

Appendix 4E

ASX Preliminary Final Report

Name of Entity: 4DMedical Limited
ABN: 31 161 684 831

Reporting period: year ended 30 June 2021
Previous corresponding period: year ended 30 June 2020

Results for announcement to the market

Results		%		\$
Revenue from ordinary activities	down	(82)	to	216,978
Other income	up	159	to	5,550,207
Loss from ordinary activities after tax attributable to members	down	(3)	to	21,420,531
Net loss for the year attributable to members	down	(3)	to	21,416,884

Dividends

The directors do not recommend the payment of a dividend for the reporting year.

Commentary on results for the period

The net loss after tax for 4DMedical Limited (the Company) and its controlled entities (the Group) was \$21.42 million, a decrease of \$0.55 million from the previous year. Other income recorded by the Group was \$5.55 million, higher by 159% compared to the prior corresponding period due to an increase in government grants and incentives received.

Revenue from ordinary activities of the Group decreased by \$1.01 million from \$1.23 million in the previous year to \$0.22 million. Revenue during the year was generated from on-going preclinical hardware support and maintenance contracts and associated SaaS revenue. Other income reported for the full year of \$5.55 million comprised R&D Tax Incentive credits of \$4.07 million and grant income of \$1.26 million, which includes \$0.68 million reported by the wholly owned subsidiary, Australian Lung Health Initiative Pty Ltd (ALHI) under the Federal Government's Medical Research Future Fund Frontiers (MRFF) initiative.

Operating expenditure reported for the full year was \$24.46 million, compared to \$16.07 million in the prior corresponding period, driven by continued investment in headcount growth and research and development. The Group's headcount has more than doubled from the previous financial year with a notable expansion of the Company's sales and distribution teams as commercialisation of its FDA-cleared and TGA approved XV Lung Ventilation Analysis Software (XV LVAS™) ramps up.

The net loss after tax includes a non-cash interest expense of \$2.63 million relating to the convertible notes issued by the Company during the previous financial year, which were converted to issued capital as a result of the IPO on 7 August 2020.

The Group reported a net cash balance of \$80.88 million, up \$72.45 million from the previous year, on the back of a successful \$50.0 million IPO and heavily-oversubscribed \$46.0 million share placement and share purchase plan in March 2021. In addition, ALHI received \$4.99 million in funding under the Federal Government's Stage Two MRFF initiative during the year.

Appendix 4E (continued)

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

	2021 cents	2020 cents
Basic earnings per share	(0.08)	(0.15)
Diluted earnings per share	(0.08)	(0.10)

Basic and diluted earnings per share increased to (0.08) cents per share in the current year as a result of 29.73 million new ordinary shares issued at the completion of the Company's share placement and share purchase plan in March. Weighted average number of shares adjusted for the effect of dilution from share based payments was 283.38 million shares, higher by 62.72million shares compared to the prior corresponding period.

Net tangible assets per security

	2021	2020
Net tangible asset per security	0.26	(0.11)

Dividend reinvestment plans

Not applicable

Control gained or lost over entities having a material effect

Not applicable

Details of aggregate shares of profits/(losses) attributable to joint ventures

Not applicable

Other significant information in relation to financial performance and financial position

Refer to commentary on results for the period.

Audit status

This report is based on financial statements which are in the process of being audited.

Appendix 4E (continued)

Please refer to the attached (unaudited) financial statements for the year ended 30 June 2021:

- Consolidated statement of financial position
- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Abbreviated notes to the consolidated financial statements



Dr Andreas Fouras
Managing Director
24 August 2021

Appendix 4E (continued)

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

		2021	2020
	Notes	\$	\$
Revenue		216,978	1,232,501
Cost of sales		(91,853)	(1,121,111)
Gross income		125,125	111,390
Other income	1	5,550,207	2,140,762
Employee benefits expense	2	(11,428,932)	(7,660,705)
Depreciation and amortisation expense		(741,481)	(584,653)
Foreign currency gains/(losses)		40,514	(190,991)
Other expenses	3	(12,293,467)	(7,828,060)
Finance costs - net	4	(2,657,189)	(7,961,364)
Loss before income tax		(21,405,223)	(21,973,621)
Income tax expense		(15,308)	(1,758)
Loss for the year		(21,420,531)	(21,975,379)
Other comprehensive income			
Exchange differences on translation of foreign operations		3,647	-
Total comprehensive loss for the year		(21,416,884)	(21,975,379)

Appendix 4E (continued)

Consolidated statement of financial position

As at 30 June 2021

		2021	2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		80,880,062	8,429,192
Trade and other receivables		426,601	649,151
Inventories		153,374	16,045
Research and development tax incentive receivable		3,562,174	1,102,213
Other assets		826,785	101,043
Deferred costs	5	-	387,980
Total current assets		85,848,996	10,685,624
Non-current assets			
Trade and other receivables		84,208	108,205
Property, plant and equipment		1,188,978	803,398
Right-of-use assets		1,628,255	965,434
Intangible assets	6	3,886,166	3,261,939
Total non-current assets		6,787,607	5,138,976
Total assets		92,636,603	15,824,600
Liabilities and equity			
Current liabilities			
Trade and other payables	7	6,037,774	2,334,626
Contract liabilities		955,200	492,085
Loans and borrowings	8	723,452	17,436,459
Employee benefit liabilities		437,100	298,870
Financial liabilities at fair value through profit or loss	9	-	6,174,221
Other liabilities		14,559	221,761
Total current liabilities		8,168,085	26,958,022
Non-current liabilities			
Loans and borrowings	8	965,355	621,154
Employee benefit liabilities		146,573	55,274
Total non-current liabilities		1,111,928	676,428
Total liabilities		9,280,013	27,634,450
Net assets/(liabilities)		83,356,590	(11,809,850)
Equity			
Issued capital		141,587,808	18,927,393
Other capital reserves	10.1	1,771,037	7,051,341
Other equity	10.2	-	796,787
Other reserves	10.3	3,647	-
Accumulated losses		(60,005,902)	(38,585,371)
Total equity/(deficit)		83,356,590	(11,809,850)
Total liabilities and equity		92,636,603	15,824,600

Appendix 4E (continued)

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Issued capital	Other capital reserves (Note 10.1)	Other equity (Note 10.2)	Other reserves (Note 10.3)	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2020	18,927,393	7,051,341	796,787	-	(38,585,371)	(11,809,850)
Loss for the year	-	-	-	-	(21,420,531)	(21,420,531)
Other comprehensive income	-	-	-	3,647	-	3,647
Total comprehensive income/(loss) for the year	-	-	-	3,647	(21,420,531)	(21,416,884)
Issue of share capital	96,066,271	-	-	-	-	96,066,271
Capital raising costs	(5,229,461)	-	-	-	-	(5,229,461)
Share-based payments	-	1,402,917	-	-	-	1,402,917
Conversion of rights to issued capital	2,716,482	-	-	-	-	2,716,482
Conversion of options to issued capital	2,453,949	-	-	-	-	2,453,949
Conversion of convertible notes to issued capital (Note 8)	26,653,174	-	(796,787)	-	-	25,856,387
Settlement of rights - issued capital	-	(2,961,151)	-	-	-	(2,961,151)
Settlement of options - issued capital	-	(628,676)	-	-	-	(628,676)
Buyback of options	-	(3,093,394)	-	-	-	(3,093,394)
At 30 June 2021	141,587,808	1,771,037	-	3,647	(60,005,902)	83,356,590

Appendix 4E (continued)

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2021

	Issued capital	Other capital reserves (Note 10.1)	Other equity (Note 10.2)	Other reserves (Note 10.3)	Accumulated losses	Total deficit
	\$	\$	\$	\$	\$	\$
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	-	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)

Appendix 4E (continued)

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Operating activities			
Receipts from customers		696,467	3,089,919
Payments to suppliers and employees		(12,947,405)	(7,611,281)
Research costs		(9,310,089)	(3,318,089)
Interest and other costs of finance paid		(60,950)	(274,698)
Government grants and tax incentives		7,168,618	554,657
Interest received		31,161	57,143
Net GST paid		(60,663)	(147,006)
Other tax paid		(13,143)	(993)
Deposits paid		(24,000)	-
Net cash flows used in operating activities		<u>(14,520,004)</u>	<u>(7,650,348)</u>
Investing activities			
Purchase of property, plant and equipment		(576,352)	(325,297)
Purchase of intangibles		(148,651)	(183,745)
Research and development tax incentive		371,680	372,005
Capitalisation of development costs to intangible assets		(227,126)	(649,412)
Net cash flows used in investing activities		<u>(580,449)</u>	<u>(786,449)</u>
Financing activities			
Proceeds from issues of equity securities		96,000,000	1,222,255
Transaction costs related to issues of equity securities or convertible debt securities		(6,382,474)	-
Payment of principal portion of lease liabilities		(533,664)	(354,815)
Repayment of from borrowings		-	(3,000,000)
Proceeds from convertible notes issue		-	17,412,500
Payments for cost of fund raising		-	(1,499,175)
Net cash paid for settlement of options		(1,532,539)	-
Net cash flows from financing activities		<u>87,551,323</u>	<u>13,780,765</u>
Net increase in cash and cash equivalents		72,450,870	5,343,968
Cash and cash equivalents at the beginning of the year		8,429,192	3,085,224
Cash and cash equivalents at the end of the year		<u>80,880,062</u>	<u>8,429,192</u>

Appendix 4E (continued)

Abbreviated notes to the consolidated financial statements

For the year ended 30 June 2021

1 Other income

	2021	2020
	\$	\$
Research and development tax incentive	4,069,632	819,719
Government grants	1,259,734	1,320,945
Other income	220,841	98
Total other income	5,550,207	2,140,762

2 Employee benefits expense

	2021	2020
	\$	\$
Wages and salaries	9,048,979	3,459,403
Other employee and directors' benefits expenses	909,219	1,419,515
Equity settled share-based payment (Note 10.1)	1,402,917	2,781,787
Tax exempt direct share issue	67,817	-
Total employee benefits expense	11,428,932	7,660,705

3 Other expenses

	2021	2020
	\$	\$
Computer expenses	1,056,649	267,241
Research and development expenses	2,358,017	26,516
Bad debt expenses	-	125,000
Insurance expenses	886,626	321,529
Legal, professional and consultant expenses	5,375,410	4,310,385
Occupancy and utilities expenses	277,154	181,630
Sales and marketing expenses	964,648	774,129
Travel expenses	302,996	349,991
General expenses	1,039,899	1,471,639
Share-based payment expenses to third parties	32,068	-
Total other expenses	12,293,467	7,828,060

4 Finance costs - net

	2021	2020
	\$	\$
Interest expense on borrowings and convertible notes	2,627,400	7,964,459
Interest expense on lease liabilities	60,950	54,048
Total finance costs	2,688,350	8,018,507

Interest income	(31,161)	(57,143)
Total finance income	(31,161)	(57,143)

Total finance costs - net	2,657,189	7,961,364
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Appendix 4E (continued)

Abbreviated notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

5. Deferred costs

	2021	2020
	\$	\$
Current		
Deferred capital raising costs	-	387,980

6. Intangible assets

	Development costs	Other intangible assets	Total
	\$	\$	\$
Cost			
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
At 1 July 2020	2,749,012	586,048	3,335,060
Additions	503,033	148,651	651,684
Assets written off	-	(17,670)	(17,670)
At 30 June 2021	3,252,045	717,029	3,969,074
Amortisation			
At 1 July 2019	-	28,930	28,930
Amortisation for the period	-	44,191	44,191
At 30 June 2020	-	73,121	73,121
At 1 July 2020	-	73,121	73,121
Amortisation for the period	-	12,561	12,561
Assets written off	-	(2,774)	(2,774)
At 30 June 2021	-	82,908	82,908
Net book value			
At 30 June 2020	2,749,012	512,927	3,261,939
At 30 June 2021	3,252,045	634,121	3,886,166

Appendix 4E (continued)

Abbreviated notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

7. Trade and other payables

	2021	2020
	\$	\$
Current		
Trade payables	448,201	1,666,945
Other payables	985,643	591,126
Government grants	4,475,033	45,055
Unearned other income	-	31,500
GST payable	128,897	-
	6,037,774	2,334,626

8. Loans and borrowings

	2021	2020
	\$	\$
Current		
Lease liabilities	723,452	381,693
Convertible notes	-	17,054,766
	723,452	17,436,459
Non-current		
Lease liabilities	965,355	621,154

Convertible notes

The convertible notes with a coupon rate of 10%, issued by the Company during the previous financial year were converted to issued capital as a result of the IPO on 7 August 2020. See below for reconciliation from face value of convertible notes to the value that was converted to issued capital.

	2021	2020
	\$	\$
Face value	16,281,965	16,281,965
Other equity securities - value of conversion rights (Note 10.2)	-	(796,787)
Embedded derivative	-	(6,174,221)
	16,281,965	9,310,957
Interest expense*	10,371,209	7,743,809
Convertible notes before conversion to share	26,653,174	17,054,766
Converted to share capital	(26,653,174)	-
	-	17,054,766

*Interest expense is calculated by applying the effective interest rates between 42.00% and 49.72% to the liability component. The interest expense disclosed above is the cumulative expense recognised from the date of issue of the convertible notes.

Appendix 4E (continued)

Abbreviated notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

9. Financial liabilities at fair value through profit or loss

	2021	2020
	\$	\$
Current		
Financial liabilities at fair value through profit or loss	-	6,174,221

The embedded derivative liability in relation to the convertible notes (Note 8) is separated from the convertible notes and carried at fair value through profit or loss.

10. Reserves and other equity

10.1 Reserves

	2021	2020
	\$	\$
Share-based payment reserve	1,771,037	7,051,341

	2021	2020
	\$	\$
Movement in the share-based payment reserve		
Balance at the beginning of the year	7,051,341	3,460,544
Share-based payments expense during the year	1,402,917	3,590,797
Settlement of rights - issued capital	(2,961,151)	-
Settlement of options - issued capital	(628,676)	-
Buyback of options	(3,093,394)	-
Balance at the end of the year	1,771,037	7,051,341

The share-based payment reserve comprised of the value of the employee and director share plans that were granted 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:

	2021	2020
	\$	\$
Recognised in employee and directors' benefits expense (Note 2)	1,402,917	2,781,787
Recognised in the cost of capitalised development costs	-	118,085
Recognised in legal, professional and consultant expenses	-	690,925
Total expense arising from share-based payment transactions	1,402,917	3,590,797

10.2 Other equity

	2021	2020
	\$	\$
Value of conversion rights - convertible notes	-	796,787

Appendix 4E (continued)

Abbreviated notes to the consolidated financial statements (continued)

For the year ended 30 June 2021

10. Reserves and other equity (continued)

10.2 Other equity (continued)

	<u>2021</u>	<u>2020</u>
	\$	\$
Movement in conversion rights		
Balance at the beginning of the year	796,787	-
Convertible notes	-	796,787
Conversion of convertible notes to issued capital	<u>(796,787)</u>	<u>-</u>
Balance at the end of the year	<u><u>-</u></u>	<u><u>796,787</u></u>

Conversion rights of convertible notes

The amount shown for other equity securities is the value of the conversion rights relating to the convertible notes (Note 8).

10.3 Other reserves

	<u>2021</u>	<u>2020</u>
	\$	\$
Foreign currency translation reserve	<u><u>(3,647)</u></u>	<u><u>-</u></u>

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from translation of financial statements of foreign subsidiaries.

11. Events after the reporting period

There have been no 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.