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ASX RELEASE

Appendix 4C – Q2FY21 Quarterly Cash Flow Report

Highlights:

- **Quarterly cash receipts from customers remain strong despite COVID-19, at NZ$4.7M—subscription receipts up approx. 16%**
- **NZ$64.3M cash on hand at end Q2FY21**
- **Unaudited revenue for H1FY21 of NZ$9.5M, up 38% on H1FY20; subscription revenue up 71%**
- **As previously reported, Annual Recurring Revenue is NZ$19.9M, ARPU is US$1.16**
- **Churn remains negligible; US coverage remains approx. 27%**
- **FDA update on breast density reporting requirements remains pending**

Wellington, NZ, 28th October 2020: Volpara Health Technologies ("Volpara," "the Group," or "the Company"; ASX: VHT), a health technology software company whose integrated breast care platform assists in the delivery of personalised patient care, has released its Appendix 4C Quarterly Cash Flow report for the quarter ending 30 September 2020.

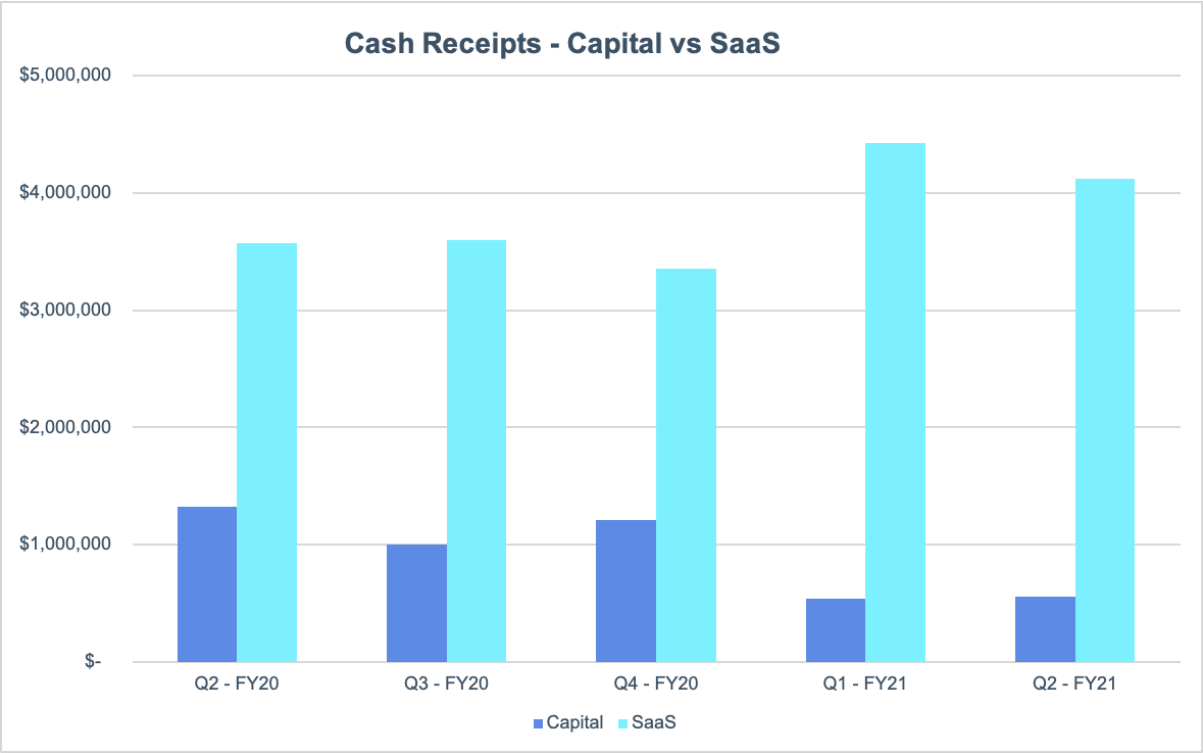
Cash receipts from customers have remained strong despite COVID-19, with NZ$4.7M received in Q2. This represents Volpara's fifth straight quarter with cash receipts from customers greater than NZ$4.5M.

Dr Ralph Highnam, the Group CEO of Volpara Health Technologies, said, "We see little material changes in our overall cash receipts due to COVID-19, which shows the resilience of our industry and business model."

Cash receipts were down 4 percent compared to Q2FY20 due to our continuing transition from a capital model to a SaaS model for sales of our MRS patient management software. However, cash receipts for the half-year were up 33 percent. Importantly, and as shown below, receipts in Q1 and Q2 FY21 have seen strong inflows from subscription customers, which were up 16 percent year on year in Q2FY21.

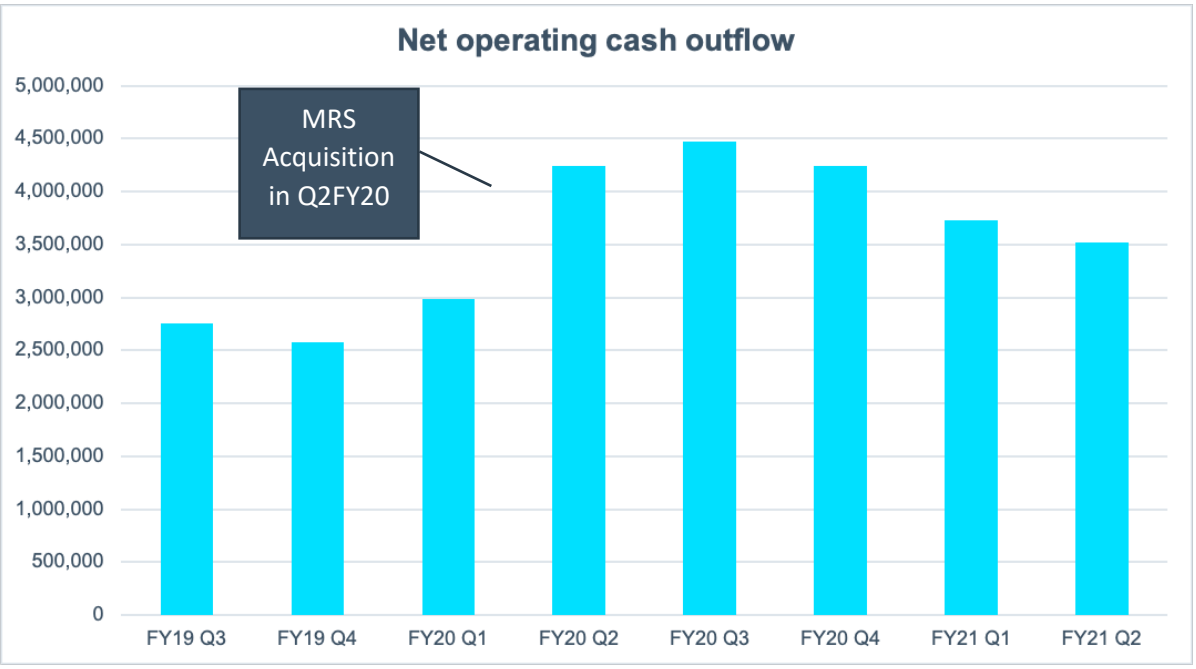
Dr Highnam said, "Recurring business is a strong indicator not only of an industry responsive to change but of innovative products continuing to meet the needs of customers during a challenging time."

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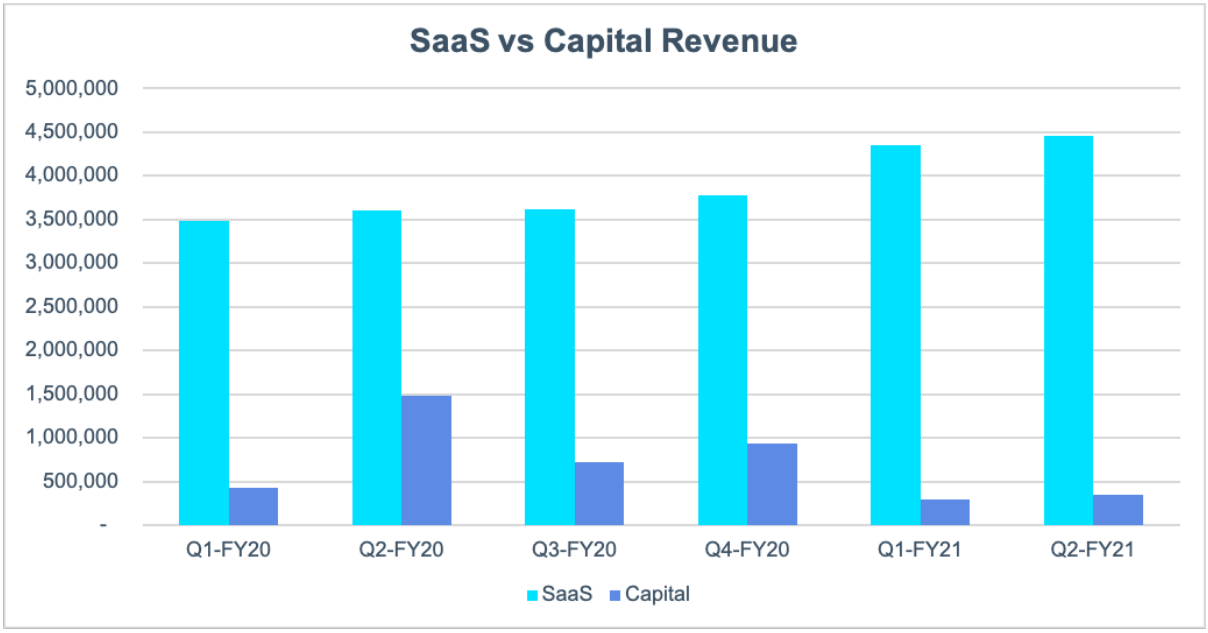
Net operating cash outflow in Q2 was NZ$3.5M, less than projected and the lowest since Volpara's acquisition of MRS Systems, Inc., in June 2019. This continues the downward trend in cash outflows, despite the US dollar weakness, reflecting consistent cash receipts from customers and control of costs, as shown below.

The Company had NZ$64.3M cash on hand at the end of Q2.



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Unaudited revenue for the period ended 30 September 2020 totalled NZ$9.5M, up 38 percent from NZ$6.8M in the prior corresponding period, however if it were not for the non-cash one-off deferred revenue adjustment, revenue would have been NZ$10.0M or up 46% over the same period. As with cash receipts, there has been a material increase in revenue associated with the SaaS model versus the capital model (see chart below). Revenue associated with the capital model increased in Q2FY20 after the acquisition of MRS. But since Volpara implemented a switch to subscription contracts, capital revenues have been declining while SaaS revenues have begun increasing at a faster pace.



The payments to related parties of the entity and their associates identified in item 6.1 of the Appendix 4C are payments made to a Director, Karin Lindgren, for legal services she provided to the Company.

In other news, we have informal reports that the next update on the US FDA regulations on breast density reporting will be delayed from the end of October as initially indicated to later in the Northern Hemisphere's autumn. We will notify you as soon as we learn more, acknowledging everything going on in the United States right now.

Of Q2, Dr Highnam said: “It has been a remarkable quarter. We’ve followed a key company value of ‘being bold.’ We’ve changed the way we do business and put digital marketing expert Katherine Singson in charge of our US commercial activities to tackle the implications of COVID-19 head on. Despite the virus, we’ve maintained sales momentum and released key new software. We’re very pleased with our current situation, but we are fully aware that COVID-19 is still potentially disruptive to all businesses in any sector.”

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Authorisation & Additional Information

This announcement was authorised by the Board of Directors of Volpara Health Technologies Limited.

Investor Conference Call

Investors are invited to join an audio webcast hosted by Group CEO Dr Ralph Highnam, CFO Craig Hadfield, and Volpara Health CEO Katherine Singson on Wednesday 28th October 2020 at 9:00 am Australian Eastern Daylight Time (AEDT). To register for the webcast, please follow this link:

https://us02web.zoom.us/webinar/register/WN_92ZnDRKjSpOx6k1H956LbQ

Registered participants will receive a confirmation email containing the Zoom access link and alternative phone dial-in details.

ENDS

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About Volpara Health Technologies Limited (ASX: VHT)

VHT is a health technology software company founded in 2009 on research originally conducted at Oxford University. VHT's clinical functions for screening clinics provide feedback on breast density, compression, dose, and quality, while its enterprise-wide practice-management software helps with productivity, compliance, reimbursement, and patient tracking.

VHT's technology and services have been used by customers and/or research projects in 39 countries and are supported by numerous patents, trademarks, and regulatory clearances, including FDA clearance and CE marking. Since its listing on the ASX in April 2016, VHT has raised A$132 million, including A$37 million in April/May 2020. VHT is based in Wellington, New Zealand.

For more information, visit www.volparahealth.com

Annual Recurring Revenue (ARR): The normalised amount of cash reasonably expected to be booked for the next 12 months based on the contracts signed previously, and assuming installation upon order.

Percentage of US market: Approximately 39M a year are imaged in the United States, most of them screening. The percentage we give is an estimate of the number of women who are imaged using at least one of Volpara's suite of products. This should be considered indicative and not definitive.

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Appendix 4C

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

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Name of entity	
Volpara Health Technologies Limited	
ABN	**Quarter ended ("current quarter")**
609 946 867	Q2 – 30 September 2020 (31 March year-end)

Consolidated statement of cash flows		**Current quarter $NZ'000**	**Year to date (6 months) $NZ'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	4,682	9,644
1.2	Payments for		
	(a) research and development	(1,840)	(4,082)
	(b) product manufacturing and operating costs	(1,066)	(2,455)
	(c) advertising and marketing	(182)	(273)
	(d) leased assets	(23)	(48)
	(e) staff costs	(4,077)	(9,042)
	(f) administration and corporate costs	(1,295)	(2,769)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	292	989
1.5	Interest and other costs of finance paid	(40)	(81)
1.6	Income taxes paid	24	(65)
1.7	Government grants and tax incentives	-	888
1.8	Other (provide details if material)	4	44
1.9	**Net cash from / (used in) operating activities**	**(3,521)**	**(7,250)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(46)
	(d) investments	-	-
	(e) intellectual property	(266)	(488)

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Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (6 months) $NZ'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (acquisition related costs)	(7)	(537)
2.6	**Net cash from / (used in) investing activities**	**(275)**	**(1,071)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	39,499
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	952	1,636
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,601)
3.5	Proceeds from borrowings	37	2,821
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease liability principal payments)	(142)	(279)
3.10	**Net cash from / (used in) financing activities**	**847**	**42,076**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	67,472	31,385
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,521)	(7,250)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(275)	(1,071)

Consolidated statement of cash flows		Current quarter $NZ'000	Year to date (6 months) $NZ'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	847	42,076
4.5	Effect of movement in exchange rates on cash held	(230)	(847)
4.6	**Cash and cash equivalents at end of period**	**64,293**	**64,293**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $NZ'000	Previous quarter $NZ'000
5.1	Bank balances	9,919	10,254
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposits >90 days)	54,374	57,218
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**64,293**	**67,472**

6.	Payments to related parties of the entity and their associates	Current quarter $NZ'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	24
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

*Relates to consulting fees paid to Karin Lindgren.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $NZ'000**	**Amount drawn at quarter end $NZ'000**
7.1	Loan facilities	(2,821)	(2,821)
7.2	Credit standby arrangements	(10)	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	(2,831)	(2,821)

7.5	**Unused financing facilities available at quarter end**	(10)

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Includes a loan of US$1.7M from the US Government's Small Business Administration in relation to the Paycheck Protection Program repayable at 1% p.a.; and an unsecured overdraft facility with Kiwibank at a variable interest rate of 7.5%.

8.	**Estimated cash available for future operating activities**	**$NZ'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,521)
8.2	Cash and cash equivalents at quarter end (item 4.6)	64,293
8.3	Unused finance facilities available at quarter end (item 7.5)	10
8.4	Total available funding (item 8.2 + item 8.3)	64,303
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	18.3

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2020

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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