		FINANCE		REMUNERATION & NOMINATION	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bruce Rathie	8	8	-	-	-	-	-	-
Dr Andreas Fouras	10	10	-	-	6	6	-	-
Lilian Bianchi	8	8	1	1	-	-	-	-
Dr Robert Figlin	10	8	-	-	-	-	-	-
Lusia Guthrie	10	10	1	1	-	-	-	-
Heath Lee	10	10	-	-	6	6	-	-
John Livingston	10	10	-	-	-	-	4	4
Julian Sutton	10	10	-	-	-	-	4	4

There were no meetings for the Investment, Regulatory and Quality Committees during the financial year ended 30 June 2020.

COMMITTEE MEMBERSHIP

Members acting on the committees of the Board during the year were:

AUDIT AND RISK COMMITTEE	FINANCE COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Lilian Bianchi	Heath Lee	John Livingston
Lusia Guthrie	Dr Andreas Fouras	Julian Sutton

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the directors in the shares and options of 4DMedical Limited were:

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
Bruce Rathie	500,000	-
Dr Andreas Fouras	64,838,000	6,036,693
Lilian Bianchi	50,000	-
Dr Robert Figlin	519,943	-
Lusia Guthrie	205,000	-
Heath Lee	1,057,682	494,160
John Livingston	1,925,352	-
Julian Sutton	480,800	6,205,162

Remuneration Report

FY20 saw Australia's first Permetium Preclinical Scanner commissioned in Australia. Located at the South Australian Health and Medical Research Institute (SAHMRI), the Permetium is part of the dedicated XV Technology research ecosystem established in 2019.

Remuneration Report

The directors of 4DMedical Limited present the remuneration report for the Group for the year ended 30 June 2020. This remuneration report forms part of the Directors' report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangements for the Group's key management personnel ("KMP") comprised of Non-Executive Directors and Executive Directors.

The KMP of the Group are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group.

The table below outlines the KMP of the Group and their movements during financial year.

NAME	POSITION	TERM IN POSITION AS KMP
Non-Executive Directors		
Bruce Rathie	Non-Executive Director and Chairman	Appointed as Non-Executive Director on 11 December 2019 and Chairman on 11 March 2020
Lilian Bianchi	Non-Executive Director	Appointed as Non-Executive Director on 11 December 2019
Dr Robert Figlin	Non-Executive Director	Full financial year
Lusia Guthrie	Non-Executive Director	Full financial year
John Livingston	Non-Executive Director	Full financial year
Julian Sutton	Non-Executive Director	Full financial year
Heath Lee	Non-Executive Director	Until appointment as Chief Financial Officer on 1 January 2020
Executive Directors		
Dr Andreas Fouras	Managing Director and Chief Executive Officer	Full financial year
Heath Lee	Executive Director and Chief Financial Officer	Appointed as Chief Financial Officer on 1 January 2020

The focus of this remuneration report is on the remuneration arrangements and outcomes for the KMP listed in the table above.

The Remuneration and Nomination Committee ("RNC") is responsible for developing, reviewing, making recommendations and providing assistance and advice to the Board on the remuneration arrangements for directors and executives.

The performance of the Group depends on the quality of its directors and executives. To that end, the Company's remuneration philosophy is to attract, motivate and retain high performance and high quality talent.

Non-Executive Director Remuneration

Under the Constitution, the Board decides the total amount paid to each director as remuneration for his or her services as a director of the Company. The maximum aggregated amount of fees, excluding superannuation, share-based payments and consulting fees, that may be paid to the Non-Executive Directors for their services this financial year is $250,000 per annum. At the Extraordinary General Meeting held on 1 July 2020, shareholders approved an increase in the maximum aggregate amount to $500,000 per year.

Non-Executive Directors are paid an annual fee as agreed with the Company for serving as a director, together with additional fees for chairing any Board committee.

Total Non-Executive Directors' fees, excluding superannuation, share-based payments and consulting fees for the year ended 30 June 2020 were $160,561.

Executive Director Remuneration

The Group's remuneration policy is designed to attract, retain and motivate highly qualified and experienced executives. Employment contracts have been entered into with all Executive Directors of the Group.

Remuneration for Executive Directors during the financial year consists predominantly of fixed remuneration in the form of salary, superannuation contributions and benefits. Variable remuneration in the form of short term incentives payable as a cash bonus is provided occasionally at the Board's discretion, based on RNC recommendations.

Remuneration Report (continued)

Details of Remuneration

		SHORT-TERM BENEFITS			POST-EMPLOYMENT	SHARE-BASED PAYMENTS	
		Salary & fees	Consulting fees	Cash bonus	Superannuation	Options and rights	Total
Name	Financial year	$	$	$	$	$	$
Bruce Rathie	**2020**	**33,011**	**-**	**-**	**3,136**	**-**	**36,147**
	2019	-	-	-	-	-	-
Lilian Bianchi	**2020**	**22,667**	**-**	**-**	**-**	**-**	**22,667**
	2019	-	-	-	-	-	-
Dr Robert Figlin	**2020**	**50,000**	**-**	**-**	**-**	**-**	**50,000**
	2019	50,000	-	-	-	-	50,000
Lusia Guthrie	**2020**	**53,333**	**-**	**-**	**-**	**-**	**53,333**
	2019	30,000	-	-	-	-	30,000
John Livingston	**2020**	**1,550**	**-**	**-**	**1,414**	**167,500**	**170,464**
	2019	-	-	-	-	100,000	100,000
Julian Sutton	**2020**	**-**	**-**	**-**	**1,267**	**380,750**	**382,017**
	2019	-	-	-	2,019	30,000	32,019
Dr Andreas Fouras	**2020**	**434,611**	**-**	**-**	**5,782**	**848,663**	**1,289,056**
	2019	359,950	-	-	5,985	-	365,935
Heath Lee	**2020**	**146,333**	**-**	**-**	**13,862**	**-**	**160,195**
	2019	60,000	-	-	5,700	-	65,700

Option holdings of key management personnel

The table below discloses option holdings and options granted as part of remuneration to participating KMP during the year who became entitled to options.

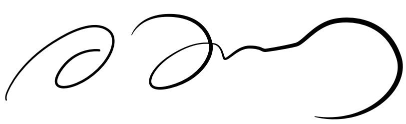
Options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met.

NAME	BALANCE AT 1 JULY 2019	GRANTED DURING THE YEAR	OPTIONS EXERCISED	OPTIONS GRANTED/ FORFEITED FROM ANY OTHER CHANGE	BALANCE AT 30 JUNE 2020	VESTED AND EXERCISABLE	VESTED NOT EXERCISABLE
Julian Sutton	4,266,666	1,938,496	-	-	6,205,162	6,205,162	-
Dr Andreas Fouras	3,280,018	1,842,675	-	-	5,122,693	5,122,693	-
Heath Lee	249,600	-	-	-	249,600	249,600	-

Rights of key management personnel

NAME	BALANCE AT 1 JULY 2019	GRANTED DURING THE YEAR	RIGHTS EXERCISED	RIGHTS LAPSED	BALANCE AT 30 JUNE 2020	NOT YET VESTED	VESTED AND EXERCISABLE
John Livingston	344,462	882,352	-	-	1,226,814	882,352	344,462
Julian Sutton	103,338	102,941	-	-	206,279	102,941	103,338

Signed in accordance with a resolution of the directors.



Dr Andreas Fouras
Managing Director
23 September 2020

Auditor’s Independence Declaration

AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF 4DMEDICAL LIMITED

In relation to our audit of the financial report of 4DMedical Limited for the year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

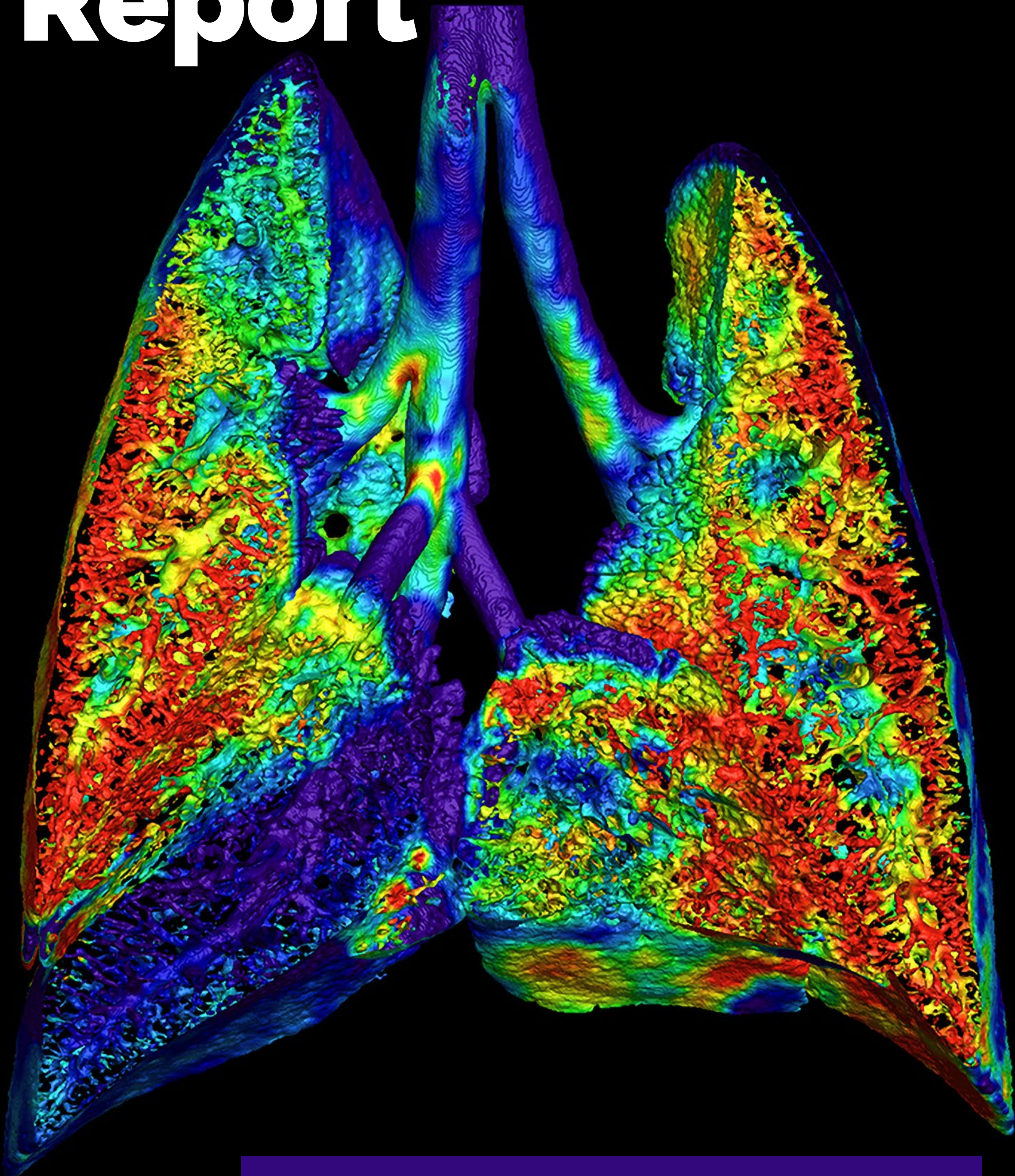
(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(b) no contraventions of any applicable code of professional conduct.

PKF	**Steven Bradby**
Melbourne, 23 September 2020	**Partner**

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Financial Report



XV Technology displayed as one an Anterior Posterior (AP) slice. The colours represent values for specific mean ventilation. An XV LVAS Ventilation Report contains over 10,000 individual points of measurement.

Financial Report

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Revenue	4	1,232,501	695,001
Cost of sales		(1,121,111)	(631,388)
Gross income		**111,390**	**63,613**
Other income	4.3	2,140,762	861,387
Employee benefits expense	4.4	(7,660,705)	(3,686,610)
Depreciation and amortisation expense	4.5	(584,653)	(103,944)
Foreign currency losses		(190,991)	(34,033)
Other expenses	4.7	(7,828,060)	(3,290,712)
Finance costs - net	4.8	(7,961,364)	(296,569)
Loss before income tax		**(21,973,621)**	**(6,486,868)**
Income tax expense	6	(1,758)	(4,137)
Loss for the year		**(21,975,379)**	**(6,491,005)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(21,975,379)**	**(6,491,005)**
Earnings per share			
Basic, loss for the year attributable to ordinary equity holders	7	($0.15)	($0.05)
Diluted, loss for the year attributable to ordinary equity holders	7	($0.10)	($0.04)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in accumulated losses.

Financial Report

Consolidated statement of financial position

AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	8	8,429,192	3,085,224
Trade and other receivables	9	649,151	676,986
Inventories	10	16,045	628,758
Research and development tax incentive receivable		1,102,213	926,662
Other assets		101,043	181,723
Deferred costs	11	387,980	-
Total current assets		**10,685,624**	**5,499,353**
Non-current assets			
Trade and other receivables	9	108,205	118,005
Property, plant and equipment	12	803,398	769,461
Right-of-use assets	13	965,434	-
Intangible assets	14	3,261,939	2,637,382
Total non-current assets		**5,138,976**	**3,524,848**
Total assets		**15,824,600**	**9,024,201**
Liabilities and equity			
Current liabilities			
Trade and other payables	15	2,334,626	1,153,623
Contract liabilities	16	492,085	124,586
Loans and borrowings	17	17,436,459	1,500,000
Employee benefit liabilities	19	298,870	161,215
Financial liabilities at fair value through profit or loss	20	6,174,221	-
Other liabilities		221,761	-
Total current liabilities		**26,958,022**	**2,939,424**
Non-current liabilities			
Loans and borrowings	17	621,154	1,500,000
Employee benefit liabilities	19	55,274	29,087
Total non-current liabilities		**676,428**	**1,529,087**
Total liabilities		**27,634,450**	**4,468,511**
Equity			
Issued capital	21	18,927,393	17,705,138
Other capital reserves	21.3	7,051,341	3,460,544
Other equity	21.4	796,787	-
Accumulated losses		(38,585,371)	(16,609,992)
Total (deficit)/equity		**(11,809,850)**	**4,555,690**
Total liabilities and equity		**15,824,600**	**9,024,201**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in accumulated losses.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2020

	ISSUED CAPITAL (NOTE 21)	OTHER CAPITAL RESERVES (NOTE 21.3)	OTHER EQUITY (NOTE 21.4)	ACCUMULATED LOSSES	TOTAL (DEFICIT)/ EQUITY
	$	$	$	$	$
At 1 July 2019	**17,705,138**	**3,460,544**	**-**	**(16,609,992)**	**4,555,690**
Loss for the year	-	-	-	(21,975,379)	(21,975,379)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(21,975,379)	(21,975,379)
Issue of share capital	1,222,255	-	-	-	1,222,255
Share-based payments (Note 24)	-	3,590,797	-	-	3,590,797
Convertible notes	-	-	796,787	-	796,787
At 30 June 2020	**18,927,393**	**7,051,341**	**796,787**	**(38,585,371)**	**(11,809,850)**
At 1 July 2018	**11,473,199**	**2,424,011**	**-**	**(10,118,987)**	**3,778,223**
Loss for the year	-	-	-	(6,491,005)	(6,491,005)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(6,491,005)	(6,491,005)
Issue of share capital	6,231,939	-	-	-	6,231,939
Share-based payments (Note 24)	-	1,036,533	-	-	1,036,533
At 30 June 2019	**17,705,138**	**3,460,544**	**-**	**(16,609,992)**	**4,555,690**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in accumulated losses.

Financial Report

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Operating activities			
Grant and receipts from customers		3,089,919	618,358
Payments to suppliers and employees		(7,611,281)	(5,219,711)
Interest received		57,143	3,698
Research costs		(3,318,089)	(2,050,001)
Interest paid		(274,698)	-
Research and development tax incentive		554,657	862,432
Net GST (paid)/refunded		(147,006)	4,837
Other tax (paid)/refunded		(993)	1,474
Net cash flows used in operating activities	**8**	**(7,650,348)**	**(5,778,913)**
Investing activities			
Purchase of property, plant and equipment		(325,297)	(524,573)
Purchase of intangibles		(183,745)	(124,643)
Research and development tax incentive		372,005	253,406
Capitalisation of development costs to intangible assets		(649,412)	(634,688)
Net cash flows used in investing activities		**(786,449)**	**(1,030,498)**
Financing activities			
Proceeds from issuance of shares		1,222,255	6,231,939
Payment of lease liabilities		(354,815)	-
(Repayment of)/proceeds from borrowings		(3,000,000)	2,000,000
Proceeds from convertible notes issue		17,412,500	-
Payments for cost of fund raising		(1,499,175)	-
Net cash flows from financing activities		**13,780,765**	**8,231,939**
Net increase in cash and cash equivalents		5,343,968	1,422,528
Cash and cash equivalents at the beginning of the year		3,085,224	1,662,696
Cash and cash equivalents at the end of the year	**8**	**8,429,192**	**3,085,224**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. The Group has initially applied AASB 16 using the modified retrospective approach. Under this approach comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in accumulated losses.

Financial Report

Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 JUNE 2020

1. Corporate information

The consolidated financial statements of 4DMedical Limited (previously known as 4Dx Limited) and its controlled entities (the "Group") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on the date the directors' declaration was signed.

4DMedical Limited (the "Company") is a for-profit public company limited by shares incorporated in Australia. The Company listed on Australian Securities Exchange (ASX) on 7 August 2020 (ASX code: 4DX).

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 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial statements also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied AASB 16 *Leases* for the first time in accordance with a resolution of the directors. The nature and effect of the changes as a result of adoption of this new accounting standards is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

AASB 16 *Leases*

AASB 16 was issued in January 2016 and it replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use (ROU) asset.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. The Group elected to use the transitional practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.3 Changes in accounting policies and disclosures (continued)
New and amended standards and interpretations (continued)
AASB 16 Leases (continued)

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$
Operating lease commitments as at 30 June 2019	**1,422,793**
Weighted average incremental borrowing rate as at 1 July 2019	7.5%
Discounted operating lease commitments as at 1 July 2019	1,316,005
Lease liabilities as at 1 July 2019	**1,316,005**

The weighted average incremental borrowing rate has taken into account the impact of foreign exchange.

Accounting Standards and Interpretations issued but not yet effective
The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 2020. 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.

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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)

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 2020 of $21,975,379 (2019: $6,491,005) and as at that date the Group's current liabilities exceeded current assets by $16,272,398 (2019: current assets exceed current liabilities by $2,559,929).

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 share capital of $1,222,255 and convertible notes of $17,412,500 during the financial year. Subsequent to balance date, 4DMedical raised $50,000,000 in new capital upon its Initial Public Offering on the ASX on 7 August 2020. Refer to Note 28.

Notwithstanding the above, 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 2021 financial year as a result of continued development of 4DMedical's XV Technology and investment in commercialisation of its products in the US, the cash flow forecasts indicate positive cash balances will be maintained for the forecast period. While the directors believe that the Group will be able to continue as a going concern, the Group's ability to achieve profitability in the future will depend in part on the Group realising its commercialisation strategy in the time frame set out in its forecasts. Further, the COVID-19 pandemic has adversely affected key markets such as the US, where the Group's ability to interact with potential customers face-to-face has been temporarily impacted. Despite the uncertainty, the directors are confident that the Group has the ability to request additional support from existing shareholders if financial assistance is required to continue its operations and fulfil its financial obligations.

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;
- Held primarily for the purpose of trading;
- 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)

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.

g) Deferred costs

Capital raising costs that are permitted to be capitalised are recognised as deferred costs in the consolidated statement of financial position and will be transferred to capital raising costs as a component of equity.

h) 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	5 years
Leasehold improvement	40 years
Conference assets	13 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)

i) 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:

	BRANDING	PATENTS	DEVELOPMENT COSTS
Useful lives	Finite (40 years)	Finite (20 years)	Finite
Amortisation method used	Amortised on a straight-line basis over the period of the brand	Amortised on a straight-line basis over the period of the patent	Not amortised as not yet reached stage requiring amortisation

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.

j) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)
j) Leases (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

k) 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.

l) 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.

m) 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)
m) Provisions and employee benefit liabilities (continued)

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.

Warranty provision

The Group provides a manufacturer's warranty for general repairs of defects of goods that existed at the time of sale. Provisions related to these warranties are recognised when the product is sold or the service is provided to the customer.

n) 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.

o) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The Group's financial liabilities at fair value through profit or loss consist of embedded derivatives. The embedded derivatives are held for trading as they are not designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing liability terms are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

p) 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.

q) Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)

r) 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 24. Where it does not qualify for recognition as assets, the cost is recognised in employee benefits expense (Note 4.4), 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.

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.

s) 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.

t) Revenue recognition

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 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)
t) Revenue recognition (continued)

Ongoing support and maintenance and software licences

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

Contract balances

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, 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.

u) 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.

v) 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

2. Summary of significant accounting policies (continued)
2.4 Significant accounting policies (continued)
v) Taxes (continued)

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.

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

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.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Recognition of Convertible Notes

At balance date management exercised its judgement to assess the probability of the Convertible Notes (“Notes”) being converted into equity. In relation to the face value of the Notes, the result was to recognise both a liability component and an embedded derivative (equity component). An associated interest expense was also recognised with a corresponding increase to the liability component. Refer to Notes 17 and 20.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

4. Revenue and expenses

4.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2020	2019
	$	$
Type of goods or service		
Sale of goods	1,100,000	682,514
Ongoing support and maintenance	16,251	7,070
Software licences	116,250	5,417
Total revenue from contracts with customers	**1,232,501**	**695,001**
Timing of revenue recognition		
Goods transferred at a point in time	1,100,000	682,514
Services transferred over time	132,501	12,487
Total revenue from contracts with customers	**1,232,501**	**695,001**
Geographical markets		
Australia	1,200,000	-
United States of America	32,501	695,001
Total revenue from contracts with customers	**1,232,501**	**695,001**

The Group has considered its internal reporting framework, management and operating structure and the directors' conclusion is that the Group has one operating segment. Refer to Note 5.

4.2 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. A manufacturer's warranty is provided on the sale of goods, refer to Note 2.4 (m). The normal credit term is 30 to 90 days upon delivery. Refer to Note 2.4 (t).

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 either considered over time or linked to output targets. Payment is received in advance, and the revenue is recognised over the satisfaction period and commences from the date the related goods are delivered. Refer to Note 2.4 (t).

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. The ongoing obligation for maintenance support is either considered over time or linked to output targets. Refer to Note 2.4 (t).

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

4. Revenue and expenses (continued)

4.2 performance obligations (continued)

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

	2020	2019
	$	$
Within one year	148,751	65,001
More than one year	343,334	59,585
	492,085	**124,586**

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 16.

4.3 OTHER INCOME

	2020	2019
	$	$
Research and development tax incentive	819,719	654,744
Government grants (Note 18)	1,320,945	-
Other income	98	206,643
Total other income	**2,140,762**	**861,387**

4.4 EMPLOYEE BENEFITS EXPENSE

	2020	2019
	$	$
Wages and salaries	3,448,688	2,284,120
Other employee and directors' benefits expenses	1,430,230	580,419
Equity settled share-based payment (Note 24)	2,781,787	822,071
Total employee benefits expense	**7,660,705**	**3,686,610**

4.5 DEPRECIATION AND AMORTISATION EXPENSE

	2020	2019
	$	$
Leasehold improvements	1,551	1,547
Furniture and fixtures	19,955	18,710
Workshop equipment	12,992	11,100
Conference assets	8,922	4,518
Computer equipment	104,847	63,061
Right-of-use assets	392,195	-
Other intangible assets	44,191	5,008
Total depreciation and amortisation expense	**584,653**	**103,944**

4.6 RESEARCH AND DEVELOPMENT COSTS

The Group's research and development costs relate to clinical and pre-clinical hardware and software development. Research and development costs that are not eligible for capitalisation are expensed in the period incurred, in 2020 this was $3,523,115 (2019: $2,289,679).

Financial Report

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

4. Revenue and expenses (continued)

4.7 OTHER EXPENSES

	2020	2019
	$	$
Computer expenses	101,812	55,392
Bad debt expenses	125,000	-
Insurance expenses	321,529	175,632
Legal, professional and consultant expenses	4,500,945	1,591,544
Occupancy and utilities expenses	181,630	498,964
Postage and couriers fees	14,244	12,656
Sales and marketing expenses	774,129	299,477
Travel expenses	349,991	406,382
Other	1,458,780	250,665
Total other expenses	**7,828,060**	**3,290,712**

4.8 FINANCE COSTS - NET

	2020	2019
	$	$
Interest expense on borrowings and convertible notes	7,964,459	254,517
Interest expense on lease liabilities	54,048	-
Loan establishment fees	-	45,750
Total finance costs	**8,018,507**	**300,267**
Interest income	(57,143)	(3,698)
Total finance income	**(57,143)**	**(3,698)**
Total finance costs - net	**7,961,364**	**296,569**

5. Segment information

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Board on the basis that they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The performance of the operations is based on EBITDA (earnings before interest, tax, depreciation and amortisation) and adjusted EBITDA which excludes the effects of significant items of income and expenditure that may have an impact on the quality of earnings. The accounting policies adopted for internal reporting to the CODM's are consistent with those adopted in the financial statements.

The Group has considered its internal reporting framework, management and operating structure and the directors' conclusion is that the Group has one operating segment.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

6. Income tax

6.1 INCOME TAX EXPENSE

The major components of income tax expense for the years ended 30 June 2020 and 2019 are:

	2020	2019
	$	**$**
Current income tax charge:		
Current income tax charge	1,758	-
Adjustments in respect of current income tax of previous year	-	4,137
Deferred tax:		
Relating to the origination and reversal of temporary differences	-	-
Income tax expense reported in the consolidated statement of profit or loss	**1,758**	**4,137**

6.2 RECONCILIATION BETWEEN TAX EXPENSE AND THE ACCOUNTING LOSS MULTIPLIED BY AUSTRALIA'S DOMESTIC TAX RATE FOR 2020 AND 2019

	2020	2019
	$	**$**
Accounting loss before income tax	**(21,973,621)**	**(6,486,868)**
At Company's statutory income tax rate of 27.5% (2019: 27.5%)	(6,042,746)	(1,783,889)
Research costs (permanent differences)	471,379	563,750
Other losses not recognised	5,573,125	1,224,276
Income tax expense reported in the statement of profit or loss	**1,758**	**4,137**

Carry forward tax losses

As at 30 June 2020, the Group has carry forward tax losses of $18,770,268 (2019: $8,140,549) 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.*

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

7. Earnings per share

Basic EPS is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per share for the reporting period were as follows:

	2020	2019
	$	$
Basic earnings per share	(0.15)	(0.05)
Diluted earnings per share	(0.10)	(0.04)

The following reflects the income and share data used in the basic and diluted EPS calculations:

	2020	2019
	$	$
Loss attributable to ordinary equity holders	**(21,975,379)**	**(6,941,005)**

	2020	2019
Weighted average number of ordinary shares for basic earnings per share	146,877,834	132,871,839
Effect of dilution from:		
Convertible notes	36,511,199	-
Options and rights	37,270,665	24,466,907
Weighted average number of ordinary shares adjusted for the effect of dilution	**220,659,698**	**157,338,746**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

8. Cash and cash equivalents

	2020	2019
	$	$
Cash at bank	**8,429,192**	**3,085,224**

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

	2020	2019
	$	$
Cash flow reconciliation		
Reconciliation of net loss after tax to net cash flows from operations:		
Net loss for the year	**(21,975,379)**	**(6,491,005)**
Adjustments for:		
Depreciation and amortisation expense	584,653	103,944
Research and development tax incentive	(819,719)	(654,744)
Operating share based payment expense	3,472,712	1,036,533
Unrealised foreign currency losses/(gains)	89,381	(13,759)
Bad debt expenses	125,000	-
Assets written off	146,942	-
Interest on convertible notes	7,743,809	-
Changes in assets and liabilities:		
Increase in trade and other receivables	(87,365)	(465,675)
Decrease/(increase) in inventories	612,713	(605,958)
Decrease/(increase) in other assets	80,680	(144,223)
Increase in trade and other payables	1,068,466	410,850
Decrease in research and development tax incentive receivables	554,657	862,432
Increase in employee benefit liabilities	163,842	58,106
Increase in contract liabilities	367,499	124,586
Increase in other liabilities	221,761	-
Net cash flows used in operating activities	**(7,650,348)**	**(5,778,913)**

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

8.1 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 JULY 2019	CASH FLOWS	RECOGNITION OF EMBEDDED DERIVATIVES	INTEREST ACCRUED	OTHER	30 JUNE 2020
	$	$	$	$	$	$
Loan from third party	3,000,000	(3,000,000)	-	-	-	-
Convertible notes (net of fund raising cost)*	-	15,485,178	(6,174,221)	7,743,809	-	17,054,766
Current - Lease liabilities	341,430	(354,815)	-	-	395,078	381,693
Non-current - Lease liabilities	974,575	-	-	-	(353,421)	621,154
Total liabilities from financing activities	**4,316,005**	**12,130,363**	**(6,174,221)**	**7,743,809**	**41,657**	**18,057,613**

	1 JULY 2018	CASH FLOWS	30 JUNE 2019
	$	$	$
Loan from third party	1,000,000	2,000,000	3,000,000
Total liabilities from financing activities	**1,000,000**	**2,000,000**	**3,000,000**

**The cash flows in relation to convertible notes consist solely of the liability component recognised upon receipt of the convertible notes.*

9. Trade and other receivables

	2020	2019
	$	$
Current		
Trade receivables	462,000	351,076
GST receivable	187,151	40,145
FBT receivable	-	765
Net other receivables	-	285,000
	649,151	**676,986**
Non-current		
Employee receivables	106,100	115,900
Net other receivables	2,105	2,105
	108,205	**118,005**

(i) Trade receivables

Trade receivables as at 30 June 2020 includes an amount relating to the sale of a pre-clinical scanner to South Australian Health and Medical Research Institute. No provision for expected credit losses has been recognised in trade receivables (2019: none).

(ii) Employee receivables

The employee 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 2020, 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

10. Inventories

	2020	2019
	$	$
Work in progress	16,045	628,758
Total inventories at the lower of cost and net realisable value	**16,045**	**628,758**

11. Deferred costs

	2020	2019
	$	$
Current		
Deferred capital raising costs	**387,980**	**-**

12. Property, plant and equipment

	FURNITURE AND FIXTURES	CONFERENCE ASSETS	LEASEHOLD IMPROVEMENTS	WORKSHOP EQUIPMENT	COMPUTER EQUIPMENT	TOTAL
	$	$	$	$	$	$
Cost or valuation						
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
At 30 June 2019	**197,665**	**184,729**	**62,040**	**72,546**	**465,695**	**982,675**
At 1 July 2019	197,665	184,729	62,040	72,546	465,695	982,675
Additions	10,664	8,000	-	14,355	292,278	325,297
Assets written off	(4,034)	(152,234)	-	-	(8,779)	(165,047)
Foreign exchange adjustment	3,102	-	-	(3,923)	3,809	2,988
At 30 June 2020	**207,397**	**40,495**	**62,040**	**82,978**	**753,003**	**1,145,913**
Depreciation						
At 1 July 2018	3,731	-	2,529	6,928	101,090	114,278
Depreciation charge for the period	18,710	4,518	1,547	11,100	63,061	98,936
At 30 June 2019	**22,441**	**4,518**	**4,076**	**18,028**	**164,151**	**213,214**
At 1 July 2019	22,441	4,518	4,076	18,028	164,151	213,214
Depreciation charge for the period	19,955	8,922	1,551	12,992	104,847	148,267
Assets written off	(1,544)	(11,068)	-	-	(5,493)	(18,105)
Foreign exchange adjustment	(746)	(1)	-	(3,923)	3,809	(861)
At 30 June 2020	**40,106**	**2,371**	**5,627**	**27,097**	**267,314**	**342,515**
Net book value						
At 30 June 2019	**175,224**	**180,211**	**57,964**	**54,518**	**301,544**	**769,461**
At 30 June 2020	**167,291**	**38,124**	**56,413**	**55,881**	**485,689**	**803,398**

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

13. Leases

Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 3 and 6 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	RIGHT-OF-USE ASSETS
	$
As at 1 July 2019 (on adoption of AASB 16)	**1,316,005**
Depreciation expense	(392,195)
Foreign exchange adjustment	41,624
As at 30 June 2020	**965,434**

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2020
	$
As at 1 July 2019 (on adoption of AASB 16)	**1,316,005**
Accretion of interest	54,048
Payments	(408,863)
Foreign exchange adjustment	41,657
At 30 June 2020	**1,002,847**
Current	**381,693**
Non-current	**621,154**

The following are the amounts recognised in profit or loss:

	2020
	$
Depreciation expense of right-of-use assets	392,195
Interest expense on lease liabilities	54,048
Total amount recognised in profit or loss	**446,243**

The Group had total cash outflows for leases of $408,863 in 2020.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

14. Intangible assets

	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
	$	$	$
Cost			
At 1 July 2018	1,686,775	463,358	2,150,133
Additions	577,234	124,643	701,877
Disposals	-	(185,698)	(185,698)
At 30 June 2019	**2,264,009**	**402,303**	**2,666,312**
At 1 July 2019	2,264,009	402,303	2,666,312
Additions	485,003	183,745	668,748
At 30 June 2020	**2,749,012**	**586,048**	**3,335,060**
Amortisation			
At 1 July 2018	-	209,620	209,620
Amortisation for the period	-	5,008	5,008
Disposals	-	(185,698)	(185,698)
At 30 June 2019	**-**	**28,930**	**28,930**
At 1 July 2019	-	28,930	28,930
Amortisation for the period	-	44,191	44,191
At 30 June 2020	**-**	**73,121**	**73,121**
Net book value			
At 30 June 2019	**2,264,009**	**373,373**	**2,637,382**
At 30 June 2020	**2,749,012**	**512,927**	**3,261,939**

15. Trade and other payables

	2020	2019
	$	$
Current		
Trade payables	1,666,945	242,778
Other payables	591,126	273,803
Government grants (Note 18)	45,055	-
Unearned other income	31,500	-
Capital holdings	-	637,042
	2,334,626	**1,153,623**

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

16. Contract liabilities

	2020	2019
	$	$
At 1 July	**124,586**	**-**
Deferred during the year	400,000	124,586
Released to the consolidated statement of profit or loss and other comprehensive income	(32,501)	-
At 30 June	**492,085**	**124,586**

Contract liabilities include advances received to deliver ongoing support and maintenance and software license services. The increase in contract liabilities in 2020 was due to the advances received in relation to sale of pre-clinical scanner to South Australian Health and Medical Research Institute.

17. Loans and borrowings

	2020	2019
	$	$
Current		
Loan from third party	-	1,500,000
Lease liabilities (Note 13)	381,693	-
Convertible notes	17,054,766	-
	17,436,459	**1,500,000**
Non-current		
Loan from third party	-	1,500,000
Lease liabilities (Note 13)	621,154	-
	621,154	**1,500,000**

Loan from third party

The loan represented an early receipt of the estimated research and development tax refund. It consisted of two tranches of $1.5 million. The interest rate on the tranches were 1.25% and 1.80% per month. The first tranche of $1.5 million was repaid on 31 October 2019. The second tranche of $1.5 million was due to be repaid on 31 October 2020. The loan was fully repaid as at 31 December 2019.

Financial Report

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

17. Loans and borrowings (continued)

Convertible notes

In mid to late December 2019, the Company issued $17,287,500 and in February 2020, $125,000 in unsecured convertible notes ("the Notes"). The Notes bear a coupon rate of 10% per annum that accrues on each Note from the date of issue until maturity (ie. 12 months from the date of issue) or at IPO. The amount of interest payable is non-cumulative and calculated on the face value of each Note from the date of issue. The Notes mature 12 months after the date of issuance, unless converted at an earlier date. The Notes are convertible into ordinary shares of the Company immediately before the occurrence of an initial public offering of the Company's shares on the Australian Securities Exchange in accordance with the Deed Poll. This is based on the market price per share at the date of issue of the Notes of $0.50. The Notes are presented in the consolidated statement of financial position net of capital raising costs, as follows:

	2020
	$
Face value	16,281,965
Other equity securities (Note 21.4)	(796,787)
Embedded derivative	(6,174,221)
	9,310,957
Interest expense*	7,743,809
Non-current liability	**17,054,766**

**Interest expense is calculated by applying the effective interest rates between 42.00% and 49.72% to the liability component.*

18. Government grants

	2020	2019
	$	**$**
At 1 July	-	-
Received during the year	1,366,000	206,643
Released to the consolidated statement of profit or loss and other comprehensive income	(1,320,945)	(206,643)
At 30 June	**45,055**	-

During the year, ALHI, a collaboration between 4DMedical and its project partners, was awarded $960,000 under the MRFF Medical Research Stage One Research Plan grant to develop a detailed research plan over 12 months that if successful, will cover five years of activity that will lead to the commercial development of a zero-dose dedicated lung scanner. The project relies on contributions and deliverables from each project partner. The grant forms part of the $20 billion MRFF.

The grant received from the Government is subject to satisfactory delivery of agreed project outcomes and compliance by ALHI with its obligations under the grant agreement.

In June 2020, the MRFF and ALHI entered into a variation agreement which extended the duration of the Stage One Research Plan Grant to 30 September 2020. Under the amended terms, ALHI is eligible to receive further funding of $164,822.

As the grant is subject to milestone achievements, 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.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

19. Employee benefit liabilities

	2020	2019
	$	$
Current		
Employee entitlements	298,870	161,215
Non-current		
Employee entitlements	55,274	29,087

20. Financial liabilities at fair value through profit or loss

	2020	2019
	$	$
Current		
Financial liabilities at fair value through profit or loss	6,174,221	-

The embedded derivative liability in relation to the convertible notes (Note 17) is separated from the convertible notes and carried at fair value through profit or loss.

21. Issued capital and reserves

	2020	2019
	$	$
Ordinary shares	18,927,393	17,705,138

21.1 TERMS AND CONDITIONS OF ORDINARY SHARES

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

21.2 MOVEMENT IN ORDINARY SHARES ON ISSUE

	NO. OF SHARES	$
At 1 July 2018	128,893,936	11,473,199
Issued shares	15,994,856	6,231,939
At 1 July 2019	144,888,792	17,705,138
Issued shares	3,145,500	1,222,255
At 30 June 2020	148,034,292	18,927,393

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

21. Issued capital and reserves (continued)

21.3 RESERVES

	2020	2019
	$	$
Share-based payment reserve	**7,051,341**	**3,460,544**

	2020	2019
	$	$
Movement in the share-based payment reserve		
Balance at the beginning of the year	3,460,544	2,424,011
Share-based payments expense during the year (Note 24)	3,590,797	1,036,533
Balance at the end of the year	**7,051,341**	**3,460,544**

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

21.4 OTHER EQUITY

	2020
	$
Value of conversion rights - convertible notes	**796,787**

Conversion rights of convertible notes
The amount shown for other equity securities is the value of the conversion rights relating to convertible note with a coupon rate of 10%, details of which are shown in Note 17.

22. Capital management

The Group's capital includes issued capital, other capital reserves, accumulated losses and other equity. The objectives of managing the Group's capital is to ensure the Group's ability to achieve sustained business growth and profitability so as to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the business. To maintain an optimal capital structure, the Group may return capital to shareholders or issue new shares subject to the Company's constitution and relevant regulations. The Group's policies in respect of capital management and allocations are reviewed by the Board and there has been no changes made during the year.

23. Financial risk management objectives and policies

23.1 RISK EXPOSURES AND RESPONSES

The key risks the Group is exposed through its financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. Financial instruments affected by exposure risk include loans and borrowings and financial liabilities at fair value through profit or loss.

Interest rate risk
Exposure to interest rate risk is when the value of financial assets and liabilities fluctuates as a result in change in interest rates, affecting future cash flows or the fair value of fixed rate financial instruments. As the Group's loans and borrowings carry a fixed interest rate, the Group does not have any significant exposure to interest rate risk.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

23 Financial risk management objectives and policies (continued)
23.1 Risk exposures and responses (continued)

Foreign currency risk
As the Group's financial liabilities are denominated in Australian Dollars (AUD), the Group's exposure to foreign currency risk 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. The Group mitigates liquidity risk by ensuring it has sufficient funds on hand to meet its working capital and investment objectives, while also focussing on improving its operational cash flow.

With the exception of non-current lease liabilities, all contractually fixed payments included in the consolidated statement of financial position as at 30 June 2020 are expected to be settled within one year of this date.

23.2 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.

Embedded derivatives
The embedded derivative is calculated based on the share price at the IPO date. The carrying value approximates its fair value.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

24. Share-based payments

Description of the Share-based payments arrangement

The Group had the following share-based payment arrangements, which are described below:

	DATE OF GRANT:	TOTAL VESTED AND UNVESTED:	VESTING CONDITIONS:
2016 Rights Offer	15 Jan 2017	547,723	50% on 15 Jan 2017; 50% on 30 Jun 2017
2016 Options Offer	15 Jan 2017	7,709,144	50% to vest on/after 15 Jan 2017; 50% on/after 30 Jun 2017
2016 Options Offer (Other)	15 Jan 2017	3,280,018	50% to vest on/after 15 Jan 2017; 50% on/after 30 Jun 2017
2017 Fundraiser's Offer	15 Mar 2017	6,400,000	Vesting is subject to the Fundraising Hurdle
2017 Options USA Offer	1 Oct 2017	22,157	50% on 1 Jul 2018; 50% on 30 Jun 2019
2017 Options Offer	15 Dec 2017	1,200,000	50% on 1 Jul 2018 and 50% on 1 Jul 2019
2018 Special Rights Award	15 Dec 2017	527,026	50% on 1 Jul 2018; 50% on 1 Jul 2019
2018 Rights Award	15 Dec 2017	496,060	50% on 1 Jul 2018; 50% on 1 Jul 2019
2018 Salary Sacrifice Offer	1 Jan 2018	447,565	50% on 1 Jul 2018; 50% on 1 Jan 2019
2018A Salary Sacrifice Offer	8 Mar 2018	62,972	50% on 1 Jul 2018; 50% on 1 Jan 2019
2019 Fee Sacrifice Offer	1 Jun 2018	447,800	100% on 1 Jul 2019
2019 USA Options Incentive Offer	1 Jul 2018	373,568	50% on 1 Jul 2019; 50% on 30 Jun 2020
2019A Salary Sacrifice Offer	1 Jul 2018	691,752	50% on 1 Jan 2019; 50% on 1 Jan 2020
2019 Rights Award	1 Jul 2018	439,543	50% on 1 Jul 2019; 50% on 1 Jul 2020
2019 Special Rights Award	1 Jul 2018	270,270	50% on 1 Jan 2019; 50% on 1 Jan 2020
2019A Special Rights Award	1 Sep 2018	11,261	50% on 1 Jan 2019; 50% on 1 Jan 2020
2019B Salary Sacrifice Offer	1 Jan 2019	640,533	50% on 1 Jul 2019; 50% on 1 Jul 2020
2019A USA Options Incentive Offer	1 Apr 2019	117,327	50% on 1 Jul 2019; 50% on 30 Jun 2020
2019 Special USA Options Offer	1 Apr 2019	782,188	100% on 30 November 2020
FY20 Fee Sacrifice Offer B	1 Jul 2019	779,411	50% on/after 1 Jul 2020; 12.5% on/after 1 Oct 2020; 12.5% on/after 1 Jan 2021; 12.5% on/after 1 Apr 2021; 12.5% on/after 1 Jul 2021
FY20 Rights Award	1 Jul 2019	485,427	50% on/after 1 Jul 2020; 50% on/after 1 Jul 2021
FY20A Salary Sacrifice Offer	1 Jul 2019	318,750	50% on/after 1 Jan 2020; 50% on/after 1 Jan 2021
FY20 Fee Sacrifice Offer	1 Jul 2019	205,882	100% vest on 1 Jul 2020
FY20 USA Options Incentives Offer	1 Jul 2019	129,466	50% on 1 Jul 2020; 50% on 1 Jul 2021
Series C 'Early Bird'	24 Oct 2019	2,256,775	100% to vest on 24 Oct 2019
FY20 Special Rights Award	1 Jan 2020	1,569,000	50% to vest on/after 1 Jan 2021; 50% on/after completion of secondment in the United States of America
FY20A Special Rights Award	1 Jan 2020	205,000	100% on 1 Jul 2020
FY20B Salary Sacrifice Offer	1 Jan 2020	346,875	50% on/after 30 Jun 2020; 50% on/after 30 Jun 2021
2019 Incentive Offer	1 Jan 2020	2,000,000	50% on 1 Jan 2020; 50% on 1 Jan 2021
FY20 Special Options Offer USA	1 Jan 2020	139,260	50% on 1 Jan 2021; 50% on 1 Jul 2022
FY20A Special Options Offer	1 Mar 2020	2,429,416	100% on 1 Mar 2020
2020 Introducer Options Offer A	1 Mar 2020	910,150	100% on 1 Mar 2020
2020 Introducer Options Offer B	1 Mar 2020	1,028,346	100% to vest after a successful IPO
Total vested and unvested:		**37,270,665**	

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

24. Share-based payments (continued)
Description of the Share-based payments arrangement (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:

	2020	2019
	$	$
Recognised in employee and directors' benefits expense	2,781,787	822,071
Recognised in the cost of capitalised development costs	118,085	214,462
Recognised in legal, professional and consultant expenses	690,925	-
Total expense arising from share-based payment transactions	**3,590,797**	**1,036,533**

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

	2020	2019
	Number	Number
Outstanding at 1 July	**19,884,402**	18,611,319
Granted during the year	8,893,413	1,273,083
Outstanding at 30 June	**28,777,815**	**19,884,402**
Exercisable at 30 June	**-**	**-**

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

	2020	2019
	Number	Number
Outstanding at 1 July	4,582,505	2,529,146
Granted during the year	3,938,512	2,486,256
Forfeited during the year	(28,167)	(432,897)
Outstanding at 30 June	**8,492,850**	**4,582,505**
Exercisable at 30 June	**-**	**-**

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

24. Share-based payments (continued)
Movements during the year (continued)

The weighted average remaining contractual life for the options outstanding as at 30 June 2020 was 5.53 years (2019: 7.20).

The weighted average fair value of options granted during the year was $0.35 (2019: $0.16).

The weighted average fair value of rights granted during the year was $0.35 (2019: $0.36).

The range of exercise prices for options outstanding at the end of the year was $0.40 to $1.20 (2019: $0.47 to $1.20).

The following tables list the inputs to the models used for the plans for the year ended in 30 June 2020 and 30 June 2019 respectively:

	OPTION PLANS	FUNDRAISER PLANS	RIGHT PLANS
2020			
Weighted average fair values at the measurement ($)	0.41	0.31	0.66
Expected volatility (%)	55	55	-
Risk-free interest rate (%)	1.00	1.00	-
Expected life of options (years)	5.6	6.7	-
Weighted average share price ($)	0.73	0.73	0.73
Model used	Black-Scholes	Black-Scholes	Qualitative assessment
2019			
Weighted average fair values at the measurement ($)	0.16	0.09	0.37
Expected volatility (%)	55	55	-
Risk-free interest rate (%)	1.03	1.03	-
Expected life of options (years)	6	2.75	-
Weighted average share price ($)	0.40	0.40	0.40
Model used	Black-Scholes	Black-Scholes	Qualitative assessment

The expected life of the 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.

Movements after the end of the current financial year:
Refer to Note 28 for details on settlement subsequent to year end.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

25. Group information

Subsidiaries

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

SUBSIDIARIES	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	% EQUITY INTEREST	
			2020	**2019**
4Dx Inc.	R&D, connecting 4DMedical with medical institutions, sales, marketing and support services.	USA	100	100
4Dx PTE Ltd	Dormant	Singapore	100	100
Australian Lung Health Initiative Pty Ltd	Deliver project milestones under the MRFF Stage One Research Plan Grant	Australia	100	100
4DMedical R&D Pty Ltd (Previously Notting Hill Devices Pty Ltd)	Dormant	Australia	100	100
Notting Hill Laboratories LLC**	Dormant	USA	100	-
4DMedical USA Inc.*	Dormant	USA	-	100

**This entity was incorporated on 1 June 2020.*

*** This entity was dissolved on 20 June 2020.*

26. Related party disclosures

Compensation of key management personnel of the Group

The total compensations of key management personnel of the Group was $2,163,879 (2019: $643,654). In addition, the Group paid key person insurance for an officer of the Group of $3,178 during the year (2019: $2,683).

	2020	2019
	$	**$**
Key management personnel of the Group for each of the following categories:		
Short-term employee and directors' benefits	741,505	499,950
Post-employment benefits	25,461	13,704
Share-based payment	1,396,913	130,000
	2,163,879	**643,654**

27. Commitments and contingencies

Lease commitments

The Group has no lease contracts that have not yet commenced as at 30 June 2020.

Operating lease commitments - Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 2019 are, as follows:

	2019
	$
Within one year	400,679
Greater than 1 year but less than 5 years	1,022,114
	1,422,793

Contingencies

The Group has no contingent assets or liabilities as at 30 June 2020 (2019: $nil).

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

28. Events after the reporting period

4DMedical listed on the ASX on 7 August 2020 raising $50 million of new capital. The IPO of the Company, includes the issue of 68,493,152 fully paid ordinary shares and the sale and transfer of 7,936,549 fully paid ordinary shares, at the issue price of $0.73 per share. The Company received approximately $45.5 million in net proceeds from the IPO after the payment of fees and expenses of approximately $4.5 million. The proceeds raised in the IPO will be used to execute the Group's growth strategy, which is predominantly focused on increasing sales and marketing capabilities in the US, its clinical trial strategy to drive market penetration, and investment of additional resources into research and development of its product portfolio.

In addition, the convertible notes were converted to equity at the IPO. Upon conversion, a total of 36,511,199 ordinary shares were issued at a conversion price of $0.50 per share.

Under the Company's Legacy EEP, 8,492,850 rights, 26,521,040 options were issued with various vesting conditions and 2,256,775 'Series C' options issued have been accounted for as equity settled share-based payments. Immediately prior to the completion of the IPO, all 8,492,850 rights were automatically converted to ordinary shares on a 1 for 1 basis.

4DMedical accelerated the vesting of 10,775,268 options issued under the Legacy EEP of which 7,332,732 options were bought back and cancelled for a net cash consideration of approximately $2.2 million, valued using the Black-Scholes model based on the issue price of $0.73 per share. The remaining 3,442,536 options were either net settled by shares or exercised resulting in the issue of 3,230,913 ordinary shares. At completion of the IPO, 15,745,772 options issued under the Legacy EEP remain. 'Series C' options remain outstanding at completion of the IPO.

In addition, the Board resolved to grant 2,599,572 options under the Company's long-term incentive plan for key employees identified by the Board, which includes Executive Directors, Dr Andreas Fouras and Heath Lee. The vesting of these options will be subject to the satisfaction of appropriate service-based conditions and performance hurdles determined by the Board.

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.

29. Auditor's remuneration

The auditor of 4DMedical is PKF Melbourne Audit & Assurance Pty Ltd.

	2020	2019
	$	$
Amounts paid or payable to PKF Melbourne Audit & Assurance Pty Ltd:		
- An audit or review of the financial report of the entity	**53,500**	**25,020**

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 30 JUNE 2020

30. Information relating to 4DMedical Limited (previously known as 4Dx Limited) (Parent)

	2020	2019
	$	**$**
Current assets	11,195,280	5,200,387
Total assets	15,708,824	8,982,891
Current liabilities	26,296,421	2,905,524
Total liabilities	26,772,818	4,434,611
Issued capital	18,927,393	17,705,138
Other capital reserves	7,051,341	3,460,544
Other equity	796,787	-
Accumulated losses	(37,839,515)	(16,617,402)
	(11,063,994)	**4,548,280**
Loss for the year	(21,222,113)	(6,444,753)

The commitments and contingencies of the Parent are that of the Group, which are disclosed at Note 27.

Directors' Declaration

In accordance with a resolution of the directors of 4DMedical Limited (previously known as 4Dx Limited), I state that:

In the opinion of the directors:

a) the consolidated financial statements and notes of 4DMedical Limited (previously known as 4Dx Limited) for the financial year ended 30 June 2020 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 2020 and 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.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the board

Dr Andreas Fouras
Managing Director
23 September 2020

Independent Auditor's Report

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4DMEDICAL LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of 4DMedical Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 financial report of 4DMedical Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of 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* (*including Independence Standards*) (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.

Key Audit Matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter – Classification and valuation of convertible notes	***How our audit addressed this matter***
During the year the Group issued 696.5 convertible notes each with a total face value of $25,000 generating proceeds of $17.4 million. The valuation and classification of the convertible notes as debt or equity is dependent on the requisite conditions as stated in the underlying agreements. The convertible notes have been classified as having both debt and equity components at the end of the year. The conversion features of the notes are accounted for as a derivative financial liability at fair value through the consolidated statement of profit or loss. Decisions regarding the appropriate accounting treatment of each element require judgement. Significant judgement is also required to determine the value of the conversion features and related balances. Notes 17, 20 and 21.4 of the financial statements describe the accounting for the convertible notes. The classification and valuation of convertible notes is considered a Key Audit Matter due to the judgements applied in accordance with Australian Accounting Standards.	Our procedures included, but were not limited to, assessing and challenging: • the terms and conditions of the convertible note agreement and the requisite conditions to be met for conversion; • the adopted accounting treatments applied including the valuation of the embedded derivative instrument and the conversion elements of the notes; • the appropriateness of the valuation methods adopted, the inputs used in the valuations and the resulting valuation amounts adopted by Management; and • the appropriateness of related disclosures in the financial statements.

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Independent Auditor's Report (continued)

Key audit matter – Recognition of software development costs as intangible assets	***How our audit addressed this matter***
As disclosed in note 14 of the financial statements, the carrying amount of the Group's internally developed software is $2,749,012 (2019: $2,264,009). The accounting policy in respect of this asset is also outlined in Note 2.4(i). Judgement is required in determining development expenditures that should be capitalised. These judgements include consideration of matters such as generation of future economic benefits and distinction between development of new software and maintenance or upgrade of existing software. Amortisation of the asset begins when development is complete and the asset is available for use, a stage which has not yet been achieved. Software development costs is considered a Key Audit Matter due to the judgements applied in the recognition of expenditure capitalised and the specific criteria that must be met for capitalisation, in accordance with Australian Accounting Standards.	Our procedures included, but were not limited to, assessing and challenging: • the nature of the Group's development costs relative to the ongoing development projects and specifically incurred in the period to assess both the accuracy and completeness of amounts capitalised; • the key assumptions used and estimates made in capitalising development costs and testing on a sample basis the accuracy of costs included for compliance with AASB 138 *Intangible Assets* and the Group's accounting policy; • evidence of the Group's conclusion of the economic feasibility of the products relying on the application of the software, including Board approved budgets and marketing and business development plans; • the Group's determination that the asset has not achieved a stage of completion and thus does not require amortisation; • whether there are any indicators of impairment, such as evidence of adverse market or other conditions; and • the appropriateness of related disclosures in the financial statements.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the financial report and the auditor's report. The directors are responsible for the other information in the annual report.

Our opinion on the financial report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 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.

Auditor's Responsibilities for the Audit of the Financial Report

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 the 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, individually 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:

Independent Auditor's Report (continued)

PKF

- 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 other 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 or 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. 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 consolidated 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in pages 22 to 23 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of 4DMedical Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

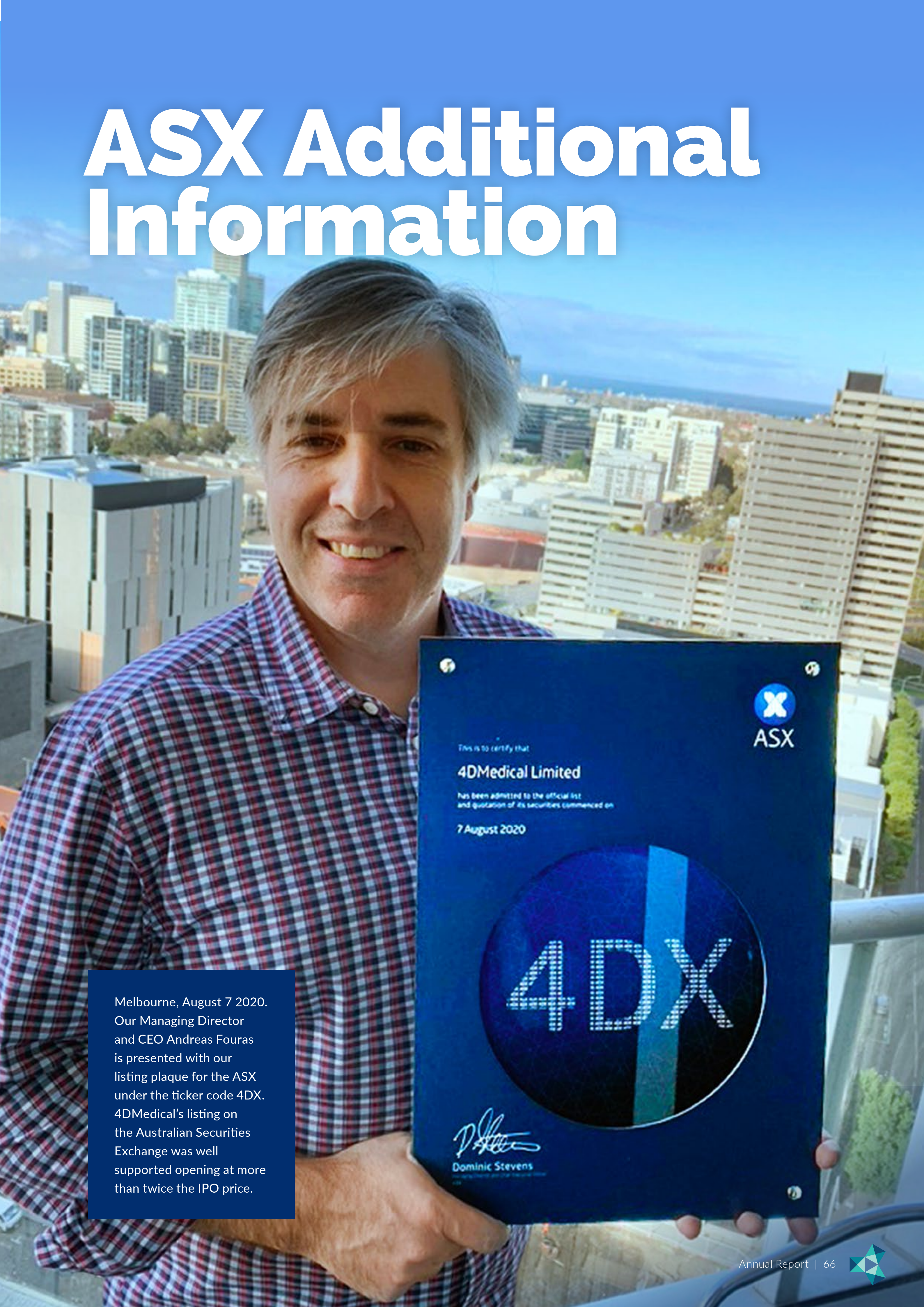
Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF
Melbourne, 23 September 2020

Steven Bradby
Partner

ASX Additional Information



Melbourne, August 7 2020. Our Managing Director and CEO Andreas Fouras is presented with our listing plaque for the ASX under the ticker code 4DX. 4DMedical's listing on the Australian Securities Exchange was well supported opening at more than twice the IPO price.

ASX Additional Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information not otherwise disclosed in this Annual Report. The information is current as at 7 September 2020.

(A) DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

• 264,762,405 fully paid ordinary shares are held by 5,280 individual shareholders

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

• 20,602,118 options are held by 17 individual option holders

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:

	FULLY PAID ORDINARY SHARES	OPTIONS
1-1,000	777,500	-
1,001-5,000	4,375,474	-
5,001-10,000	6,649,693	-
10,001-100,000	39,902,744	192,201
100,001 and over	213,056,994	20,409,917
	264,762,405	**20,602,118**
Holding less than a marketable parcel	65,270	-

(B) SUBSTANTIAL SHAREHOLDERS

ORDINARY SHAREHOLDERS	FULLY PAID	
	NUMBER	PERCENTAGE
4DMedical (substantial holding in shares of itself due to ASX mandatory and voluntary escrow arrangements)*1	134,541,408	50.82%
Velocimetry Consulting Pty Ltd (substantial holding due to direct holdings and having voting power in 4DMedical Limited above 20%)*2		
Helen Fouras (substantial holding due to direct holdings and having voting power in Velocimetry Consulting Pty Ltd above 50%)*3		
Dr Andreas Fouras (substantial holding due to having voting power in Velocimetry Consulting Pty Ltd above 20%)*4	64,838,000	24.49%
Perennial Value Management Limited*5	14,526,356	5.49%

Notes:

**1. As per Form 603 lodged with ASX on 14 August 2020*

**2. As per Form 603 lodged with ASX on 13 August 2020*

**3. As per Form 603 lodged with ASX on 13 August 2020*

**4. As per Form 603 lodged with ASX on 13 August 2020*

**5. As per Form 603 lodged with ASX on 11 August 2020*

ASX Additional Information

(C) TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES (OF HOLDERS NOT CURRENTLY SUBJECT TO RESTRICTION OR VOLUNTARY ESCROW)

The holders of quoted equity securities listed below are not currently subject to restriction or voluntary escrow arrangements.

	FULLY PAID	
	NUMBER	PERCENTAGE
National Nominees Limited	7,504,995	5.76%
HSBC Custody Nominees (Australia) Limited	7,324,469	5.62%
JP Morgan Nominees Australia Pty Limited	7,140,321	5.48%
Citicorp Nominees Pty Limited	2,758,579	2.12%
OH-Rule Pty Ltd	3,908,000	3.00%
BNP Paribas Noms Pty Ltd	1,961,465	1.51%
Mirrabooka Investments Limited	1,369,863	1.05%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	1,274,034	0.98%
Jianwen Xiao	1,216,176	0.93%
AAX Pty Ltd	1,200,000	0.92%
BNP Paribas Nominees Pty Ltd	1,017,608	0.78%
Truebell Capital Pty Ltd	1,000,000	0.77%
The Cleaning Agent Pty Ltd	900,000	0.69%
Ryder Capital Management Pty Ltd	873,287	0.67%
Doobie Investments Pty Ltd	800,000	0.61%
Netwealth Investments Limited	770,180	0.59%
Chapter 5 Pty Ltd	720,697	0.55%
Robert Aidan Jamison	600,000	0.46%
Invia Custodian Pty Limited	600,000	0.46%
Cranley Nominees Pty Ltd	595,527	0.46%
	43,535,201	**33.43%**

(D) UNQUOTED EQUITY SECURITIES SHAREHOLDINGS GREATER THAN 20%

FULLY PAID ORDINARY SHARES	NUMBER
Velocimetry Consulting Pty Ltd	64,838,000

(E) RESTRICTED OR ESCROW SECURITIES

THE NUMBER AND CLASS OF RESTRICTED SECURITIES SUBJECT TO MANDATORY ASX ESCROW	NUMBER
Fully paid ordinary shares escrowed until 24 October 2020	734,106
Fully paid ordinary shares escrowed until 29 November 2020	565,069
Fully paid ordinary shares escrowed until 17 December 2020	70,489
Fully paid ordinary shares escrowed until 20 December 2020	12,549,483
Fully paid ordinary shares escrowed until 12 February 2021	78,390
Fully paid ordinary shares escrowed until 7 August 2021	912,499
Fully paid ordinary shares escrowed until 7 August 2022	85,536,074
Unquoted options escrowed until 25 October 2020, exercisable at $0.71 and expiring 25 October 2022	2,256,775
Unquoted options escrowed until 7 August 2022, exercisable at various prices and expiring on various dates	12,770,998
Unquoted options escrowed until 1 January 2021, exercisable at $0.40 and expiring on 31 December 2024	2,000,000

THE NUMBER AND CLASS OF SECURITIES SUBJECT TO VOLUNTARY ESCROW	NUMBER
Fully paid ordinary shares escrowed until 7 August 2021	34,995,315

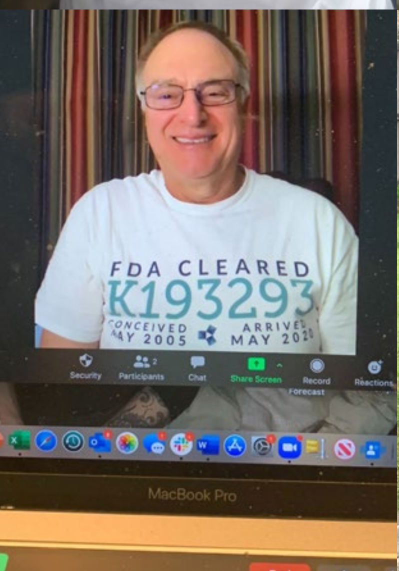
Corporate Governance Statement

The Company's Board is responsible for the corporate governance of the entity. The Board has referred to the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in establishing its corporate governance framework.

The Board and management are committed to conducting the Group's business in an ethical manner and in accordance with high standards of corporate governance. Further details of the Company's corporate governance framework and practices are described in the Company's Corporate Governance Statement.

The Company's Corporate Governance Statement, together with the ASX Appendix 4G, have been lodged with the ASX and are available at https://investors.4dmedical.com/Investor-Centre/?page=corporate-governance.

After 15 years of hard work and dedication from our team, the announcement of our first FDA regulatory clearance of the XV LVAS product in May 2020 was celebrated by a well deserving team. This is a huge milestone in our history and great recognition for the team.



Corporate Information

4DMedical Limited ACN 161 684 831

REGISTERED OFFICE

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Melbourne VIC 3004
T: +613 9545 5940
E (general): info@4dmedical.com
E (investors): investor.relations@4dmedical.com

BOARD OF DIRECTORS

Mr Bruce Rathie, Non-Executive Director and Chairman
Dr Andreas Fouras, Managing Director and CEO
Ms Lilian Bianchi, Non-Executive Director
Dr Robert A. Figlin, Non-Executive Director
Ms Lusia Guthrie, Non-Executive Director
Mr Heath Lee, Executive Director and CFO
Mr John Livingston, Non-Executive Director
Mr Julian Sutton, Non-Executive Director

COMPANY SECRETARY

Charlene Stahr
E: companysecretary@4dmedical.com

AUDITOR

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Melbourne VIC 3000

SHARE REGISTRY

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F: +61 2 9287 0309 (proxy forms only)
E: registrars@linkmarketservices.com.au
w: www.linkmarketservices.com.au

STOCK EXCHANGE LISTING

The Company's shares are quoted on the Australian Securities Exchange (ASX). The Company was admitted to the Official List of the ASX on 7 August 2020 under ASX code: 4DX.

WEBSITES

4DMedical Investor Centre:
https://investors.4dmedical.com/Investor-Centre/

4DMedical Corporate Governance:
https://investors.4dmedical.com/Investor-Centre/?page=corporate-governance

4DMedical Enquiries:
http://4dmedical.com

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4DMedical Limited

To find out more about our products get in touch with your local 4DMedical team today.
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