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Quarterly Activity Report and Appendix 4C for Q1 FY2021

29 October 2020

Highlights:

- Successful listing on the ASX in August 2020, raising $55.79 million from existing and new investors at an issue price of $0.73 per share
- $17.42 million Convertible Notes converted to equity at IPO with the issue of approximately 36.51 million ordinary shares
- Australian TGA approval secured for 4DMedical's first Software-as-a-Service (SaaS) offering, XV Lung Ventilation Analysis Software (XV LVAS), bringing forward Australian market entry by 6 months
- Addition of 8 new hires bringing total headcount to 49 full time employees across 4DMedical's U.S. and Australian offices
- Strong cash position with $48.09 million held as at 30 September 2020

4DMedical Limited (ASX:4DX, "4DMedical" or the "Company"), a medical technology company focused on commercialising its patented respiratory imaging platform, is pleased to release its Quarterly Activity Report and Appendix 4C Cash Flow Report for the quarter ended 30 September 2020.

On 7 August 2020, 4DMedical was admitted to the official list of the Australian Securities Exchange (ASX) following the successful completion of a $55.79 million initial public offering ("IPO"), raising $50.0 million of new capital. The IPO included the issue of approximately 68.49 million fully paid ordinary shares and the sale and transfer of approximately 7.94 million fully paid ordinary shares, at the issue price of $0.73 per share. The Company received approximately $45.54 million in net proceeds from the IPO after the payment of related fees and expenses of approximately $4.46 million.

At IPO, all outstanding Converting Notes issued (with a total face value of $17.42 million plus accrued interest) were converted to equity, resulting in an issue of approximately 36.51 million ordinary shares.

Status of commercialisation and the impact of COVID

During the period, the Therapeutic Goods Administration ("TGA") approved 4DMedical's XV LVAS offering for commercial sale in Australia. Utilising the Company's XV Technology™ platform, XV LVAS converts sequences of X-ray images into four-dimensional quantitative data allowing physicians to better diagnose and treat patients with respiratory diseases.

Having received TGA Class 1 approval for its XV LVAS offering, 6 months ahead of schedule, the Company intends to clearly define a path for immediate adoption of its Software-as-a-Service (SaaS) product and supply of the software across Australia. The Company is now well positioned to progress the global rollout of XV LVAS on the back of having received FDA 510(k) clearance in May 2020.

4DMedical is pleased to have welcomed 8 new employees to its offices in the U.S. and Australia, including several additions to the Company's engineering and go-to-market teams that will be critical in driving future revenue generation. Over the next quarter, 4DMedical will continue to focus on bringing on board new key hires that will expand its sales and distribution network in the U.S.

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Driven by the greater and longer prevalence of COVID in the U.S., commercialisation activities have continued to be impacted longer than initially anticipated. Examples of the COVID impact include the cancellation of conferences and trade shows, difficulty in travelling, hospital bans on certain activities and loss of bandwidth from key decision makers in hospitals. Notwithstanding the impacts of COVID, the go to market teams have made strong advances developing and progressing the U.S. commercialisation pipeline, and management is very pleased with progress to date. Additionally, larger numbers of the U.S. population with exposure to COVID creates a larger expectation for a need in follow-up testing of lung health after the current disruptions of COVID diminish.

The Company is set to gain ground in its Australian commercialisation strategy as it leverages on existing industry knowledge and relationships. 4DMedical's SaaS business model will facilitate rapid penetration into the local lung diagnostic market as hospitals bear no upfront costs for installation and through its XV Technology™ platform, integrate seamlessly with standard radiology workstreams currently adopted. In Australia, the effects of COVID have been modest, and strong progress is being made in the early stages of Australian commercialisation. The Company is also expected to see increased and accelerated investments in realising the Australian market opportunity on the back of the TGA approval.

Financials

Prior to the completion of the IPO in August, approximately 35.01 million rights and options issued under the Company's legacy Employee Equity Plan ("Legacy EEP") and 2.26 million 'Series C' options issued prior to the IPO have been accounted for as equity settled share-based payments. While approximately 8.49 million rights were automatically converted to ordinary shares on a 1 for 1 basis, 4DMedical accelerated the vesting of approximately 10.78 million options issued under the Legacy EEP of which 7.33 million options were bought back and cancelled for a net cash consideration of approximately $2.21 million. The remaining 3.44 million options were either net settled by shares or exercised resulting in the issue of approximately 3.23 million ordinary shares.

During the quarter, 4DMedical granted approximately 2.60 million options to key employees under the Company's long-term incentive plan. The vesting of these options will be subject to the satisfaction of appropriate service-based conditions and performance hurdles determined by the Board.

4DMedical's cash balance was $48.09 million as at 30 September 2020. Net operating cash outflows for the quarter was $4.46 million, mostly relating to payments for U.S. sales and distribution, research and development, staff costs, administration and general operating costs. During the quarter, 4DMedical benefited from the Federal Government's JobKeeper payment scheme for eligible businesses affected by COVID-19 and received $0.24 million in subsidies.

Cash inflows from financing activities reflects the net proceeds received from new capital raised of $50.0 million from the IPO, net of transaction costs paid of $4.18 million during the quarter.

Use of Funds (Listing Rule 4.7C.2)

Uses of Funds	Prospectus dated 6 July 2020 Amount ($'000)	%	Quarter ended 30 Sep 2020 Amount ($'000)	% of total
Marketing through clinical trials and trade shows	$15,230	30.5%	$234	1.5%
Operating expenditure (inc. governance & working capital)	$13,035	26.1%	$1,605	12.3%
Product R&D and platform development	$12,810	25.6%	$1,191	9.3%
US sales and distribution (inc. clinical liaison & reimbursement)	$3,075	6.1%	$815	26.5%
Intellectual property and trademarks	$1,450	2.9%	$103	7.2%

Cost of the offer	$4,400	8.8%	$4,456[(1)]	101.3%
Total from proceeds of issue of New Shares	**$50,000**		**$8,404**	
Payment to selling shareholders and selling holders	$5,793		$5,793	100%
TOTAL	**$55,793**		**$14,197**	

[(1)] includes $0.28 million paid in the preceding quarter ended 30 June 2020.

The expenditure for the quarter ended 30 September 2020 as set out in the table above is in accordance with the Use of Funds outlined in the Company's prospectus dated 6 July 2020 and there are no material variances against the estimated use of funds.

Related Party Transactions (Listing Rule 4.7C.3)

Payments to related parties of $398,432 during the quarter ended 30 September 2020 included in Item 6 of the attached Appendix 4C Cash Flow Report comprised of $315,682 in salaries and fees paid to executive and non-executive directors, a $25,000 consultancy agreement termination payment to non-executive director, John Livingston and $57,750 in service fees paid to non-executive director, Julian Sutton pursuant to a services agreement with the Company. Both consultancy agreement and services agreement with the respective non-executive directors were terminated prior to 6 July 2020.

Authorisation and Additional Information

4DMedical also announced its full year results for the financial year ended 30 June 2020 during the quarter. The annual report is available at this link: *4DMedical Limited 2020 Annual Report*

Subsequent to the quarter, CEO Andreas Fouras presented at the Goldman Sachs Healthcare Forum on 8 October 2020. For further information, please refer to the following link:

4DMedical Goldman Sachs Healthcare Forum Presentation - 8 Oct 2020

Authorised on behalf of the 4DMedical Board of Directors by Andreas Fouras, CEO.

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About 4DMedical:

Based in Melbourne, Australia and Los Angeles, USA, 4DMedical (formerly 4Dx) was founded in 2012 and is listed on the Australian Securities Exchange (ASX: 4DX).

4DMedical is a medical technology company aiming to deliver the global gold standard in respiratory diagnostics for all lung disorders including: coronavirus, asthma, chronic obstructive pulmonary disease (COPD), cystic fibrosis and cancer.

The unique 4DMedical technology accurately and quickly scans lung function as the patient breathes, to assist in providing sensitive, early diagnosis, and to monitor changes over time. Our Software-as-a-Service (SaaS) scans deliver much more complete results, showing even subtle variations in lung function down to the finest details, using lower levels of radiation than traditional methods.

Respiratory diagnosis is a US$31 billion per annum global industry. Through its technology 4DMedical provides clinicians with greater insights into diseases of the lung. 4DMedical is focused on providing better information to doctors and patients about lung function. Better information means better decisions, and better outcomes.

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Appendix 4C

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

Name of entity	
4DMedical Limited	
ABN	**Quarter ended ("current quarter")**
31 161 684 831	30 September 2020

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,529)	(1,529)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(213)	(213)
	(d) leased assets	(38)	(38)
	(e) staff costs	(1,117)	(1,117)
	(f) administration and corporate costs	(1,761)	(1,761)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	8
1.5	Interest and other costs of finance paid	(12)	(12)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	242	242
1.8	Other (provide details if material)	(39)	(39)
1.9	**Net cash from / (used in) operating activities**	**(4,459)**	**(4,459)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(17)	(17)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(60)	(60)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(77)**	**(77)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	50,000	50,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(4,177)	(4,177)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	(a) payment of lease liabilities	(92)	(92)
	(b) net cash paid for settlement of options	(1,533)	(1,533)
3.10	**Net cash from / (used in) financing activities**	**44,198**	**44,198**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,429	8,429
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,459)	(4,459)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(77)	(77)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	44,198	44,198
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**48,091**	**48,091**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	48,091	48,091
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**48,091**	**48,091**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	398
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.

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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 $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,459)
8.2	Cash and cash equivalents at quarter end (item 4.6)	48,091
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	48,091
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	10

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: 29 October 2020

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

Notes

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

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

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

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

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