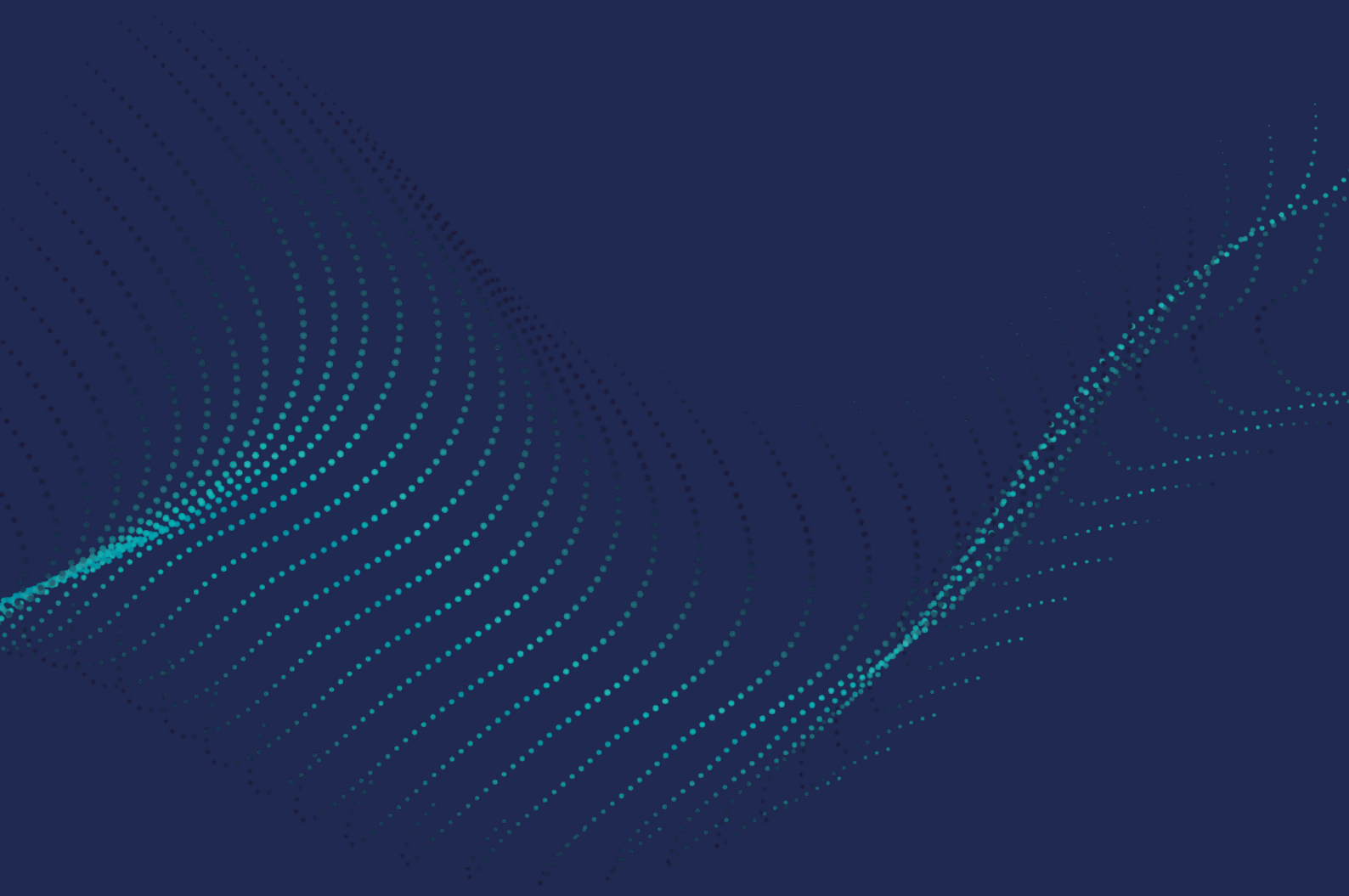




Material progress against an ambitious strategy

2022 Annual Report



Who are we

4DMedical is a global medical technology company changing the outcome for patients with lung disease by revolutionising respiratory imaging and ventilation analysis.

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

Our vision

We believe in a world where people with lung disease have better outcomes and more hope.



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Chairman's Letter

On behalf of the board of directors of 4DMedical Limited, I am pleased to present the Annual Report for the 2021-22 Financial Year

Dear Shareholders,

On behalf of the board of directors of 4DMedical Limited we are pleased to present the 2022 Annual Report of 4DMedical Limited for the year ended 30 June 2022.

4DMedical reported a net cash balance of \$51.11 million with zero debt.

Total income was recorded as \$13.37 million, up 132%, comprising operating revenue of \$1.05 million and other income of \$12.32 million. The Company reported a net loss after tax of \$24.59 million, up 15% from the previous year.

Operating expenditure was \$37.03 million, up 51%, driven by investment in research and development, and in its go-to-market capabilities supporting commercialisation. After adjusting for expenditures directly funded by the MRFF grant, underlying operating expenditure was up 19% from the previous year.

4DMedical made material progress against an ambitious strategy throughout this reporting year.

Clinical trials are a fundamental pillar of 4DMedical's commercialisation strategy. COVID-19 continues to significantly impact this strategy and operations as global businesses transition into post-pandemic recovery.

Despite restrictions limiting access to hospitals for much of the year, our clinical trials program progressed to initial results. The Company was very pleased to complete imaging in the Johns Hopkins COPD trial, presenting resulting data at the American Thoracic Society's annual global forum. The Company was also very pleased with results from the Vanderbilt study and looks towards further communication of those exciting results.

Outcomes from several other clinical trials are due to be reported early in the current financial year.

In terms of commercial progress, this has been the Company's most significant operating year to date.

The rollout of our core XV Lung Ventilation Analysis Software (XV LVAS®) product by I-MED Radiology Network, Australia's largest provider of commercial imaging, represented a significant milestone in our commercialisation strategy. Following a pilot study, commercial scanning operations commenced in south-eastern metropolitan Melbourne, rapidly expanding to three more locations across three states.

Success in this initial rollout led to 4DMedical signing a nationwide contract with I-MED, broadening the potential reach of four-dimensional lung scanning into imaging clinics nationwide. This agreement represents a significant opportunity to generate revenue and allows for rapid commercialisation of new products. Currently we have installed our XV Technology® at seven sites with the pace of rollout to accelerate in the coming months.

In addition, 4DMedical commenced commercial scans in a pilot with Providence St. Joseph Health at its Orange County hospital in California, representing an important milestone in our U.S. commercialisation effort.

Our workforce is returning to their offices, combining effective work from home practices – essential for our geographically dispersed sales and customer onboarding teams – whilst maintaining a vibrant and collaborative culture in our contemporary physical company environments.

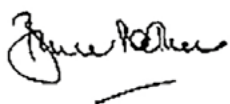
The Company's balance sheet remains healthy with revenue generation and a cash runway enabling performance to be further enhanced as 4DMedical continues to expand, commensurate with its maturity as a listed entity and technology innovator.

I extend my thanks and appreciation to my fellow directors, our Managing Director/Chief Executive Officer and to our globally dispersed staff for their continuing dedication to the objective of transforming lung health through technology.

I would like to particularly thank departed Non-Executive Director Lusia Guthrie for her long-time contribution to the Company's governance, a function she continues as Chair of 4DMedical subsidiary, the Australian Lung Health Initiative (**ALHI**).

I welcome the appointment of Evonne Collier as an independent non-executive director, noting her already significant contribution utilising multinational experience across industries including MedTech, Pharmaceutical/Health and eCommerce/Digital.

As always, I greatly appreciate the encouragement of our shareholders during a challenging period for investors in general around the world and extend my gratitude for your continuing support and vision during challenging economic times.



Mr Bruce Rathie
**Non-Executive Director
and Chairman**



In terms of commercial progress, this has been the Company's most significant operating year to date.

Managing Director & Chief Executive Officer's Letter

Dear Shareholders,

It has been an extraordinary year for 4DMedical with us having made significant progress commercially, technologically and organisationally.

In Australia, the Company signed a nationwide contract with I-MED Radiology Network, Australia's largest outsourced radiology provider, with more than 250 clinics offering diagnostic services to private and public hospitals. We have installed our XV Technology® at seven sites across five states and have scanned patients with a range of conditions including long COVID, asthma, COPD and silicosis.

In 2022 April 4DMedical announced first scans had occurred at its U.S.-based clinical pilot site, Providence St. Joseph Hospital, one of 52 hospitals in the Providence St. Joseph Health network. This is an important milestone for the Company in the U.S. with the expectation that a successful pilot will lead to a broad commercial agreement in much the same way as it has with I-MED in Australia.

Clinical trials are a fundamental pillar of the Company's commercialisation strategy. In addition to driving awareness of our technology amongst the medical community, clinical trial data provide essential evidence for indication-specific use by clinicians. It is difficult to overstate just how excited we are by the clinical data our trials have unlocked over the past year. As an example, in May 2022, investigators from Johns Hopkins and University of Miami presented findings from their COPD study. Results demonstrated that XV Technology® shows significant promise as a tool to phenotype or classify COPD disease, which is critical to optimising treatment therapies.

More recently, 4DMedical announced a major success in the Vanderbilt 'burn pit' clinical trial. This trial was designed to test the capability of XV Technology® to determine the presence of respiratory disease in Veterans exposed to airborne hazards while on deployment.

The data showed that XV Technology® confirmed the diagnosis of constrictive bronchiolitis with <0.001% uncertainty, setting it apart from conventional diagnostic methods such as X-ray, CT and pulmonary function test, and as a dramatically safer and less expensive alternative to surgical biopsy.

The timing of the Vanderbilt data is opportune, coming just weeks after U.S. President Joe Biden signed the PACT Act into law, delivering a broad expansion of healthcare benefits for veterans exposed to toxic burn pits. The estimated 3.5 million veterans exposed to harmful toxins since 2001 will now have access to an additional USD\$280 billion healthcare commitment over the next ten years. 4DMedical has a pre-agreed pricing structure with the Veterans Health Administration at USD \$171 per scan, creating a significant commercial opportunity.

...XV Technology confirmed the diagnosis of constrictive bronchiolitis with <0.001% uncertainty, setting it apart from conventional diagnostic methods...

The past year has seen the Company make great strides technologically. In March 2022, 4DMedical unveiled its XV Scanner, the world's first dedicated lung scanner, at the Prince of Wales Hospital in Sydney in a ceremony involving the Federal Minister for Health. The XV Scanner represents a significant step forward in lung diagnostics, enabling highly detailed maps of pulmonary function to be created from a scan that is captured in less than ten seconds and delivers less radiation than a single chest X-ray. The Company is now working with leading medical researchers to progress a series of clinical trials that will take the XV Scanner towards regulatory clearance by late 2023.

Major technological progress has also been made with regards to our product pipeline. XV LVAS, our FDA and TGA-approved lung ventilation product, currently requires a sequence of X-ray images to be taken over the phase of a patient's breath. Our subsequent product (CT:V) will be able to deliver the same ventilation reports, but using CT as the image acquisition modality. We expect TGA clearance for CT:V before the end of the calendar year and believe this will lead to an accelerated rollout of XV Technology® to hospitals and radiology clinics across Australia.

Organisationally, 4DMedical has never been in a stronger position. Earlier in the year we relocated the Company's global headquarters to new premises at Melbourne Connect, a purpose-built innovation precinct next to the University of Melbourne's Parkville campus. A great example of the benefits we enjoy from being located in Melbourne's innovation district was the visit of U.S. Secretary of State Anthony Blinken to our offices in February this year. At that meeting, I was able to demonstrate the capabilities of XV Technology and particularly its application to American veterans exposed to toxic burn pits.



As I write this note, I have never been more confident of the trajectory of our Company and its potential to positively impact global health outcomes.

I thank you all for your continuing support.

A handwritten signature in black ink, appearing to read 'Andreas Fouras'.

Dr Andreas Fouras

Managing Director and Chief Executive Officer

Highlights

FY22

\$51.11m

Cash reserves



Six quarter cash runway
Zero debt

\$13.37m

Total Income



▲ 132%
VS PY

Includes:

\$3.57m
R&D TAX CREDITS

\$8.75m
TOTAL GRANT INCOME
Medical Research Future Fund
income, plus State Government
of Victoria grants

\$1.05m
OPERATING
REVENUE

133

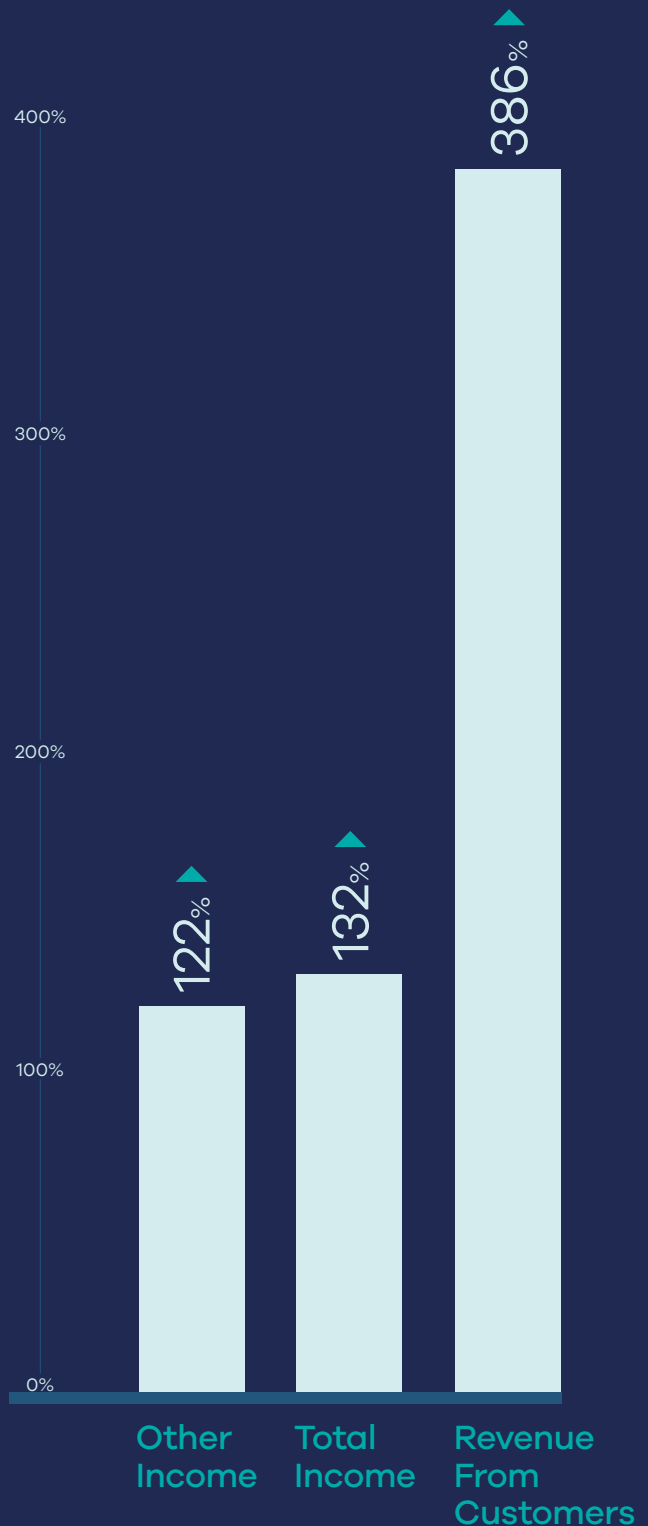
INCREASE OF
38 GLOBALLY

Our people



▲ 40%
VS PY

PY = Prior Year





\$8.46m first instalment of Medical Research Futures Fund (MRFF) grant received

\$1.05m

Sales and maintenance revenue

 **386%**
VS PY

Generation One XV Scanner delivered ahead of schedule and on budget at Prince of Wales Hospital

\$37.03m

Operating expenditure

 **51%**
VS PY

\$24.59m

Net loss

 **15%**
VS PY



Year in Review

Our commercial scanning operations commenced in Australia, partnering with the country's largest imaging network, and expanding to nationwide coverage

The world's first four-dimensional scanning of patients on a commercial basis commenced on schedule in December.

Following an extensive piloting program confirming the compatibility of fluoroscopy equipment with 4DMedical's XV Technology®, access to highly visual reports providing improved insight into lung function become a reality for clinicians and patients in Melbourne.

This successful rollout at I-MED Radiology Network's imaging clinic in Berwick in south-eastern metropolitan Melbourne represented a significant achievement for 4DMedical against a strategy to make its radiology scans available to general practitioners and specialists on a pay-per-scan basis.

Over the course of the year, we expanded commercial scanning within two months into Brisbane, Wagga Wagga, Launceston and Albury. 4DMedical delivered XV Lung Ventilation Analysis Software (XV LVAS™) scans to patients at each of these sites with disease indications including long COVID, asthma, COPD and silicosis.

By the end of FY22, client satisfaction with our XV LVAS product resulted in the securing of a national contract enabling access to every one of I-MED's extensive radiology network in Australia, constituting the largest imaging network in Australia.



This three-year agreement formalises the existing commercial arrangement and clears the way for delivery of 4DMedical’s lung imaging technology to other selected clinics across the I-MED network, thereby allowing widespread use for Australian patients and their referring doctors.

Piloting the first step in our U.S. commercial operations

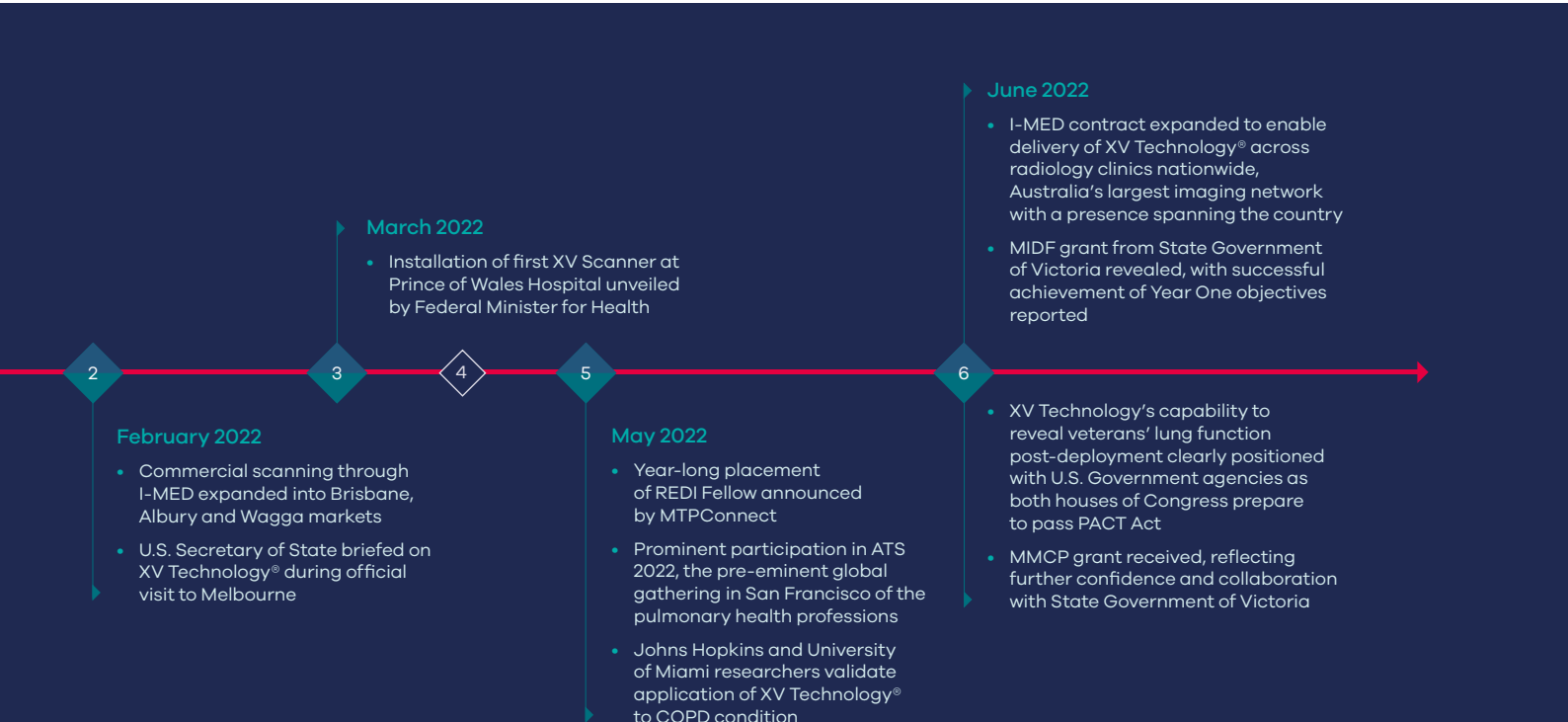
Shortly after the end of Q3, the Company announced the expansion of a key U.S.-based clinical pilot, with scans successfully occurring at Providence St. Joseph Hospital in Orange, California.

Under this clinical pilot, 4DMedical’s XV LVAS software is being commercially used to assist in screening for multiple respiratory conditions, including Chronic Obstructive Pulmonary Disease (**COPD**) and long-COVID.

St. Joseph Hospital is one of 52 hospitals within the Providence Health & Services network, the third largest not-for profit health system in the U.S.

These successful scans at Providence St. Joseph Hospital build on use of XV Technology® in clinical trials undertaken at other U.S. sites, including Johns Hopkins Medical Center, Cleveland Clinic, Vanderbilt University Medical Center, Duke University Hospital and the University of Miami.

In addition, 4DMedical continued to make progress towards other commercial pilots in the U.S. The Company has a strong near-term commercialisation pipeline in the U.S. market, including the large and important Veterans Affairs (**VA**) healthcare system. This is the largest integrated healthcare system in the U.S., providing life-long care and services to eligible military veterans and their families.



Commercialisation Strategy



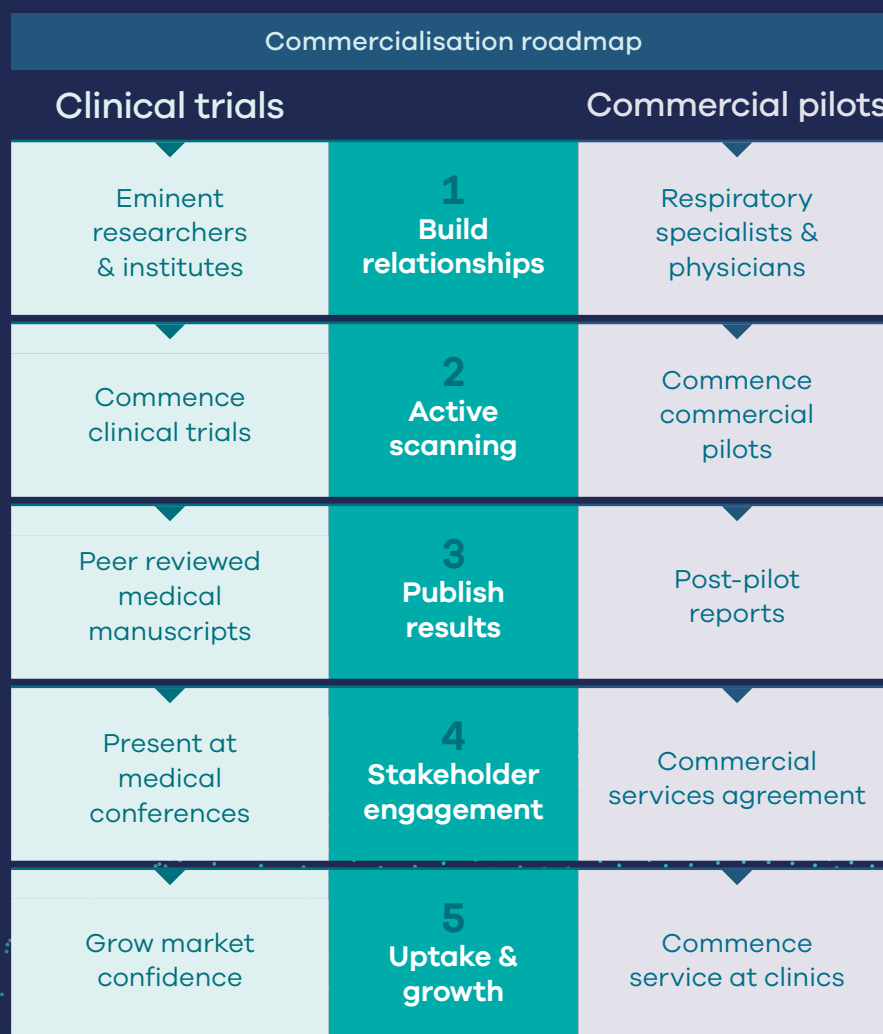
Initial clinical trials outcomes confirmed application to various respiratory conditions.

Clinicians can access Ventilation Reports through I-MED Radiology Network in Australia and Providence St. Joseph Healthcare system in United States on a fee-per-scan basis.

Our success pillars



Pillar 1:
Clinical trials

Pillar 2:
Commercial pilots



Clinical trial milestones





Completed Studies

Pneumonitis	COPD
Cedars Sinai	Johns Hopkins
XV LVAS 	XV LVAS 

Progressing Studies – Imaging Complete

Lung Transplant	COPD	CB (Veterans)	COPD	Paediatric CF
Duke University	Vanderbilt University	Vanderbilt University	University of Miami	Johns Hopkins
XV LVAS 	XV LVAS 	XV LVAS 	XV LVAS 	XV LVAS 

Progressing Studies – Imaging in Progress

BLVR	PH	COPD	Lung Transplant
University of Miami	Cleveland Clinic	Oregon Health & Science University	Alfred Hospital Melbourne
XV LVAS 	VQ 	XV LVAS 	XV LVAS 

Stages:  Patient Recruitment  Imaging in Progress  Imaging Complete  Complete Study

Clinical trial led by Johns Hopkins demonstrates clinical application and performance of XV Technology in COPD

Investigators from Johns Hopkins and the University of Miami presented findings from their COPD study during the International Conference of the American Thoracic Society (**ATS 2022**) attended by world leading physicians in pulmonary, critical care and sleep medicine.

The study involved a cohort of patients with a spectrum of COPD disease severity who received repeated XV LVAS scans over the duration of the study.

These patients also underwent other standard assessments of lung function including CT scans.

Key findings included XV Technology derived metrics, specifically Ventilation Heterogeneity and Mean Specific Ventilation, associated

in a dose dependent relationship with COPD disease severity.

In addition, the performance of measurement of regional lung function from XV LVAS in COPD subjects demonstrate significant agreement.

The study further demonstrated that XV Technology shows significant promise as a pulmonary imaging modality to provide specific phenotypic classification in COPD.

XV LVAS is suitable to administer in the hospital or outpatient setting with the advantage of a lower radiation exposure compared to conventional lung imaging.

The current findings add to the expansion of XV Technology’s clinical utility and investigational studies that demonstrate wide applicability in pulmonary medicine.



Progress continues in partnership with University of Miami

The University of Miami's Leonard M. Miller School of Medicine expanded applications for XV LVAS scanning with a high throughput of patients and additional indications demonstrating an increased capability to acquire high quality images and generate XV LVAS Reports for investigation into therapies for COPD.

Naresh M. Punjabi MD PhD, Professor of Medicine, a global key opinion leader in pulmonary medicine, continues to provide informed leadership for the range of significant clinical investigations involving patients afflicted by acute and chronic lung diseases.

Growing partnerships in Australia

Significant progress was achieved with Australian clinical research studies, with over 50% participant recruitment for the Functional Lung Imaging ('FIT') Study at the Alfred Hospital in Melbourne and a further four pivotal studies receiving ethics approval to commence in Q2 FY23.

4DMedical's volume of preclinical scans and studies have grown through continued collaborations with Australian research groups including the South Australian Health and Medical Research Institute (SAHMRI), Cystic Fibrosis Airway Research Group (CFARG) and Respiratory X-Ray Imaging Laboratory (ReXIL).

During FY22, 4DMedical was co-awarded grants from the National Health and Medical Research Council (NHMRC).

Featured Success at ATS 2022

4DMedical was a prominent success at the American Thoracic Society’s annual conference from 13-18 May in San Francisco, the pre-eminent annual gathering in the world for the pulmonary sciences community.

Beyond connecting with physicians and scientists, a close relationship with the Society was further enhanced through active engagement with the ATS community and leadership.

Three featured abstracts were presented during this conference:

▶ **Regional Distribution of Ventilation via X-ray Velocimetry is a Repeatable Phenotype of COPD**

T. Siddharthan, J. P. Kirkness, T. Ötvös, A. Fouras, N. M. Punjabi, R. A. Wise: 4DMedical/University of Miami/Johns Hopkins University

It is known that variations in bronchial anatomy and regional ventilation have been associated with the development of chronic respiratory diseases including COPD.

The feasibility of utilizing a non-invasive radiographic measure of lung function (XV LVAS) for individuals with COPD was demonstrated. Moreover, the performance of XV LVAS was reported for measurement of ventilation heterogeneity in a spectrum of participants from health and disease.

▶ **Lobe Segmentation of Regional Ventilation Measurement by X-Ray Velocimetry**

T. Ötvös, A. Bisant, O. Farooqui, V. Yang, J. P. Kirkness, T. Siddharthan, A. Fouras: 4DMedical/University of Miami

Diagnostic tools that provide regional lung function measurements are needed. X-ray velocimetry (XV) is a unique method that provides detailed dynamic regional lung function quantification of both inspiration and expiration.

Non-invasive regional distribution of ventilation of lung segments provides valuable and detailed assessment of individual lobe function.

▶ **Quantitative Volumetric Derived Tidal Volume from Non-Invasive Functional Lung Imaging Using X-ray Velocimetry**

T. Ötvös, J. P. Kirkness, A. D. Bisant, A. Fouras, S. A. Arias, N. M. Punjabi, T. Siddharthan: 4DMedical/University of Miami

X-ray velocimetry (XV) is a functional imaging modality to assess regional lung function for the purpose of characterising pulmonary disease, assessing change in disease status or functional response to therapy.

The study presented compared pneumotach derived measurement of tidal volume to that using non-invasive XV. It showed that tidal volume measured by XV is comparable to that measured via a calibrated pneumotachograph.

Advances in Functional Lung Imaging Series

Investigators from a leading U.S. medical research and teaching hospital co-presented a series of scientific sessions with our Medical & Clinical Affairs team during ATS 2022. These forums promoted advanced technical discussion of the product and clinical research findings with an engaged professional audience, demonstrating how advances in XV Technology are addressing salient clinical challenges and issues.

The 4DMedical and Lung Transplant Foundation program was among the session series presented.



Relationships across the U.S. Department of Veterans Affairs were enhanced ahead of passing of the PACT Act.

Throughout FY22, our connectivity and exposure with advocacy organisations and political leaders committed to improving healthcare and achieving justice for America's veterans was further enhanced.

The highly anticipated Honoring our PACT Act 2022 was a focus of ongoing dialogue with legislators, governmental agencies and advocates for veteran wellbeing and justice.

4DMedical actively informed decision-makers and influencers, reinforcing the capability of XV Technology to provide clear insight into the condition of the respiratory health of veterans.

Key to the PACT Act is the presumption that military service in specific theatres contributed to diminished lung function. U.S. military personnel deployed on operations in west Asia were routinely exposed to toxic substances, most notably through the use of 'burn pits', accelerated by jet turbine fuel employed to indiscriminately incinerate a diverse range of often dangerous materials as an expedient measure in the field.

The PACT Act addresses eligibility to health care, presumption of service connection to a number of respiratory conditions and cancers, and the need for research and resources.

Core to the various bills was eligibility for medical care and disability benefits to impacted service personnel. Lobbying by various veteran advocacy organisations focused on eliminating a burden of proof in establishing a service connection for the 3.5 million veterans who served in theatre, many of whom are suffering significant respiratory issues. Also core to the proposals was the training of medical personnel to identify all veterans who may have been exposed to burn pits and toxic substances and recommend a way to determine potential impact of exposure.



Safer assessment of lung condition

There are potentially tens of thousands of veterans who have developed small airways disease as a consequence of their deployment.

The definitive means by which this disease is identified involves a highly invasive surgical lung biopsy. The risks faced by tens of thousands of patients enduring biopsy procedures are significant and potentially fatal.

For most of these veterans, traditional methods of evaluating lung function, such as spirometry and pulmonary function tests, fall short.

Sustaining relationships and influence

4DMedical has closely monitored this passage of this legislation through the year and is working with professional lobbyists and veteran service organizations to help ensure that the Department of Veterans Affairs (VA) follows Congressional intent.

The company has enhanced its close connections with the VA, and also with hospitals and clinicians within the VA system – including the recent release of encouraging results from a clinical trial at Vanderbilt University Medical Center for veterans with small airways disease.

Patient story: Amanda's Long COVID images shed light in four dimensions

"Amanda", 57, lives in one of the busiest Greater Los Angeles metropolitan areas in Southern California.

Since testing positive for COVID-19 on Christmas Day 2021, Amanda has suffered from a list of symptoms including two bouts of pneumonia, fever and extreme fatigue. She had what doctors called 'Long COVID'.

"I laid on the couch for months just coughing," Amanda recalls. "I knew I wasn't breathing right. I felt tightness in my chest all the time, the same kind of feeling I had as a child when my asthma would worsen."

Amanda saw several doctors seeking help. In common with examination of many Long COVID patients, they were unable

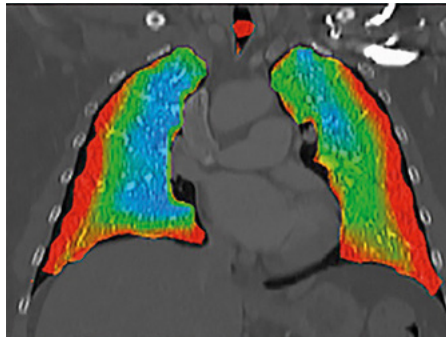
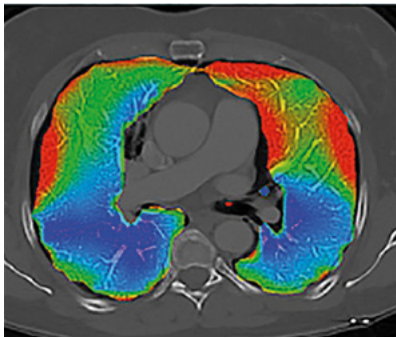
to determine a cause for her symptoms using existing diagnostics. Then Amanda was referred to Dr. Raymond Casciari, a renowned pulmonary specialist with Providence St Joseph Hospital in Orange, California.

"She came into the office frustrated," said Dr Casciari. "Amanda was feeling better, but she said her chest felt funny. After an examination, what I saw and heard was typical of Long COVID patients."

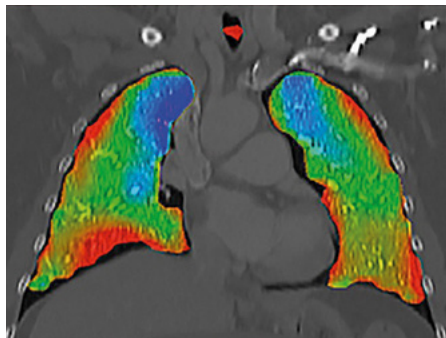
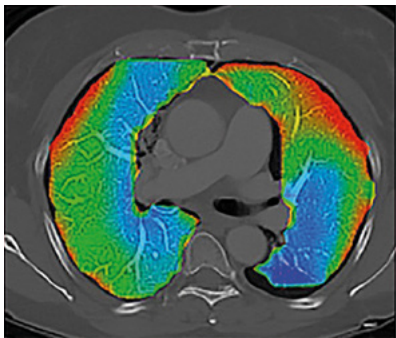
But Dr Casciari needed a deeper look into her respiratory condition.

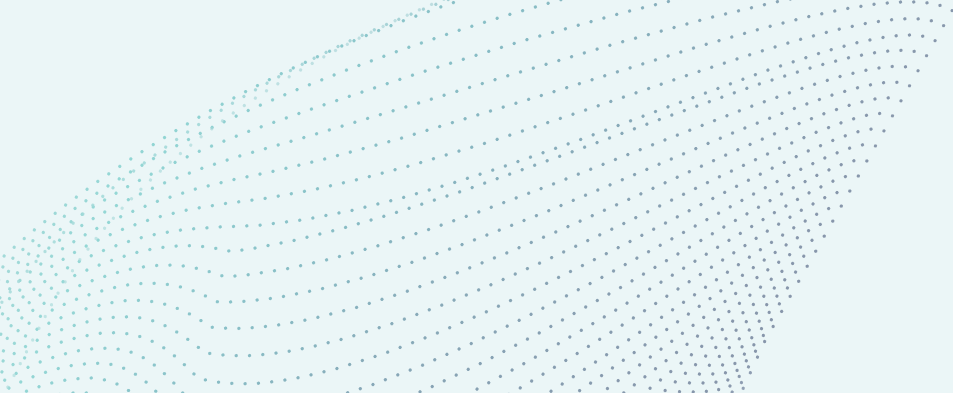
Utilising new imaging technology providing an innovative four-dimensional insight into pulmonary function, Dr Casciari scanned Amanda's lungs.

4 Months Post COVID-19 Infection



7 Months Post COVID-19 Infection – 3 Months Post Tx





The resulting XV LVAS Ventilation Report provided an animated view of her lungs functioning.

Dr Casciari's facility, Providence St. Joseph Hospital is currently using this FDA-cleared XV Technology for commercial purposes.

"Once we witnessed what her functioning lungs looked like and discovered areas that were abnormal – her ventilation was compromised on both sides of her lungs – we were able to aggressively treat her symptoms," said Dr Casciari. "When I showed Amanda the animate scans, she was relieved to see what was wrong with her lungs."

Before her four-dimensional scan, Amanda underwent other imaging of her lungs, including CT. These static, structural images failed to reveal her Long COVID lung problem.

"4DMedical's XV Technology enabled us to see defects in lung functioning caused by Long COVID that other lung imaging methods do not show," added Dr Casciari. "Not only does this validate the presence of Long COVID, it could lead to more specific and effective therapy."

Dr Casciari began treating Amanda with a bronchodilator and a program of pulmonary rehabilitation.

"The potential for 4DMedical's XV Technology to play a role in surveillance of lung function is unprecedented, along with the capacity to monitor the effectiveness of pharmaceutical and other interventions for the treatment of those diseases," said Jeremy Zoch, PhD, chief executive of Providence St Joseph Hospital.

"Doctors have never been able to see lungs with this level of richness and detail before," added Dr Zoch. "We are proud of our commitment to bring the latest in life-changing technology to our doctors, patients, and community."

After exercising and taking medication, Amanda began to feel much better. "What we have discovered with Long COVID patients is that exercise and stressing the lungs provides a great benefit," said Dr Casciari.

A few months later, Dr Casciari took another scan of her lungs, reflecting the surveillance application of XV Technology.

"I could see my lungs were much better," said Amanda. "Doctor Casciari convinced me to continue my therapy for a little while longer. I'm breathing easier and feeling much better, and now know that the treatment is working, and that this will eventually go away. Seeing my lungs on the animation was remarkable."

*4DMedical's
XV Technology[®]
enabled us to see
defects in lung
functioning caused
by Long COVID
that other lung
imaging methods
do not show*

Product Development

The simplicity of offering:
Ventilation or Perfusion –
with the flexibility of
distribution



Proven and adopted XV LVAS

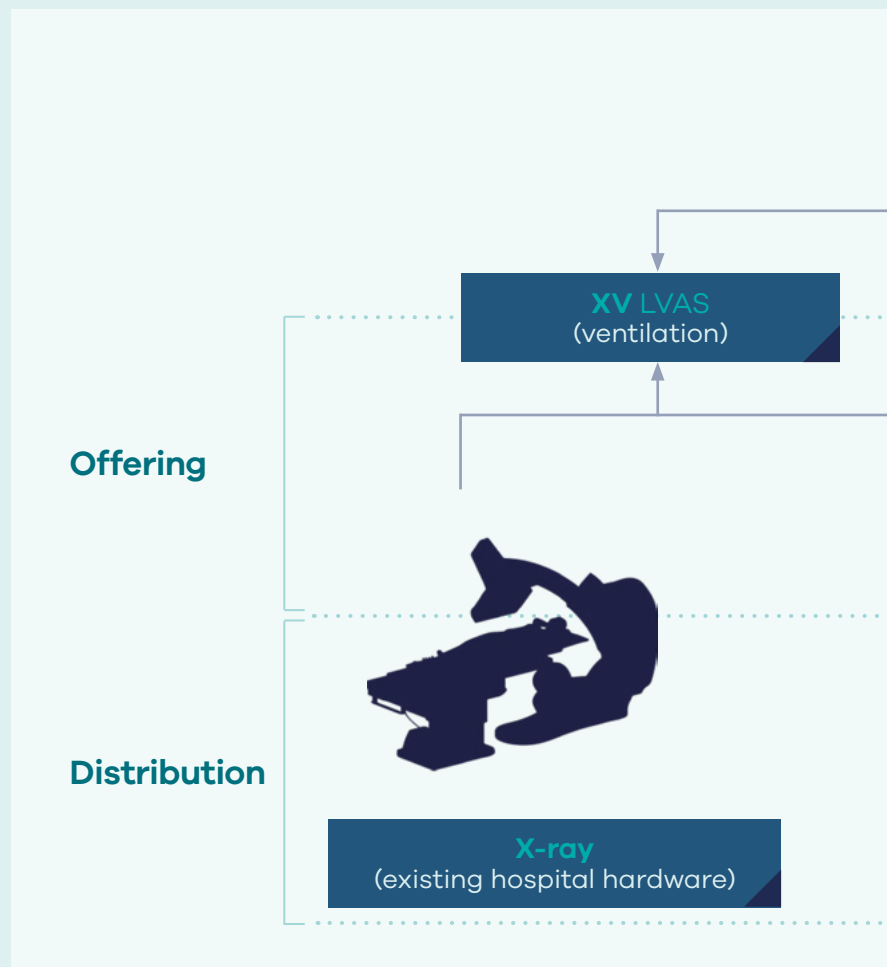
- Four-dimensional data acquired
- High resolution
- Low dose
- Zero contrast
- Optimised high speed scanning and throughput using XV Scanner

Continuing progress towards CT:V

- Three-dimensional data acquired
- Highly accessible through imaging infrastructure in place
- Same output as XV LVAS
- Zero contrast

Future promise of CT:VQ

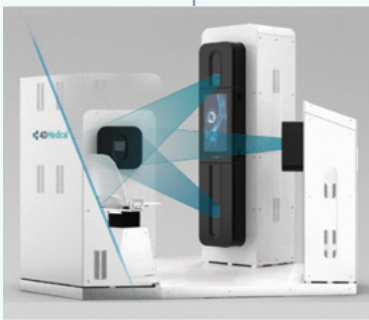
- Ventilation and perfusion capability in tandem
- Three-dimensional data acquired
- Highly accessible through imaging infrastructure in place
- Zero contrast





CT:V
(ventilation)

CT:VQ
(ventilation/perfusion)



XV Scanner
(4DMedical hardware)



CT
(existing hospital hardware)

XV Scanner becomes a reality



During March, 4DMedical announced the launch of the XV Scanner (previously known by the nomenclature 'XVD'), the world's first dedicated lung scanner integrating XV Technology® into a purpose-built platform.

The vision for the XV Scanner was realised with the help of the MRFF, through which the Australian government is contributing A\$28.9m, towards the outcome of dramatically increasing patient access to the benefits of XV Technology® and now know that the treatment is working."

This platform provides detailed quantitative data on respiratory function via an automated scanning process, enabling high volume throughput and generation of Ventilation Reports.

Importantly, the XV Scanner offers multiple pathways to drive the Company's commercialisation plans by increasing patient throughput and reducing costs for healthcare providers.

This product facilitates access to XV Technology® for more patients, including children and the very unwell who cannot be scanned using conventional imaging equipment.

XV Scanner inherently accelerates uptake and consumption of the 4DMedical's core SaaS product.

Delivered ahead of schedule, 4DMedical met a target to deploy this product in an Australian hospital within 12 months of the commencement of Stage 2 funding.

Federal Minister for Health, Greg Hunt and industry partners were present at an unveiling of this first unit at the Prince of Wales Hospital in Sydney, also involving the Vice Chancellor and Dean of Medicine at the University of New South Wales, and representatives of I-MED Radiology Network and Lung Foundation Australia at an event attracting national media attention.



Scanner manufacturing in a rejuvenated hub for innovation

Port Melbourne has a proud tradition of industrial research and manufacturing.

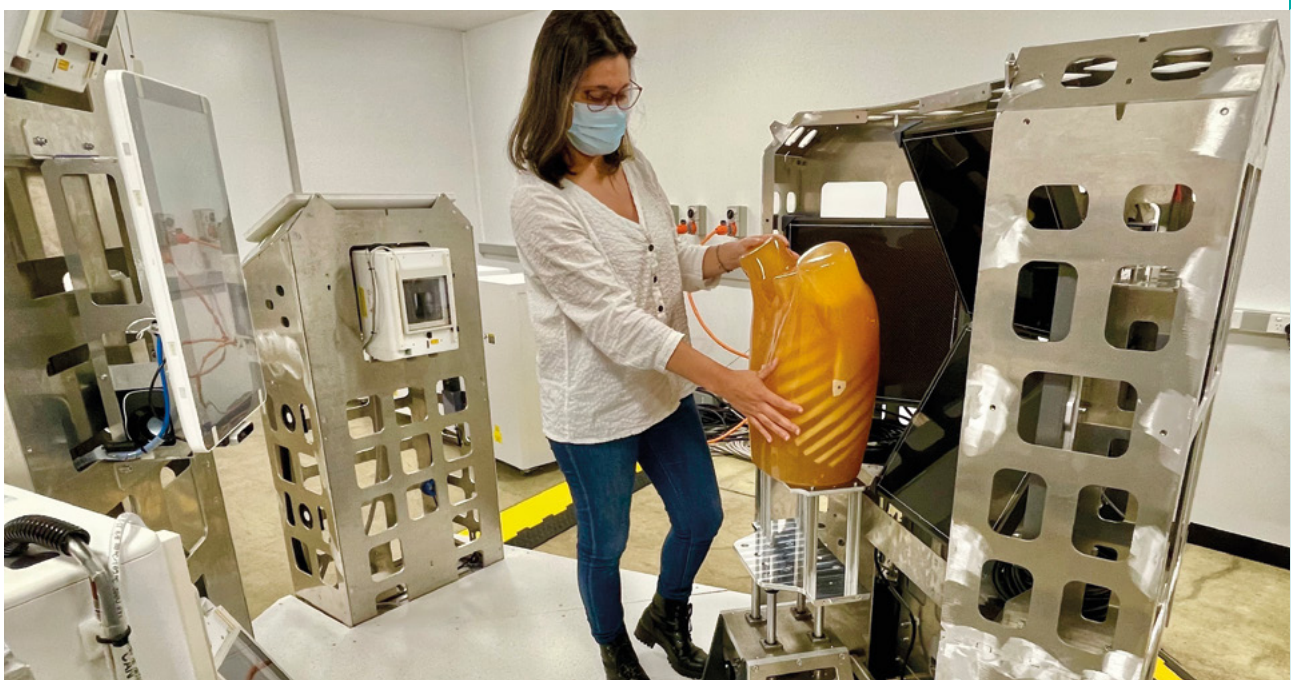
For many decades home to aircraft production and automotive industries, the Fishermans Bend Innovation Precinct today fosters creative excellence including Engineering faculties of two universities and the nation's Defence Science and technology agency.

4DMedical's Advanced Manufacturing Facility in Port Melbourne provides the company with the means to conduct practical research and development including operation of x-ray hardware within a dedicated radiation laboratory (**Rad Lab**) and assembly of XV Scanner platforms.

Supported by a considerable investment by the Federal Government through \$28.9 million of MRFF grant funding has seen this 1,767m² facility rapidly expand and demonstrate a proven capacity to manufacture hardware enabling wider deployment of the company's software-based technology. During FY22 income of \$8.46 million being the first annual MRFF periodic payment was received following successful achievement of all incremental performance milestones.

State Government of Victoria funding through the Manufacturing and Industry Development Fund (**MIDF**) recognises 4DMedical's capability to grow a data-driven and digitally empowered workforce, delivering innovative product 'Made in Melbourne'. During the reporting period a high degree of integration and contribution to the Victorian supply chain was achieved, this being a key incentive for public funding through the MIDF initiative.

Beyond this, the State of Victoria is also investing in this facility through the Medtech Manufacturing Capability Plan (**MMCP**) recognising the company's ability to deliver sovereign capability in specialty manufacturing. This complements our existing SaaS-based products and the ability to conduct groundbreaking R&D, both in collaboration with partners of the calibre of the University of Melbourne, and through its own organic means.



Capability through people

In a time of competition for the best talent, our company continued to attract quality team members and grow its talent base.

The company expanded its sales force covering the United States and Australian markets, with our rejuvenated and geographically dispersed teams being highly mobile and technologically-enabled – sustaining a customer focus.

Our company-wide Sales & Marketing function is now led out of the core U.S. market with regional capabilities covering all 50 states.

In Australia, an ability to deploy team members to clinical sites nationwide for training and customer onboarding proved critical in expanding market reach via I-MED Radiology Network, the country's largest commercial provider of imaging services operating across every state.

▲ 40%

Growth in staff



4DMedical cultivates and celebrates inclusion and diversity



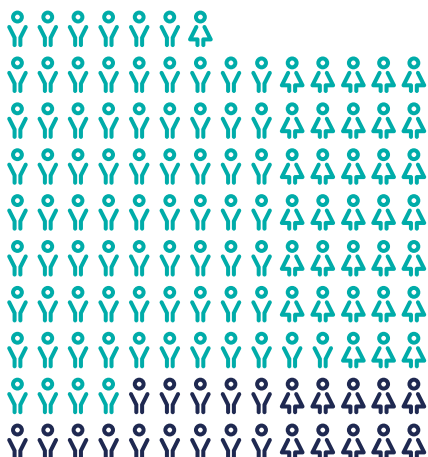
Our talented team originates from across the world bringing a multicultural perspective to the global challenges of improving lung health.

The company's progressive People & Culture policies enable team members to practice their faith through initiatives such as swapping

of holidays for religious observance, and availability of an on-premises Prayer Room facility at our Melbourne Connect headquarters.

We break down barriers to attract and retain the best and most committed staff, regardless of their gender, ethnicity or religious beliefs.

133 Total staff



110 Staff in Australia

23 Staff in U.S.

64%
Male

36%
Female

FY22 News

QARA audit achievement

A Medical Device Single Audit (more commonly known as an “MDSAP” audit) coordinated by the Quality Assurance and Regulatory Affairs (**QARA**) team during June will provide evidence to the Therapeutic Goods Administration (**TGA**) of the company’s compliance (pending approval) with conformity assessment procedures and market authorisation requirements.

This exercise means that this single audit carried out in Australia may also satisfy the requirements of national regulatory authorities of countries participating in the program, being: the United States, Canada, Japan and Brazil.

Conducted over two days, this intense endeavour guided 4DMedical’s alignment with the global ISO 13485 regime and has the potential to accelerate the rollout of 4DMedical’s pipeline of products in both existing and future expansion markets.

U.S. Secretary of State visit

Secretary Anthony J. Blinken visited 4DMedical’s Melbourne Connect headquarters during March accompanied by the University of Melbourne’s Dean of Medicine, Professor Jane Gunn.

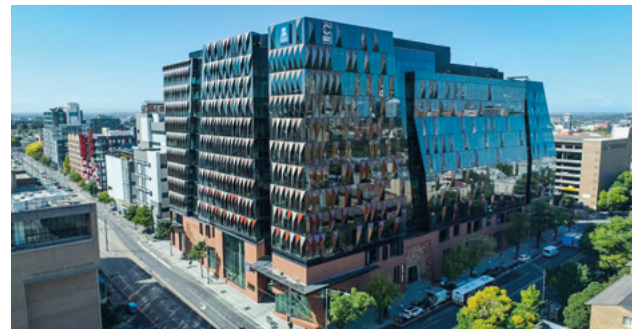
Dr Andreas Fouras demonstrated the Company’s XV Technology® to an enthusiastic Secretary Blinken in this 1:1 briefing.



Relocation to Melbourne Connect

During January our new purpose-designed global headquarters at Melbourne Connect was occupied, bringing 4DMedical into a vibrant innovation ecosystem and physical spaces shared with the University of Melbourne.

Now residing in the Parkville Innovation Precinct, 4DMedical literally operates alongside biomedical research institutes of world renown, major hospitals and other highly innovative technology companies sharing similar ambitions.



New Los Angeles office in Woodland Hills

Centralisation of all R&D activity to Melbourne enabled consolidation of the Company’s U.S.-based operations at a new location on Burbank Boulevard within the Warner Center complex.

Space utilisation efficiency has been achieved through adoption highly flexible working practices enabled by this contemporary physical environment.



Monash Medhack Elevate

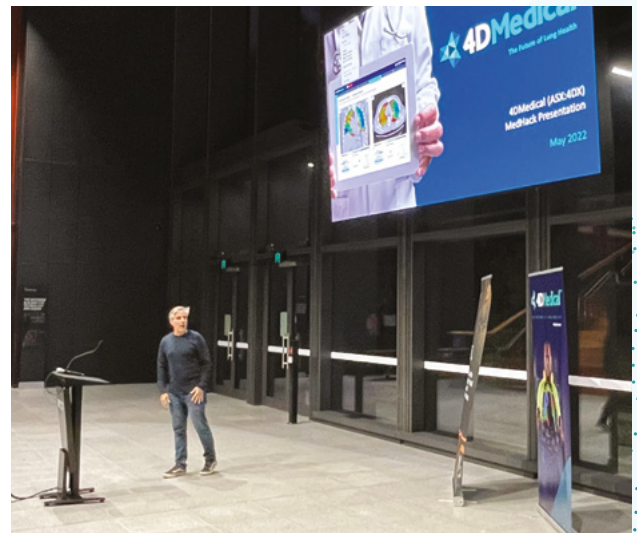
Members of our Engineering, Imaging Systems, People & Culture and Corporate Affairs teams led by CEO Dr Andreas Fouras provided advice and guidance to teams of undergraduate students from universities nationwide applying their ideas and intellect in a 'hackathon' – an intense 48 hours of reimagining healthcare through the development of innovative technologies in a highly competitive environment.

The winning team of entrepreneurs behind the interactive Monty+ patient monitoring device will continue to access 4DMedical expertise through mentoring and internship opportunities.



Medical & Clinical Affairs researcher placement

Success in the REDI Fellowship Program (Researcher Exchange and Development within Industry) resulted in a University of Sydney researcher commencing a 12-month placement embedded within the MCA team. Supported by MTPConnect, access to this expertise in-house enables regulatory approvals and commissioning of prototype scanning platforms to be accelerated.



Outlook FY23

Throughout FY22, 4DMedical has progressed commercialisation effort through imaging network SaaS product rollout in the United States and Australia, and clinical trials advancing to presenting of initial results.

This successful adoption of XV Technology® is reinforced by sustained manufacture of the XV Scanner platform and an exciting product pipeline diversifying functionality, modalities and distribution.

During FY23, the Company is sustaining its focus on generating revenue through application of intellect and resources to:

1

Expanding successful commercial rollout with I-MED Radiology Network in Australia, and utilising our relationship with Providence Health as the foundation for widened availability of XV Technology® on a pay-per-scan basis in the U.S. market.

2

Engendering awareness and adoption by communicating results of clinical trials validating the application of XV Technology® to multiple conditions, presenting at professional conferences and publishing in peer-reviewed journals.

3

Continuing deployment of XV Scanner platforms in Australia, and introducing this product line in the U.S. market through exposure at the RSNA 2022 conference and installation at American research institutions.

4

Evolving our core XV Technology® through CT:V enabling use of widespread Computed Tomography clinical network infrastructure, and application to perfusion through our CT:VQ product.

Directors' Report

The directors of 4DMedical 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 2022.

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.

Names, qualifications, experience and special responsibilities



Bruce Rathie (Non-Executive Director and Chairman)

B.Comm, LLB, MBA, FIML, FAICD, FGIA

Mr Bruce Rathie is an experienced professional Non-Executive Director, having completed successful prior careers in law and finance. He holds degrees in law (LLB), commerce (B.Comm) 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 listed PolyNovo Limited, Capricorn Society Limited and Cettire Limited. He is also Chairman of Capricorn Mutual Limited, ASX listed CleanSpace Holdings Limited and 4DMedical.

Previously, he has been a Non-Executive Director of ASX listed companies Netlinkz Limited, Compumedics Limited, Anteo Diagnostics Limited (Chairman), USCOM Limited, Mungana Goldmines Limited and Datadot Technology Limited (Chairman).

Bruce is an independent director.



Dr Andreas Fouras (Managing Director)

BEng, MEngSc(Res), PhD, MAICD

Dr Andreas Fouras is the founder, Managing Director and Chief Executive Officer (**CEO**) of the Group. He is also the Group's Chief Technology Officer being the inventor of its core XV Technology®, maintaining a direct role in its evolution and development.

Andreas' career in academic research has a foundation gained within the Department of Mechanical and Aerospace Engineering at Monash University in Melbourne, Australia. This research into wind tunnel quantification garnered recognition as a young leader in the scientific discipline of fluid dynamics, developing a number of new approaches to the imaging of gas and liquid flow.

Following completion of a Masters degree by research and a Doctorate (PhD), Andreas rapidly rose to the position of Professor of Mechanical and Aerospace Engineering and Director of the Laboratory for Dynamic Imaging. He received accolades from a wide range of premier research bodies including the National Health and Medical Research Council (NHMRC) and the American Asthma Foundation.

Andreas applied a novel concept to clinical use through the development of XV Technology®, uniquely measuring airflow within the breathing lungs at every stage of the breath, providing both high spatial and temporal resolution at very low dose. This research has been documented in over 100 peer reviewed publications and resulted in 72 patent applications with 40 granted.

In December 2012, Andreas founded 4DMedical resulting from a deeply held personal and professional desire for his work to reach and positively influence as many people afflicted by respiratory compromise as possible, through global clinical translation.

Andreas' leadership is evidenced as a commissioned officer in the Australian Army (Infantry) and through the prestigious Australian Davos Connection's Australian Leadership Award for 2013.

The focus of Andreas' substantial intellect and energy is now concentrated upon applying business acumen, drive and innovation to the successful commercialisation of 4DMedical's technologies.

Andreas is a member of the Medical Advisory Committee.



Lilian Bianchi (Non-Executive Director)

BSc(Econ), MSc, GAICD

Lilian brings to 4DMedical an invaluable history of board and executive experience in technology products and business growth, helping lead organisations to build and deliver agile and robust strategies.

Her CEO and senior executive track record spans business transformations for global listed billion-dollar technology companies, technology start-ups, tier 1 management consultancies, government, and international research. She has built international partnerships to accelerate growth across financial services, transport, and climate science. She is an experienced contributor to US-listed technology companies with product expertise in AI and SaaS and international experience in the US, Australia, India, Singapore, UK, France, Germany, New Zealand, Italy, and Spain.

Lilian has over 20 years of governance experience in health, technology, primary industry, infrastructure, and research. Her capital raising experience has helped her guide companies through private equity, IPOs, and grant funding. Her current non-executive roles are with Qscan Radiology Group and Murrumbidgee Irrigation.

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



Evonne Collier (Non-Executive Director)

BA, MBus, GradCertAppFin, GAICD

Appointed as Non-Executive Director (17 December 2021).

Evonne is a highly experienced leader combining current board (ASX, private, publicly unlisted) and governance experience with a successful career in Executive Director level Marketing, Innovation/Technology and Commercial roles managing large profit or loss and balance sheets across diverse industries in blue-chip, multi-national organisations. She has a track record in bringing high growth strategic direction to organisations including commercialising transformative, new to world products and services and an expert background in driving brand profile, customer experience/journeying and growing market share and sales across channels, including digital products/services.

Evonne has served as Chair and Non-Executive Director on various boards since 2011 and currently serves as Non-Executive Director of global SaaS analytics company, Sage Automation (Chair of the Digital Products Board), SaaS FinTech, Sniip (Remuneration and Nominations Chair), and Motorama Group Automotive Holdings (Chair Marketing and Digital Committee) and is Chair of digi-health company Curae Health and global e-Commerce Gym & Fitness Supplies. Ms Collier was previously Non-Executive Director and Chair of ASX listed entities Think Childcare (ASX:TNK) and Vault Intelligence (ASX:VLT), respectively.

Evonne is an independent director and is Chair of the Remuneration and Nomination Committee.



Dr Robert A. Figlin (Non-Executive Director)

MD, FACP

Dr Robert A. Figlin, MD, FACP, is the Steven Spielberg Family Chair in Hematology-Oncology, Professor of Medicine and Biomedical Sciences, Deputy Director for Cedars-Sinai Cancer, and Deputy Director of the Samuel Oschin Comprehensive Cancer Institute.

Robert 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.

Prior to joining Cedars-Sinai, Robert was the Arthur and Rosalie Kaplan Endowed Chair of the Department of Medical Oncology and Therapeutics Research, and the Associate Director for Clinical Research at the City of Hope Comprehensive Cancer Center. Prior to that, Robert served as the Henry Alvin and Carrie L. Meinhardt Endowed Chair in Urologic Oncology and Professor of Medicine and Urology in the Divisions of Hematology/Oncology and Urologic Oncology at the David Geffen School of Medicine at UCLA. Robert joined the UCLA faculty as Assistant Professor of Medicine in the Division of Hematology/Oncology and was Co-Director of the Jonsson Comprehensive Cancer Center's Oncology Program. He held the post of Medical Director of the Thoracic and Genitourinary Oncology Program in the Departments of Medicine, Surgery and Urology, and served as Program Director of Solid Tumor Developmental Therapeutics within the Cancer Center. Robert 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*, *The Lancet*, *JNCI*, *Lancet Oncology*, and *Journal of Urology*, among others. He has authored over 400 peer reviewed articles, more than 70 book chapters, and has published as editor multiple books in kidney cancer.

A nationally recognised leader in genitourinary and thoracic oncology in the United States, Robert's research focuses on renal cell carcinoma and thoracic malignancies. He established and directs the Kidney Cancer Program at Cedars-Sinai Medical Center, which aims to understand the biology of kidney cancer and translate that knowledge into novel treatment approaches. His leadership in developing novel anticancer drugs that avoid the toxicity associated with standard treatments furthers Cedars-Sinai's tradition of compassionate patient care.

Robert is an independent director and Chair of the Medical Advisory Committee.



Lusía Guthrie (Non-Executive Director)

BAppSc(Med Tech), MSSTC, MAICD

Resigned as Non-Executive Director (28 October 2021)

With over 35 years in the pharmaceutical and bioscience industries, Ms Lusía Guthrie is an experienced CEO, technology developer, founder 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 FH Faulding & Co (now Mayne Pharma). Lusía 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 and Chair of Clever Culture Systems, Zurich (LBT's European joint venture company) until 2018.

Lusía currently serves as Chair of Neo-Bionica Pty Ltd and Non-Executive Director of WearOptimo Pty Ltd. She is also Chair of 4DMedical's wholly owned subsidiary Australian Lung Health Initiative Pty Ltd (ALHI). She is also a Member of several industry advisory committees: AMCC (Australian Medtech Manufacturing Centre, DJPR Victorian Government); AIML (Australian Institute for Machine Learning, University of Adelaide); and ARMI (Australian Regenerative Medicine Institute, Monash University).

Lusía has a proven track record in bringing innovative products to global markets. She has an ongoing interest in technology translation and commercialisation of innovative healthcare products that incorporate automation, robotics, machine learning and artificial intelligence.

Lusía was a member of the Audit and Risk Committee.



John Livingston (Executive Director)

BAppSc(MedRad), GradDipHlthSc(HlthEdu), GradCertBusAdmin, GAICD

Mr John Livingston was previously one of the founding partners of Lake Imaging, subsequently becoming part of Integral Diagnostics Ltd., where John was Chief Executive Officer 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 led 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 QScan, Comrad Medical Systems (Chairman) and Ballarat Clarendon College (past Chairman); and is a graduate member of the AICD.

Effective 1 May 2022, John transitioned from Non-Executive Director to Executive Director following his appointment as Senior Strategist in the Company.

John is a member of the Remuneration and Nomination Committee.



Julian Sutton (Non-Executive Director)

BSc, CFA

Mr Julian Sutton began his career as an actuarial analyst for Towers Perrin in Melbourne where he consulted to some of Australia's largest superannuation funds. He later worked for Towers Perrin in Brussels and London as an asset consultant before moving to Credit Suisse Asset Management and then Schroders Investment Management as a portfolio manager in their respective multi-manager teams.

After twelve years in London, Julian returned to Australia and formed a sales and marketing business helping best-in-class international fund management companies establish a presence in the Australian market. Currently, Julian is responsible for the sales and marketing function of Brown Advisory in Australia.

Julian is actively involved in Australia's start-up industry. He was an early investor in 4DMedical and joined the board as a Non-Executive Director in 2017. He is also an investor and non-executive director at Perth-based biosensor company, VitalTrace.

Julian completed his Bachelor of Science degree at Monash University majoring in statistics and is a Chartered Financial Analyst (CFA) charterholder.

Julian is a member of the Audit and Risk Committee.

Company Secretaries

The details of the Group's secretaries in office during the financial year ended 30 June 2022 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)

BBA, CA ANZ, FGIA

Appointed as Company Secretary (28 February 2022).

Melanie has over 25 years' experience in accounting and corporate secretarial functions including extensive experience in relation to public responsibilities including the ASX and ASIC.

Melanie was the founder and Managing Director of Leydin Freyer (LF), a corporate governance, accounting and company secretarial services firm for 21 years. LF was acquired by Vistra in late 2021.

Melanie holds a Bachelor of Business (Accounting and Corporate Law) from Swinburne University. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and a registered Company Auditor.



Charlene Stahr (Company Secretary)

BEng, BTech(Aero), MEngSc(Res), GIA(Affiliate), MAICD

Resigned as Company Secretary (28 February 2022).

Charlene is a governance and compliance professional with over 7 years' company secretarial experience advising senior management and board levels. Charlene reports to the board and her duties include continuous disclosure compliance, corporate governance, and communication with 4DMedical's 8,000+ shareholders.

Charlene joined 4DMedical as a founding employee in 2013 and has served several roles within the company, including Operations Manager (2014-2019).

Charlene has broad experience across the engineering, biomedical research, and education industries. She has detailed experience in international research programs, leading to publication of research and patented intellectual property.

Charlene holds a Bachelor of Engineering (Mechanical) (hons.), a Bachelor of Technology (Aerospace), and a Master of Engineering Science (Research) from Monash University, her master's thesis demonstrated the application of XV Technology's precursor preclinical research technology to a lung disease model.

Share register

Link Market Services

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Fax: +61 2 9287 0303
E: registrars@linkmarketservices.com.au
W: www.linkmarketservices.com.au

4DMedical Limited shares are listed on the Australian Securities Exchange (ASX).

Dividends

No dividends were paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend (2021: none).

Principal activities

The principal activities of the Group during the financial year ended 30 June 2022 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 were no significant changes in the nature of these activities during the year.

Operating and financial review

4DMedical is a global medical technology company transforming the ability to accurately and quickly understand the lung function of patients with respiratory diseases. Through its patented XV Technology® core product, 4DMedical is enabling physicians and researchers to gain unprecedented insight into regional airflow in the lungs, identifying respiratory deficiencies earlier and with greater sensitivity as patients breathe.

Review of operations

Commercial rollout expanding with I-MED

During the year, 4DMedical successfully initiated the commercial rollout of its XV Lung Ventilation Analysis Software (XV LVAS®) with I-MED Radiology Network (I-MED), Australia's largest diagnostic imaging provider with more than 250 clinics nationwide, offering a comprehensive range of services to private and public hospitals, and to general practitioners and respiratory specialists.

Initial respiratory scanning commenced on a pay-per-scan basis at I-MED's clinic in Berwick in south-eastern metropolitan Melbourne during December 2021, making 4DMedical's state-of-the-art respiratory technology available to clinicians and their patients for the first time in Australia. Within two months, the rollout of XV Technology® expanded including I-MED clinics in Brisbane, Wagga Wagga, Launceston and Albury, expanding a market presence across four states.

In June 2022, the Company announced the signing of a three-year nationwide contract with I-MED, formalising the existing commercial arrangement and clearing the way for delivery of 4DMedical's lung imaging technology to other selected clinics across the I-MED network. Multiple I-MED clinics in Sydney, Melbourne, Adelaide and Perth are already prepared for extending availability of XV Technology® nationwide.

In addition, 4DMedical and I-MED are committed to establishing the first respiratory imaging Centre of Excellence, optimising adoption of technologies and processes, refining workflows and delivering specialty training. This Centre also enables world-class research by university partners, advancing the capability of diagnostic imaging in accelerating research translation within Australia.

Clinical pilots progressing in the United States and with the Veterans Health Administration

4DMedical commenced its U.S.-based commercial piloting with initial pay-per-scan imaging at Providence St. Joseph Hospital in Orange, California (**St. Joseph Hospital**). This program represented the first commercial usage of XV LVAS in the extensive U.S. market with multiple scanning across a range of conditions including chronic obstructive pulmonary disease (COPD) and long COVID subsequently completed.

St. Joseph Hospital is one of 52 hospitals within the Providence Healthcare network, the third largest not-for-profit health system in the U.S. Successful commercial scanning at St. Joseph Hospital complements previous and concurrent use of XV Technology® in clinical trials proceeding at prominent U.S. research institutions including Johns Hopkins Medical Center (**Johns Hopkins**), Cleveland Clinic, Vanderbilt University Medical Center (**Vanderbilt**), Duke University Hospital and the University of Miami.

Beyond its continuing valued relationship with Providence St. Joseph Hospital, the Company has a strong near-term commercialisation pipeline in the U.S. market, particularly within the large and important Veterans Health Administration (VA) healthcare system. The U.S. legislature passed the *Sergeant First Class Heath Robinson Honoring Our PACT Act* of 2022 (**PACT Act**) enabling veterans to access quality health care services through the VA. A provision of the Act relieves the individual veteran of burden of proof that their illness is associated with exposure to toxic substances during operational deployment. The use of new, effective screening capabilities addressed in the accompanying appropriation bills are expected to bring the unique insight offered by XV Technology® to the veteran population covered under the PACT Act.

The VA healthcare system is the largest integrated healthcare system in the U.S. providing life-long care and services to eligible military veterans and their families. With a budget of US\$250 billion p.a., the VA operates 1,255 healthcare facilities spanning every state – including 170 medical centres and 1,074 outpatient clinics offering a variety of care plans to over nine million veterans enrolled in the VA healthcare program. 4DMedical already possesses the right to negotiate paid contracts within the VA system without the need for further reimbursement.



Clinical trials and continuing product development

Clinical trials remain a fundamental pillar of the Company's commercialisation strategy, and reporting of trial outcomes is accelerating as scanning of patients is concluding in these studies. Beyond driving awareness of the transformative power of XV Technology® throughout the pulmonology and radiology communities, clinical trial data provides essential evidence for indication-specific use by clinicians and researchers.

During FY22, 4DMedical announced findings of its COPD clinical trial undertaken at Johns Hopkins University Hospital, presented to an enthusiastic audience of professional peers at the International Conference of the American Thoracic Society (ATS) during May 2022. Investigators from Johns Hopkins and the University of Miami delivered initial results from their study of 15 patients across the spectrum of COPD severity, validating the capability of XV LVAS in assessing regional ventilation defects, critical to optimising therapies.

4DMedical has another five clinical trials under way in which the imaging phase is complete, with analysis currently occurring. These trials have been undertaken at leading U.S. hospitals including Duke University (Lung Transplant), University of Miami (COPD), Johns Hopkins Medical Center (Cystic Fibrosis) and Vanderbilt (COPD and constrictive bronchiolitis (CB)).





Completed Studies

Pneumonitis	COPD
Cedars Sinai	Johns Hopkins
XV LVAS	XV LVAS
	

Progressing Studies – Imaging Complete

Lung Transplant	COPD	CB (Veterans)	COPD	Paediatric CF
Duke University	Vanderbilt University	Vanderbilt University	University of Miami	Johns Hopkins
XV LVAS	XV LVAS	XV LVAS	XV LVAS	XV LVAS
				

Progressing Studies – Imaging in Progress

BLVR	PH	COPD	Lung Transplant
University of Miami	Cleveland Clinic	Oregon Health & Science University	Alfred Hospital Melbourne
XV LVAS	VQ	XV LVAS	XV LVAS
			

Stages:  Patient Recruitment  Imaging in Progress  Imaging Complete  Complete Study

During August 2022, the Company announced major success in the ‘burn pit’ (post deployment respiratory syndrome: PDRS) clinical trial conducted at Vanderbilt. Preliminary analysis from this groundbreaking study reveals 4DMedical’s XV Technology® is capable of detecting CB in veterans where pulmonary function tests and CT scans fail to do so. This significant trial outcome clearly demonstrates the potential for non-invasive and scalable XV Technology® in replacing surgical biopsy as the preferred diagnostic tool for CB applications.

4DMedical is sustaining investment into research and development, driving future use cases and integrating its SaaS-enabled offering with a broader range of hospital equipment including computed tomography (CT) scanners. These enhancements enable widespread adoption of XV LVAS on a commercial basis. The Company’s product pipeline additionally includes contrast free Ventilation Perfusion (CT:VQ) SaaS-delivered product and a high-throughput platform in the XV Scanner™.

XV Scanner to support software commercialisation

On 17 March 2022, 4DMedical unveiled the XV Scanner – the world’s first dedicated lung scanner, – installed at the Prince of Wales Hospital in Sydney, as part of a ceremony involving a private viewing by the Federal Minister for Health and representatives of I-MED Radiology Network. The XV Scanner integrates the Company’s XV Technology® into a purpose-built platform providing doctors and patients with unprecedented and highly visual insight into lung function, opening access to a wider patient audience and enabling commercial scanning in volume and high throughput.

The XV Scanner was developed by the Company’s wholly owned subsidiary, Australian Lung Health Initiative Pty Ltd (ALHI), enabled by \$28.9 million Australian Government’s Medical Research Future Fund (MRFF) grant over a five-year period. 4DMedical is working with leading medical researchers in progressing a series of clinical trials taking the XV Scanner towards regulatory clearance by late 2023.

4DMedical holds exclusive rights to commercialise XV Scanners worldwide and will receive 100 percent of revenue from sales of these platforms, in addition to software revenue from SaaS-enabled operations using these scanners.

Directors' Report continued

Other commercial partnerships and collaborations

In August 2021, 4DMedical signed its first pharmaceutical industry-focused contract with Novartis, one of the world's largest companies in this sector, enabling the commercial use of 4DMedical's XV LVAS in validating drug discovery, design and repurposing. Novartis is specifically using XV LVAS in assessing patient outcomes as part of a clinical program focused on novel therapies to treat COPD. This program is being conducted at the University of Miami under 4DMedical's Functional Lung Imaging Research Program accelerating breakthrough lung technologies.

Other corporate updates

4DMedical appointed Ms Evonne Collier as an independent Non-Executive Director of the Company on 17 December 2021. Ms Collier brings considerable multinational experience to the Company across SaaS products and in sales and marketing for industries spanning MedTech, FinTech, Pharmaceutical/Health, eCommerce/Digital and FMCG.

Following the conclusion of 4DMedical's 2021 Annual General Meeting in October 2021, Ms Lusia Guthrie resigned as Non-Executive Director of the Company. Ms Guthrie continues to be engaged with the 4DMedical group of companies through her role as Non-Executive Director and Chair of ALHI.

In May 2022, Company Director, Mr John Livingston, transitioned into an Executive position with the Company in the role of Senior Strategist and Executive Director. Mr Livingston has significant commercial experience relating to business strategies, sales and systems in the digital radiology environment. Having previously been CEO and Managing Director of Integral Diagnostics (ASX:IDX), he is adding considerable value to 4DMedical's sales initiatives.

During the year, 4DMedical also welcomed experienced Chief Financial Officer (**CFO**), Simon Glover to the team. Mr Glover has significant corporate experience within an ASX-listed medtech environment relating to commercialisation, business strategy and cashflow management, and he possesses a demonstrated track record of driving revenue growth.

Financials

The net result after tax of the Group for the financial year ended 30 June 2022 was a loss of \$24.59 million (2021: \$21.42 million), an increase of \$3.17 million from the previous year.

The Group recorded total income of \$13.37 million during the financial year, up 132% from \$5.77 million in the previous year. Total income comprised operating revenue of \$1.05 million (2021: \$0.22 million) generated through a combination of software and hardware consumption, and associated maintenance agreements.

Other income for the full year was \$12.32 million, up 122% from \$5.55 million in the previous corresponding year. This income category included R&D Tax Incentive credits of \$3.57 million and grant income of \$8.75 million, of which \$8.46 million was reported by wholly owned subsidiary ALHI under the MRFF initiative.

Operating expenditure for the Group was \$37.03 million, driven by investment in research and development, and in 'go to market' capabilities directly supporting commercialisation effort. Employee benefit expenses increased by \$7.79 million from \$11.43 million last year as the Company continued developing a sustainable capacity for driving product development and distribution, with headcount growing from 95 at end of 30 June 2021 to 133 staff at the end of this financial year.

In addition to hiring specialist experts supporting the XV Scanner project, research and development expenses for the Group increased \$2.09 million, up 88% from last year, driven by upscaling of activities in line with successfully delivering on project milestones under its MRFF grant. Sales, marketing and travel costs also contributed to the overall increase in operating expenditure as customer engagement activity at conferences and trade shows increased. The majority of increased operating expenditure related to operations funded by the MRFF grant and should not be considered as structural or permanent.

Loss per share remains unchanged at 0.08 cents per share in the current year.

The Group reported a net cash balance of \$51.11 million, down by \$29.77 million from the previous year due to expanding of research and development, and upscaling of commercialisation activities.

During the year, the Group also received \$12.64 million in government grants and through R&D Tax Incentive refunds.

Options and rights

For the financial year ended 30 June 2022, 1,464,887 (2021: 4,026,570) options to acquire, and 82,850 rights to purchase shares in the Company were granted (2021: nil). No shares were issued during the financial year by virtue of the exercise of options and rights. There are 1,464,887 options and 82,850 rights that were granted but not yet vested as at 30 June 2022 (2021: 4,026,575 and nil, respectively).

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

Date options granted	Expiry date	Exercise price of options	Number under option
1 November 2021	1 July 2025	\$2.60	701,719
1 November 2021	25 June 2025	\$1.30	126,592
6 June 2022	6 June 2025	\$0.79	636,576

4DMedical granted rights during the year:

Date rights granted	Expiry date	Issue price of rights	Number of rights
30 March 2022	N/A	\$1.00	42,850
30 March 2022	N/A	\$0.71	40,000

Significant changes in the state of affairs

Other than as disclosed in this report, there were no significant changes in the state of affairs of the Group during the financial year ended 30 June 2022.

Significant 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.

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

The Company has entered into deeds of access and indemnity with each of the Directors in accordance with the constitution, under which the Company indemnifies each Director for cost incurred, in their capacity as a director, for which they may be held personally liable. No other indemnities were 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.

The Company has insured its Directors and Company Secretary, under its Directors' and Officers' Liability Insurance policy against any liability to the extent permitted by the *Corporations Act 2001*. Key person insurance was in place for the financial year ended 30 June 2022 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 is included on page 47.

The auditor did not perform any non-audit services during the year.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year ended 30 June 2022 and the number of meetings attended by each director were as follows:

	Board meetings		Audit and Risk		Remuneration and Nomination		Medical Advisory	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bruce Rathie	11	11	–	–	–	–	–	–
Dr Andreas Fouras	11	11	–	–	–	–	4	4
Lilian Bianchi	11	11	5	5	–	–	–	–
Evonne Collier	5	5	1	1	1	1	–	–
Dr Robert A. Figlin	11	11	–	–	–	–	4	4
Lusia Guthrie	4	4	2	2	–	–	–	–
John Livingston	11	11	–	–	5	5	–	–
Julian Sutton	11	11	2	2	4	4	–	–

Committee membership

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

Audit and Risk Committee	Remuneration and Nomination Committee	Medical Advisory Committee
Lilian Bianchi (Chair)	Evonne Collier (Chair, appointed 30 March 2022)	Dr Robert A. Figlin (Chair)
Lusia Guthrie	John Livingston (Chair, resigned 30 March 2022)	Dr Andreas Fouras
Evonne Collier	Julian Sutton	
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	509,638	–
Dr Andreas Fouras	64,838,000	6,738,412
Lilian Bianchi	53,306	–
Evonne Collier	–	–
Dr Robert A. Figlin	519,943	–
Lusia Guthrie	207,409	–
John Livingston	1,925,352	636,576
Julian Sutton	480,800	6,205,162

Remuneration Report

Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders

The past year has been signified by continued growth alongside stabilising the organisational structure, with the introduction of key roles including Chief of Staff, Vice President of Customer Success and merging support services under the new Corporate Services banner. Headcount increased by 38 people to 133 by the reporting year end, expanding our technical capability across the Port Melbourne facility, software engineering and customer success teams.

A continued focus on health, safety and wellbeing saw the appointment of our Workplace Health and Safety Manager during the year, leading to the roll out of various training programs, safety procedures and risk mitigation strategies across the Group. We successfully achieved an upskilling of our employees in various areas of health and safety, which amongst others include radiological safety awareness, first aid and mental health first aid.

During the year, 4DMedical rolled out its inaugural organisational engagement survey reporting an overall positive baseline score. The Employee Satisfaction produced a net Promoter Score of 46 (above 50 is excellent) and an average wellbeing score of 4.08 (out of 5). A result of this will be more targeted policies and programmes with an aim to improve our employee experience and engagement levels as we transition to commercialisation.

Remuneration structures

The Board regularly reviews our executive remuneration structure to ensure it continues to drive shareholder value and enables us to attract and retain the talent we need.

4DMedical continued with the LTI and STI plans as implemented in the previous year and introduced the offer of performance rights targeted at our US sales and business development teams.

Remuneration outcomes

Our achievements over the financial year are reflected in the executive remuneration outcomes for the year. Executives received an average of 79% of their STI target for performance against key performance indicators.

Broad based Employee Share Plan

We continued with the 'Tax Exempt' Employee Share Plan in June 2022, to reward, retain and motivate all group employees, while aligning the economic interests of employees with shareholders and promoting shareholder value. The plan was very well received again with 100% participation.

The Board is confident that our remuneration structures continue to support 4DMedical's financial and strategic goals. We are committed to transparency and an ongoing dialogue with shareholders on remuneration and to this end we have expanded the remuneration report to improve the overall format and flow of information.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Sincerely,



Evonne Collier

Chair of Remuneration and Nomination Committee

Directors' Report continued

Remuneration Report continued

The Directors of 4DMedical Limited present the Remuneration Report (the **Report**) for the Company and its controlled entities (the **Group**) for the year ended 30 June 2022. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*.

1. Key management personnel

The Report details the remuneration arrangements for the Company key management personnel (**KMP**) comprised of:

- non-executive directors (**NEDs**); and
- executive directors (**executives**).

The KMP 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 and their movements during the financial year.

Name	Position	Term in Position as KMP
Non-Executive Directors		
Bruce Rathie	Chair and Non-Executive Director	Full financial year
Lilian Bianchi	Non-Executive Director	Full financial year
Dr Robert A. Figlin	Non-Executive Director	Full financial year
Lusia Guthrie	Non-Executive Director	1 July 2021 until retirement as Non-Executive Director on 28 October 2021
John Livingston	Non-Executive Director	1 July 2021 until appointment as Senior Strategist and Executive Director on 1 May 2022
Julian Sutton	Non-Executive Director	Full financial year
Evonne Collier	Non-Executive Director	Appointed as Non-Executive Director on 17 December 2021
Executive Directors		
Dr Andreas Fouras	Managing Director and CEO	Full financial year
John Livingston	Executive Director and Senior Strategist	Appointed as Senior Strategist and Executive Director on 1 May 2022

The focus of this Report is on the remuneration arrangements and outcomes for the KMP listed in the table above. It also outlines information about the remuneration policy more broadly.

2. Overview of executive remuneration

Overview of 4DMedical remuneration policy and structures

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 NEDs and executives. The role of the RNC is set out in more detail in its charter, available on the Company's website at <https://4dmedical.com/corporate-governance>.

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

The Group's executive reward framework is based on objectives to:

- accelerate growth and profitability;
- align executive rewards with achievement of strategic objectives and the delivery of shareholder value; and
- provide competitive remuneration packages that recognise both individual and organisational performance.

Remuneration Report continued

The executive remuneration framework, and any potential changes to that framework, are assessed on the following guiding remuneration policy objectives:

- equitable remuneration structures and alignment with the long term interests of the Company and its shareholders;
- attraction and retention of skilled executives;
- consistency with and promotion of the achievement of strategic objectives and adherence to the Group's values, policies and procedures;
- fairness of remuneration for the work undertaken having regard to employee remuneration in comparable positions, organisations and geographic locations;
- structuring of short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns;
- termination benefits which are justified and appropriate;
- support gender pay equity; and
- comply with all relevant legal, tax and regulatory provisions.

The RNC and the Board have structured an executive remuneration framework that is market competitive, is designed to retain and motivate the leadership team, and sets a standard for transparency and good corporate governance.

The determination of NED and executive remuneration is separately addressed below.

The Company did not seek or receive any remuneration recommendations within the definition of the *Corporations Act 2001*.

Our executive remuneration policy and structures

The Company rewards executives with a level and mix of remuneration appropriate to their position, responsibilities and performance, in a way that is aligned with the business strategy.

The Company's remuneration policy is designed to attract, retain and motivate highly qualified and experienced executives.

The executive's remuneration structure during the financial year had three components:

- fixed remuneration in the form of salary, superannuation contributions and benefits;
- short term incentives (STI) payable as a cash bonus subject to the achievement of financial and non-financial key performance indicators; and
- long term incentives (LTI) via participation in the Company's Long Term Incentive Plan, which rewards, retains and motivates executives in a manner aligned with long term shareholder value.

Elements of executive remuneration

Fixed remuneration

The fixed remuneration component consists of base salary, superannuation and other non-monetary benefits. It is designed to reward the scope of their role and responsibilities, their skills, experience and qualification and individual and group performance, and is set at a level to attract and retain executive talent with the appropriate capabilities to deliver the Company's objectives.

Fixed remuneration is generally positioned at the median of the relevant market and is reviewed and benchmarked periodically to ensure alignment with other organisations within the industry and market capitalisation as determined by the Board.

Fixed remuneration is generally reviewed annually, however, there is no guaranteed annual increase. Any adjustments to executive remuneration are approved by the Board, based on RNC recommendations.

Performance based remuneration

The performance-based remuneration components for executives align reward with the achievement of annual and longer term objectives of the Group, and the optimisation of shareholder value over the short and long term.

Performance based remuneration is provided in the form of a STI plan and a LTI plan.

Remuneration Report continued

STI

The STI plan provides executives with the opportunity to earn an annual incentive award which is delivered in cash.

The key objectives of the STI plan are to drive and reward outstanding performance against annual strategic financial and operational performance objectives, promote effective management of capital, and position the Company to continuously achieve in future years.

The key features of the STI plan can be summarised as follows:

How is it paid?	The STI is provided to executives in the form of cash payments.												
How much is the STI opportunity?	During the financial year ended 30 June 2022, the CEO was able to earn 37.5% of his fixed annual remuneration.												
How is performance measured?	<p>The STI performance measures were chosen as they reflect the core drivers of short-term performance and also provide a framework for delivering sustainable value to the Group and its shareholders.</p> <p>During the year, key performance indicators (KPIs) covering financial and non-financial were utilised. A summary of the measures and weightings are set out in the table below:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>CEO</th> </tr> </thead> <tbody> <tr> <td>Commercialisation, business development and strategic initiatives</td> <td>80%</td> </tr> <tr> <td>Product pipeline, safety and quality</td> <td>10%</td> </tr> <tr> <td>Financial</td> <td>5%</td> </tr> <tr> <td>Clinical trials</td> <td>5%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	Category	CEO	Commercialisation, business development and strategic initiatives	80%	Product pipeline, safety and quality	10%	Financial	5%	Clinical trials	5%	Total	100%
Category	CEO												
Commercialisation, business development and strategic initiatives	80%												
Product pipeline, safety and quality	10%												
Financial	5%												
Clinical trials	5%												
Total	100%												
When is it paid?	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the CEO (and in the case of the CEO, by the Board). The Board also takes account of milestones achieved during the year due to change in strategy and market conditions. The Board approves the final STI award based on this assessment of performance. The STI is paid in cash three months after the end of the performance period.												
Deferral terms	None.												
What happens if an executive ceases employment?	<p>If an executive resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year.</p> <p>If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year.</p>												

Remuneration Report continued

LTI

The objective of the LTI plan is to assist in the motivation, retention and reward of executives, and to link the long-term reward for those executives with the creation of shareholder value through the allocation of equity awards which are subject to specific performance conditions.

Under the LTI plan, directors, senior executives and other key employees identified by the Board can be offered participation in the form of options and/or performance rights. The vesting of those options and/or performance rights will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board.

The key features of the LTI plan can be summarised as follows:

How is it paid?	The LTI is provided in the form of options and/or performance rights.
How much is the LTI opportunity?	During the financial year ended 30 June 2022, the CEO had a target LTI opportunity of 40% of his fixed annual remuneration.
When is it vested?	Three years from the date of offer.
What happens if an executive ceases employment?	<p>If an executive resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board.</p> <p>If an executive ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the executive will generally be entitled to a pro-rata number of unvested options based on achievement of the performance measures over the performance period up to the date of ceasing employment (subject to Board discretion).</p> <p>The treatment of vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.</p>

Prior to the establishment of the LTI plan, awards were granted to some directors and employees of the Company in the period from 15 January 2017 and 1 March 2020 in accordance with the Company's former remuneration and incentive arrangements. A number of those options issued under those legacy arrangement remain in existence.

Target remuneration mix

The target remuneration mix for the executives during the financial year ended 30 June 2022 is as follows.

Position	Fixed remuneration	STI	LTI
CEO	71%	13%	16%
Senior Strategist	100%	–%	–%

Remuneration Report continued

3. Executive remuneration outcomes in FY22

Executive remuneration

The actual remuneration earned by executives, for the years ended 30 June, are set out below:

Executive	Financial year	Salary \$	Short-term benefits		Post – employment benefits	Other long term benefits	Share-based payments	Termination payments \$	Total remuneration \$	Performance related %	Equity based
			Cash bonus ¹ /STI \$	Other benefits \$	Pension/ Super-annuation \$	Long service leave entitlement \$	LTI – Options and/or performance rights \$				
Dr Andreas Fouras	2022	519,385	106,961	60,130	–	–	134,110	–	820,586	13%	16%
	2021	502,142	95,621	–	–	–	48,132	–	645,895	15%	7%
John Livingston ²	2022	72,121	–	–	7,212	–	–	–	79,333	–	–
	2021	82,329	–	–	5,446	–	–	–	87,775	–%	–%

1. Cash bonus paid during the financial year ended 30 June 2022 is in relation to services performed in the previous financial year.

2. Includes remuneration as Non-Executive Director prior to John's appointment as Senior Strategist and Executive Director effective 1 May 2022.

Short term incentives

STI offered for the 2022 financial year

A total STI pool of US\$235,625 and A\$355,151 was offered for the financial year.

Who are the participants of the STI?

The CEO, his functional direct reports, and managers in the business identified as having the ability to influence the strategic outcomes of the business.

Outcomes of STI for 2022 financial year

Executives received an average of 79% of their STI target for performance against key performance indicators, equating to total payments to participants of US\$178,000 and A\$291,425.

Long term incentives

LTI offered for the financial year ended 30 June 2022

The Company granted 1,464,887 options and 82,850 rights during the financial year under its Long Term Incentive Plan (FY22 LTIP).

Who are the participants of the LTI?

The CEO, his functional direct reports, and key senior leaders in the business identified as having the ability to influence the strategic outcomes of the business.

Outcomes of LTI for financial year ended 30 June 2022

The FY22 LTIP options do not vest until FY25 or later. No assessment regarding these options was necessary at the end of FY22.

Remuneration Report continued

Employment contracts

Remuneration and other terms of employment for executives are formalised in employment agreements. The CEO does not have a fixed term contract with the Group. Details of the employment agreement as at 30 June 2022 are as follows:

Name:	Andreas Fouras
Title:	Managing Director and CEO
Agreement commenced:	1 July 2020 (Superseding an employment agreement dated 18 December 2015).
Term of agreement:	Open ended
Details:	<p>Andreas has entered into an employment contract with 4DMedical R&D Inc. which governs his employment with the Group.</p> <p>Andreas will receive a fixed annual remuneration of US\$375,000 and the payment of health benefits (which include health insurance, dental and vision insurance). Andreas is eligible to participate in an STI arrangement each year. The target STI for the current financial year is 37.5% of fixed annual remuneration. Andreas is also eligible to participate in an LTI arrangement to a value equating to 40% of fixed annual remuneration per year unless otherwise agreed with the Company.</p> <p>Either party may terminate Andreas' employment by giving six months' notice. The Group may elect to make a payment in lieu of notice or can place Andreas on gardening leave for all or part of that notice period. The Group may terminate Andreas' appointment without notice in circumstances warranting summary dismissal.</p> <p>The employment contract contains express provisions protecting the Group's confidential information and intellectual property, along with post-termination non-compete obligations for a period of up to 12 months, subject to the usual legal constraints.</p>

The Senior Strategist has a fixed term employment agreement with the Group. Details of the employment agreement as at 30 June 2022 are as follows:

Name:	John Livingston
Title:	Senior Strategist
Agreement commenced:	1 May 2022
Term of agreement:	Three (3) years
Details:	<p>John will receive a fixed annual remuneration of A\$100,000 plus superannuation at legislated rates. As a full-time equivalent of 0.15, John will receive pro-rata employee entitlements for annual leave and other statutory requirements. John is also eligible to participate in an LTI arrangement which grants up to 636,576 options over a 3-year period, with vesting conditions tied to Australian and New Zealand revenue milestones.</p> <p>Either party may terminate John's employment by giving three months' notice. The Group may terminate John's appointment without notice in circumstances warranting summary dismissal.</p> <p>The employment contract contains express provisions protecting the Group's confidential information and intellectual property.</p>

4. Non-executive directors' remuneration

NED fee policy

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. However, under the Constitution (and the ASX Listing Rules), the total amount paid to all NEDs for their services must not exceed in aggregate in any financial year the amount fixed by the Company in an annual general meeting. The current aggregate limit for NED fees is \$750,000 per annum.

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

To preserve independence and impartiality, NEDs are not entitled to any form of incentive payments including options and the level of their fees is not set with reference to measures of the Company's performance.

Remuneration Report continued

NED fees

Details of the remuneration for the Chairman and NEDs for financial year ended 30 June 2021 and 30 June 2022 is set out in the table below:

Non-Executive Directors	Financial year	Directors' fees and allowances (exclusive of superannuation contributions)	Post-employment benefits (including superannuation contributions) \$	Share based payments (options and/or performance rights) \$	Consulting fees \$	Total \$
Bruce Rathie	2022	84,091	8,409	–	–	92,500
	2021	80,527	7,650	–	–	88,177
Lilian Bianchi	2022	71,091	7,109	–	–	78,200
	2021	63,659	11,699	–	–	75,358
Evonne Collier	2022	34,229	3,423	–	–	37,652
	2021	–	–	–	–	–
Dr Robert A. Figlin	2022	63,200	–	–	–	63,200
	2021	58,767	–	–	–	58,767
Lusia Guthrie ¹	2022	27,333	2,733	–	–	30,066
	2021	71,332	6,777	–	–	78,109
Julian Sutton	2022	145,200 ²	13,922	–	–	159,122
	2021	52,998	5,035	–	52,500	110,533

1. Lusia Guthrie resigned as Non-Executive Director of the Company on 28 October 2021.

2. Includes an exertion allowance paid for additional services and duties performed in providing short-term corporate finance and investor relation coverage to the Company.

The Company does not have any consultancy or services agreements in place with any of its NEDs other than arrangements for special exertions.

Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services or make special exertions. These special exertion payments are outlined in the Company's remuneration tables each year.

Directors may be reimbursed for all reasonable travelling and other expenses incurred by them in attending to the Company's affairs, including but not limited to attending and returning from Board meetings or any meetings of Board committees and in attending and returning from any general meetings of the Company.

There are no retirement benefit schemes for NEDs, other than statutory superannuation contributions.

Appointment letters

Non-executive directors do not have fixed term contracts with the Company. Each of the NEDs has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations for them as a director.

All directors including NEDs are subject to the annual one-third retirement requirement at the annual general meeting provided that directors must also retire by whichever is the longer period: the third annual general meeting following their appointment or the third anniversary date of appointment. All retired directors are eligible for re-election.

Remuneration Report continued

5. Share-based compensation

Issue of shares

No shares were issued to KMPs as part of compensation during the year ended 30 June 2022.

Options

Details of options issued to directors and other KMP as part of compensation during the year ended 30 June 2022 are set out below:

Name	Award	Options Granted	Grant Date	Fair Value per Option at Grant Date \$	Exercise Price per Share \$	Vesting Date	Expiry Date	Value of Options Granted \$
Dr Andreas Fouras	FY22B LTIP (Other)	701,719	1 November 2021	1.30	2.60	1 July 2024	1 July 2025	214,286
John Livingston	FY22C LTIP	636,576	6 June 2022	0.75	0.79	Subject to Vesting Conditions ¹	6 June 2025	200,000

1. Options will vest and be exercisable over the term of the plan upon meeting the Vesting Conditions, which sets out the number of options to vest against the satisfaction of each Revenue Milestones determined in the plan.

The value of options granted were determined at the time of grant. For details on the valuation of the options, including models and assumptions used, please refer to Note 22. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Performance rights

No performance rights were issued to KMPs as part of compensation during the year ended 30 June 2022.

Additional disclosures relating to KMP

Shareholding

The number of ordinary shares in the Company held during the financial year by each NED and executive, including their personally related parties, is set out below:

Name	Balance at 1 July 2021	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2022
Non-Executive Directors					
Bruce Rathie	509,638	–	–	–	509,638
Lilian Bianchi	53,306	–	–	–	53,306
Dr Robert A. Figlin	519,943	–	–	–	519,943
Lusia Guthrie	207,409	–	–	–	207,409
Julian Sutton	480,800	–	–	–	480,800
Evonne Collier	–	–	–	–	–
Executive Directors					
Dr Andreas Fouras	64,838,000	–	–	–	64,838,000
John Livingston	1,925,352	–	–	–	1,925,352

Directors' Report continued

Remuneration Report continued

Other share-based holdings

The number of performance rights and options held during the financial year by each director and other KMP, including their personally related parties, is set out below:

Name	Type	Balance at 1 July 2021	Granted during the year	Exercised	Expired/Granted/Forfeited from any other change	Balance at 30 June 2022	Vested and exercisable	Vested not exercisable
Dr Andreas Fouras	Options	6,036,693	701,719	–	–	6,738,412	5,122,693	–
Julian Sutton	Options	6,205,162	–	–	–	6,205,162	6,205,162	–
John Livingston	Options	–	636,576	–	–	636,576	–	–

Other transactions with KMP and their related parties

No loans have been made to any of the KMP or their related parties during the financial year.

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



Dr Andreas Fouras
Managing Director
30 September 2022

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 2022, 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
Melbourne, 30 September 2022

Kaitlynn Brady
Partner

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Revenue	4.1	1,054,300	216,978
Cost of sales		(773,683)	(91,853)
Gross income		280,617	125,125
Other income	4.3	12,316,525	5,550,207
Employee benefits expense	4.4	(19,214,984)	(11,428,932)
Depreciation and amortisation expense	4.5	(1,495,713)	(741,481)
Foreign currency (losses)/gains		(28,663)	40,514
Other expenses	4.6	(16,320,494)	(12,293,467)
Finance costs – net	4.7	(86,956)	(2,657,189)
Loss before income tax		(24,549,668)	(21,405,223)
Income tax expense	6	(43,208)	(15,308)
Loss for the year		(24,592,876)	(21,420,531)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		2,335	3,647
Total comprehensive loss for the year		(24,590,541)	(21,416,884)
Earnings per share			
Basic, loss for the year attributable to ordinary equity holders	7	(\$0.08)	(\$0.08)
Diluted, loss for the year attributable to ordinary equity holders	7	(\$0.08)	(\$0.08)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	8	51,114,537	80,880,062
Trade and other receivables	9	2,145,188	426,601
Inventories	10	1,509	153,374
Research and development tax incentive receivable		4,222,764	3,562,174
Other assets		1,369,883	826,785
Total current assets		58,853,881	85,848,996
Non-current assets			
Trade and other receivables	9	44,800	84,208
Property, plant and equipment	11	5,484,653	1,188,978
Right-of-use assets	12	4,865,718	1,628,255
Intangible assets	13	5,064,139	3,886,166
Total non-current assets		15,459,310	6,787,607
Total assets		74,313,191	92,636,603
Liabilities and equity			
Current liabilities			
Trade and other payables	14	7,189,676	6,037,774
Contract liabilities	15	200,000	955,200
Loans and borrowings	16	1,100,445	723,452
Employee benefit liabilities	18	1,026,415	437,100
Other liabilities		–	14,559
Income tax payable		42,282	–
Total current liabilities		9,558,818	8,168,085
Non-current liabilities			
Loans and borrowings	16	5,138,733	965,355
Employee benefit liabilities	18	104,648	146,573
Total non-current liabilities		5,243,381	1,111,928
Total liabilities		14,802,199	9,280,013
Net assets		59,510,992	83,356,590
Equity			
Issued capital	19	141,718,799	141,587,808
Other capital reserves	19.3	2,384,989	1,771,037
Other reserves	19.5	5,982	3,647
Accumulated losses		(84,598,778)	(60,005,902)
Total equity		59,510,992	83,356,590
Total liabilities and equity		74,313,191	92,636,603

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Issued capital (Note 19.2) \$	Other capital reserves (Note 19.3) \$	Other equity (Note 19.4) \$	Other reserves (Note 19.5) \$	Accumulated losses \$	Total equity \$
At 1 July 2021	141,587,808	1,771,037	-	3,647	(60,005,902)	83,356,590
Loss for the year	-	-	-	-	(24,592,876)	(24,592,876)
Other comprehensive income	-	-	-	2,335	-	2,335
Total comprehensive income/ (loss) for the year	-	-	-	2,335	(24,592,876)	(24,590,541)
Issue of share capital	130,991	-	-	-	-	130,991
Share-based payments (Note 22)	-	696,982	-	-	-	696,982
Share-based payments expense during the year – options lapsed (Note 22)	-	(83,030)	-	-	-	(83,030)
At 30 June 2022	141,718,799	2,384,989	-	5,982	(84,598,778)	59,510,992

	Issued capital (Note 19.2) \$	Other capital reserves (Note 19.3) \$	Other equity (Note 19.4) \$	Other reserves (Note 19.5) \$	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 (Note 19)	(5,229,461)	-	-	-	-	(5,229,461)
Share-based payments (Note 22)	-	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	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

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Operating activities			
Receipts from customers		429,515	696,467
Payments to suppliers and employees		(21,117,120)	(12,947,405)
Research costs		(16,813,234)	(9,310,089)
Interest and other costs of finance paid		(179,559)	(60,950)
Government grants and tax incentives		12,643,235	7,168,618
Interest received		92,603	31,161
Net GST paid		(324,718)	(60,663)
Other tax paid		–	(13,143)
Deposits paid		–	(24,000)
Net cash flows used in operating activities	8	(25,269,278)	(14,520,004)
Investing activities			
Purchase of property, plant and equipment		(2,647,155)	(576,352)
Purchase of intangibles		(430,991)	(148,651)
Research and development tax incentive		–	371,680
Capitalisation of development costs to intangible assets		(422,629)	(227,126)
Net cash flows used in investing activities		(3,500,775)	(580,449)
Financing activities			
Proceeds from issues of equity securities		–	96,000,000
Transaction costs related to issues of equity securities or convertible debt securities		–	(6,382,474)
Payment of principal portion of lease liabilities		(995,472)	(533,664)
Net cash paid for settlement of options		–	(1,532,539)
Net cash flows (used in)/from financing activities		(995,472)	87,551,323
Net (decrease)/increase in cash and cash equivalents		(29,765,525)	72,450,870
Cash and cash equivalents at the beginning of the year		80,880,062	8,429,192
Cash and cash equivalents at the end of the year	8	51,114,537	80,880,062

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2022

1. Corporate information

The consolidated financial statements of 4DMedical Limited (the **Company** or **4DMedical**) and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2022 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 is listed on Australian Securities Exchange (**ASX**) (ASX code: 4DX).

The registered office and principal place of business of the Group is Melbourne Connect, Level 7, 700 Swanston Street, Carlton, Victoria 3053.

The nature of the operations and principal activities of the Group are described in the directors' report.

The information on the Group structure is provided in Note 23.

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 standards and interpretations not yet adopted

The accounting policies adopted are consistent with those of the previous financial year. The Group has not adopted any new or amended accounting standards or interpretations that have been issued but are not yet effective.

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 2022. 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.

Notes to the Consolidated Financial Statements continued

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.

(b) 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;
- It is held primarily for the purpose of trading;
- It is 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.

(c) 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.

(d) 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.

(e) 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.

Notes to the Consolidated Financial Statements continued

(f) Research and development tax incentive receivable

The Company is eligible to obtain tax incentives from the Australian Tax Office as a result of its continued investment in research and development activities, which reduces research and development costs by offering tax offsets for eligible expenditure. This non-refundable tax offset reduces the tax due to be paid by the Company.

(g) Other assets

Prepayments and deposits are carried at amortised cost and represents goods and services paid for by the Group in advance prior to the end of the financial period that have not been received.

(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 5-20 years
- Conference assets 15 years
- Leasehold improvements 3-8 years
- Workshop equipment 10 years
- Computer equipment 4-8 years
- Motor vehicles 5 years

Assets under construction are not subject to depreciation.

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.

(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. Amortisation would reflect the pattern in which the asset's future economic benefits are expected to be consumed and shall commence when commercial scale achieved

Notes to the Consolidated Financial Statements continued

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.

(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.

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 on defects of goods that may have 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) 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.

(p) 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.

Notes to the Consolidated Financial Statements continued

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.

(q) Share-based payments

Certain employees (mostly senior executives) and directors of the Group receive part 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 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 22. 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.

(r) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been 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.

(s) 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 concluded that it is the principal in its revenue arrangements and that it typically controls the goods or services before revenue 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

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.

(t) 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.

(u) 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; and
- 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.

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.

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 being converted into equity. In relation to the face value of the convertible 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 16 and 19.

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:

	2022 \$	2021 \$
Type of goods or service		
Sale of goods	829,105	–
Ongoing support and maintenance	35,359	84,478
Software licences	143,634	132,500
Services	46,202	–
Total revenue from contracts with customers	1,054,300	216,978
Timing of revenue recognition		
Goods transferred at a point in time	829,105	–
Services transferred over time	225,195	216,978
Total revenue from contracts with customers	1,054,300	216,978
Geographical markets		
Australia	100,300	100,000
United States of America	954,000	116,978
Total revenue from contracts with customers	1,054,300	216,978

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(s).

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(s).

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(s).

Notes to the Consolidated Financial Statements continued

Services

The performance obligation is satisfied over-time and payment is generally due when services are performed.

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

	2022 \$	2021 \$
Within one year	100,000	741,897
More than one year	100,000	213,303
	200,000	955,200

The performance obligations expected to be recognised after one year relate to the provision of software licences that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. Please refer to Note 15.

4.3 Other income

	2022 \$	2021 \$
Research and development tax incentive	3,567,941	4,069,632
Government grants (Note 17)	8,748,169	1,259,734
Other income	415	220,841
Total other income	12,316,525	5,550,207

4.4 Employee benefits expense

	2022 \$	2021 \$
Wages and salaries	15,212,048	9,048,979
Other employee and directors' benefits expenses	3,257,993	909,219
Equity settled share-based payment (Note 22)	613,952	1,402,917
Tax exempt direct share issue	130,991	67,817
Total employee benefits expense	19,214,984	11,428,932

4.5 Depreciation and amortisation expense

	2022 \$	2021 \$
Furniture and fixtures	31,933	19,611
Conference assets	2,066	2,779
Leasehold improvements	57,186	1,747
Workshop equipment	16,092	15,029
Computer equipment	233,924	132,918
Motor vehicles	1,279	–
Right-of-use assets	1,086,624	556,836
Other intangible assets	66,609	12,561
Total depreciation and amortisation expense	1,495,713	741,481

Notes to the Consolidated Financial Statements continued

4.6 Other expenses

	2022 \$	2021 \$
Computer expenses	2,674,487	1,056,649
Research and development expenses	4,443,625	2,358,017
Insurance expenses	1,072,401	886,626
Legal, professional and consultant expenses	4,206,253	5,375,410
Occupancy and utilities expenses	539,273	277,154
Sales and marketing expenses	1,372,679	964,648
Travel expenses	1,010,538	302,996
General expenses	1,001,238	1,039,899
Share-based payment expenses to third parties	–	32,068
Total other expenses	16,320,494	12,293,467

4.7 Finance costs – net

	2022 \$	2021 \$
Interest expense on borrowings and convertible notes	–	2,627,400
Interest expense on lease liabilities (Note 12)	179,559	60,950
Total finance costs	179,559	2,688,350
Interest income	(92,603)	(31,161)
Total finance income	(92,603)	(31,161)
Total finance costs – net	86,956	2,657,189

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 of Directors 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.

6. Income tax

6.1. Income tax expense

The major components of income tax expense for the years ended 30 June 2022 and 2021 are:

	2022 \$	2021 \$
Current income tax charge:		
Current income tax charge	43,208	15,308
Deferred tax:		
Relating to the origination and reversal of temporary differences	–	–
Income tax expense reported in the consolidated statement of profit or loss	43,208	15,308

6.2. Reconciliation between tax expense and the accounting loss multiplied by the Group's domestic tax rate for 2022 and 2021

	2022 \$	2021 \$
Accounting loss before income tax	(24,549,668)	(21,405,223)
At Company's statutory income tax rate of 25% (2021: 26%)	(6,137,417)	(5,565,358)
Research costs (permanent differences)	1,527,178	1,299,502
Other (income)/losses not recognised	4,653,447	4,281,164
Income tax expense reported in the statement of profit or loss	43,208	15,308

Carry forward tax losses

As at 30 June 2022, the Group has carry forward tax losses of \$48,270,528 (2021: \$26,408,233) 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*.

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 for the year 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:

	2022 \$	2021 \$
Basic earnings per share	(0.08)	(0.08)
Diluted earnings per share	(0.08)	(0.08)

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

	2022 \$	2021 \$
Loss attributable to ordinary equity holders	(24,592,876)	(21,420,531)

	2022	2021
Weighted average number of ordinary shares for basic earnings per share	294,508,186	261,419,569
Effect of dilution from		
Options and rights	23,280,991	21,962,641
Weighted average number of ordinary shares adjusted for the effect of dilution	317,789,177	283,382,210

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.

8. Cash and cash equivalents

	2022 \$	2021 \$
Cash at bank	51,114,537	80,880,062

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

	2022 \$	2021 \$
Cash flow reconciliation		
Reconciliation of net loss after tax to net cash flows from operations:		
Net loss for the year	(24,592,876)	(21,420,531)
<i>Adjustments for:</i>		
Depreciation and amortisation expense	1,495,713	741,481
Research and development tax incentive	(325,000)	(4,069,632)
Operating share based payment expense	613,952	1,500,802
Unrealised foreign currency (gains)/losses	(4,353)	4,097
Capital raising costs	–	1,444,583
Assets written off	166,506	33,584
Tax exempt direct share issue	130,991	–
Interest on convertible notes	–	2,627,400
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,679,179)	137,470
Increase in inventories	(273,135)	(137,329)
Increase in other assets	(570,098)	(728,742)
Increase in trade and other payables	312,878	4,115,728
(Increase)/decrease in research and development tax incentive receivables	(335,590)	730,533
Increase in employee benefit liabilities	547,390	229,529
(Decrease)/increase in contract liabilities	(784,200)	463,115
Decrease in other liabilities	(14,559)	(192,092)
Increase in income tax payable	42,282	–
Net cash flows used in operating activities	(25,269,278)	(14,520,004)

8.1 Changes in liabilities arising from financing activities

	1 July 2021 \$	Cash flows \$	Settlement of embedded derivatives \$	Interest accrued \$	Other \$	30 June 2022 \$
Current – Lease liabilities	723,452	(995,472)	–	–	1,372,465	1,100,445
Non-current – Lease liabilities	965,355	–	–	–	4,173,378	5,138,733
Total liabilities from financing activities	1,688,807	(995,472)	–	–	5,545,843	6,239,178

	1 July 2020 \$	Cash flows \$	Recognition of embedded derivatives \$	Interest accrued \$	Other \$	30 June 2021 \$
Convertible notes (net of fund raising cost)*	17,054,766	(25,856,387)	6,174,221	2,627,400	–	–
Current – Lease liabilities	381,693	(533,664)	–	–	875,423	723,452
Non-current – Lease liabilities	621,154	–	–	–	344,201	965,355
Total liabilities from financing activities	18,057,613	(26,390,051)	6,174,221	2,627,400	1,219,624	1,688,807

* 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

	2022 \$	2021 \$
Current		
Trade receivables	1,936,114	426,601
GST receivable	195,821	–
Net other receivables	13,253	–
	2,145,188	426,601
Non-current		
Employee receivables	44,800	82,100
Net other receivables	–	2,108
	44,800	84,208

(i) Trade receivables

Trade receivables as at 30 June 2022 includes an amount relating to lease incentives receivable under the Group's new office lease contract and grant receivable from the Department of Jobs, Precincts and Regions for the State of Victoria. No provision for expected credit losses has been recognised on trade receivables (2021: 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 or 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 2022, 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

10. Inventories

	2022 \$	2021 \$
Work in progress	1,509	153,374
Total inventories at the lower of cost and net realisable value	1,509	153,374

11. Property, plant and equipment

	Assets under con- struction \$	Furniture and fixtures \$	Conference assets \$	Leasehold improve- ments \$	Workshop equipment \$	Computer equipment \$	Motor vehicles \$	Total \$
Cost or valuation								
At 1 July 2020	–	207,397	40,495	62,040	82,978	753,003	–	1,145,913
Additions	123,297	49,570	–	34,917	–	368,568	–	576,352
Assets written off	–	(9,560)	(7,570)	–	(214)	(19,678)	–	(37,022)
At 30 June 2021	123,297	247,407	32,925	96,957	82,764	1,101,893	–	1,685,243
At 1 July 2021	123,297	247,407	32,925	96,957	82,764	1,101,893	–	1,685,243
Additions	2,084,996	85,359	–	1,969,015	114,546	545,827	10,000	4,809,743
Transfer	(123,297)	21,175	–	123,297	(21,175)	–	–	–
Assets written off	–	(72,394)	(24,925)	(62,040)	(115)	(86,585)	–	(246,059)
Foreign exchange adjustment	–	(12,600)	–	–	9,970	1,574	–	(1,056)
At 30 June 2022	2,084,996	268,947	8,000	2,127,229	185,990	1,562,709	10,000	6,247,871
Depreciation								
At 1 July 2020	–	40,106	2,371	5,627	27,097	267,314	–	342,515
Depreciation charge for the period	–	19,611	2,779	1,747	15,029	132,918	–	172,084
Assets written off	–	(3,560)	(2,785)	–	(170)	(11,819)	–	(18,334)
At 30 June 2021	–	56,157	2,365	7,374	41,956	388,413	–	496,265
Depreciation								
At 1 July 2021	–	56,157	2,365	7,374	41,956	388,413	–	496,265
Depreciation charge for the period	–	31,933	2,066	57,186	16,092	233,924	1,279	342,480
Transfer	–	10,909	–	–	(10,909)	–	–	–
Assets written off	–	(16,776)	(3,195)	(7,961)	(24)	(51,407)	–	(79,363)
Foreign exchange adjustment	–	(4,936)	–	–	6,162	2,610	–	3,836
At 30 June 2022	–	77,287	1,236	56,599	53,277	573,540	1,279	763,218
Net book value								
At 30 June 2021	123,297	191,250	30,560	89,583	40,808	713,480	–	1,188,978
At 30 June 2022	2,084,996	191,660	6,764	2,070,630	132,713	989,169	8,721	5,484,653

12. Right-of-use asset and lease liabilities

Group as a lessee

The Group has lease contracts for office premises and data centre facilities. These leases used in its operations 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 year:

	Right-of-use assets \$
As at 1 July 2020	965,434
Additions	1,261,281
Depreciation expense	(556,836)
Foreign exchange adjustment	(41,624)
As at 30 June 2021	1,628,255
Additions	4,313,085
Depreciation expense	(1,086,624)
Foreign exchange adjustment	11,002
As at 30 June 2022	4,865,718

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

	2022 \$	2021 \$
As at 1 July	1,688,807	1,002,847
Additions	5,534,841	1,261,281
Accretion of interest	179,559	60,950
Payments	(1,175,031)	(594,614)
Foreign exchange adjustment	11,002	(41,657)
At 30 June	6,239,178	1,688,807
Current	1,100,445	723,452
Non-current	5,138,733	965,355

The following are the amounts recognised in profit or loss:

	2022 \$	2021 \$
Depreciation expense of right-of-use assets	1,086,624	556,836
Interest expense on lease liabilities	179,559	60,950
Total amount recognised in profit or loss	1,266,183	617,786

The Group had total cash outflows for leases of \$1,175,031 in 2022 (2021: \$594,614).

13. Intangible assets

	Development costs \$	Other intangible assets \$	Total \$
Cost			
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
At 1 July 2021	3,252,045	717,029	3,969,074
Additions	826,591	417,991	1,244,582
Assets written off	–	(52,234)	(52,234)
At 30 June 2022	4,078,636	1,082,786	5,161,422
Amortisation			
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
At 1 July 2021	–	82,908	82,908
Amortisation for the period	–	66,609	66,609
Assets written off	–	(52,234)	(52,234)
At 30 June 2022	–	97,283	97,283
Net book value			
At 30 June 2021	3,252,045	634,121	3,886,166
At 30 June 2022	4,078,636	985,503	5,064,139

14. Trade and other payables

	2022 \$	2021 \$
Current		
Trade payables	1,810,298	448,201
Other payables	1,064,543	985,643
Government grants (Note 17)	4,314,835	4,475,033
GST payable	–	128,897
	7,189,676	6,037,774

15. Contract liabilities

	2022 \$	2021 \$
At 1 July	955,200	492,085
Deferred during the year	–	611,865
Released to the consolidated statement of profit or loss and other comprehensive income	(755,200)	(148,750)
At 30 June	200,000	955,200

Contract liabilities include advances received to deliver ongoing support and maintenance and software license services.

16. Loans and borrowings

	2022 \$	2021 \$
Current		
Lease liabilities (Note 12)	1,100,445	723,452
Non-current		
Lease liabilities (Note 12)	5,138,733	965,355

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.

	2022 \$	2021 \$
Face value	–	16,281,965
Interest expense*	–	10,371,209
Convertible notes before conversion to share	–	26,653,174
Converted to share capital	–	(26,653,174)
	–	–

* 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.

Notes to the Consolidated Financial Statements continued

17. Government grants

	2022 \$	2021 \$
At 1 July	4,475,033	45,055
Received during the year	8,587,971	5,689,712
Released to the consolidated statement of profit or loss and other comprehensive income	(8,748,169)	(1,259,734)
At 30 June	4,314,835	4,475,033

ALHI, a wholly owned subsidiary of 4DMedical was awarded a \$28.9 million grant under the Australian Federal Government's Medical Research Future Fund (MRFF) Frontier Stage 2 initiative (the MRFF Grant). The MRFF Grant will fund the development of the XV Scanners, the world's first dedicated, low dose lung function scanners integrated with 4DMedical's proprietary XV Technology®, over a period of five years. In prior year, ALHI received its first payment of \$4.99 million under the MRFF Grant. During the year, ALHI received its payment of \$8.46 million under the MRFF Grant.

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.

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.

18. Employee benefit liabilities

	2022 \$	2021 \$
Current		
Employee entitlements	1,026,415	437,100
Non-current		
Employee entitlements	104,648	146,573

19. Issued capital and reserves

	2022 \$	2021 \$
Ordinary shares	141,718,799	141,587,808

19.1 Terms and conditions of ordinary shares

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

19.2 Movement in ordinary shares on issue

	No. of shares	\$
At 1 July 2020	148,034,292	18,927,393
Issue of share capital	98,222,583	90,836,810
Conversion of rights to issued capital	8,492,850	2,716,482
Conversion of options to issued capital	3,230,913	2,453,949
Conversion of convertible notes to issued capital	36,511,199	26,653,174
At 1 July 2021	294,491,837	141,587,808
Issue of share capital	183,924	130,991
At 30 June 2022	294,675,761	141,718,799

Notes to the Consolidated Financial Statements continued

19.3 Reserves

	2022 \$	2021 \$
Share-based payment reserve	2,384,989	1,771,037

	2022 \$	2021 \$
Movement in the share-based payment reserve		
Balance at the beginning of the year	1,771,037	7,051,341
Share-based payments expense during the year (Note 4.4)	696,982	1,402,917
Share-based payments expense during the year – options lapsed (Note 4.4)	(83,030)	–
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	2,384,989	1,771,037

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

19.4 Other equity

	2022 \$	2021 \$
Value of conversion rights – convertible notes	–	–

	2022 \$	2021 \$
Movement in conversion rights		
Balance at the beginning of the year	–	796,787
Conversion of convertible notes to issued capital	–	(796,787)
Balance at the end of the year	–	–

Conversion rights of convertible notes

The amount shown for other equity securities is the value of the conversion rights relating to the convertible notes with a coupon rate of 10%, details of which are shown in Note 16.

19.5 Other reserves

	2022 \$	2021 \$
Foreign currency translation reserve	5,982	3,647

Foreign currency translation reserve

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

20. 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 of Directors and there has been no changes made during the year.

21 Financial risk management objectives and policies

21.1 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.

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.

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 focusing 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 2022 are expected to be settled within one year of this date.

Notes to the Consolidated Financial Statements continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand \$	Less than 3 months \$	3 to 12 months \$	1 to 5 years \$	> 5 years \$	Total \$
Year ended 30 June 2022						
Lease liabilities (Note 12)	–	264,942	835,503	5,138,733	–	6,239,178
Trade and other payables	1,627,164	860,850	4,701,662	–	–	7,189,676
	1,627,164	1,125,792	5,537,165	5,138,733	–	13,428,854
Year ended 30 June 2021						
Lease liabilities (Note 12)	–	192,069	531,383	965,355	–	1,688,807
Trade and other payables	9,404	851,343	5,177,027	–	–	6,037,774
	9,404	1,043,412	5,708,410	965,355	–	7,726,581

21.2 Fair value estimation

Trade and other receivables

Trade receivables are non-interest bearing and generally on 30 days terms. An allowance for expected credit losses 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

22. Share-based payments

During the year ended 30 June 2022, certain employees (including KMP) were granted 1,464,887 options (2021: 4,026,570) and 82,850 rights (2021: nil) under the 4DMedical Long Term Incentive Plan.

There were no shares from the conversion of rights nor shares from the conversion of options issued during the year (2021: 8,492,850 and 3,230,913). There are 1,464,887 options and 82,850 rights that were granted but not yet vested as at 30 June 2022 (2021: 4,026,575 and nil, respectively).

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 Options Offer	15 January 2017	249,600	50% to vest on/after 15 January 2017; and 50% on/after 30 June 2017
2016 Options Offer (Other)	15 January 2017	3,280,018	50% to vest on/after 15 January 2017; and 50% on/after 30 June 2017
2017 Fundraiser's Offer	15 March 2017	6,400,000	Vesting is subject to the Fundraising Hurdle
2017 Options USA Offer	1 October 2017	22,157	50% on 1 July 2018 and 50% on 30 June 2019
2019 USA Options Incentive Offer	1 July 2018	12,826	50% on 1 July 2019, 50% on 30 June 2020
Series C 'Early Bird'	24 October 2019	2,256,775	100% to vest on 24 October 2019
2019 Incentive Offer	1 January 2020	2,000,000	50% on 1 January 2020, 50% on 1 January 2021
FY20A Special Options Offer	1 March 2020	1,842,675	100% on 1 March 2020
2020 Introducer Options Offer A	1 March 2020	910,150	100% on 1 March 2020
2020 Introducer Options Offer B	1 March 2020	1,028,346	100% to vest after a successful IPO
FY21 Long Term Incentive Plan (Other)	7 August 2020	914,000	Complete 3 years service from grant date
FY21 Long Term Incentive Plan	7 August 2020	1,606,963	Complete 3 years service from grant date
FY21B Long Term Incentive Plan	15 March 2021	14,367	Complete 3 years service from grant date
FY21C Long Term Incentive Plan	25 June 2021	35,232	Complete 3 years service from grant date
FY22 Long Term Incentive Plan	25 June 2021	1,160,145	Complete 3 years service from grant date
FY22B Long Term Incentive Plan (Other)	1 November 2021	701,719	Must remain an employee for a period from 1 July 2021 until 30 June 2024
FY22B Long Term Incentive Plan	1 November 2021	126,592	Must remain an employee for a continuous period from grant date until 25 June 2024
FY22C Long Term Incentive Plan	6 June 2022	636,576	Based on the Australian Revenue generated by the Company, with number of options vested at each Revenue Milestone
FY22 Long Term Incentive Plan – Rights Award	30 March 2022	82,850	Nil
Total vested and unvested:		23,280,991	

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:

	2022 \$	2021 \$
Recognised in employee and directors' benefits expense (Note 4.4)	613,952	1,402,917
Total net expense arising from share-based payment transactions	613,952	1,402,917

Notes to the Consolidated Financial Statements continued

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

	2022 Number	2021 Number
Outstanding at 1 July	22,029,117	28,777,815
Granted during the year	1,464,887	4,026,570
Bought back during the year	–	(7,332,732)
Net settled and converted to issued capital during the year	–	(3,442,536)
Forfeited/lapsed during the year	(295,863)	–
Outstanding at 30 June	23,198,141	22,029,117
Vested and exercisable at 30 June	18,002,547	18,002,547

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

	2022 Number	2021 Number
Outstanding at 1 July	–	8,492,850
Granted during the year	82,850	–
Converted to issued capital during the year	–	(8,492,850)
Outstanding at 30 June	82,850	–
Exercisable at 30 June	–	–

The weighted average remaining contractual life for the options outstanding as at 30 June 2022 was 3.21 years (2021: 4.25).

The weighted average fair value of options granted during the year was \$0.33 (2021: \$0.36).

There are 82,850 rights granted during the year (2021: nil). The weighted average fair value of rights granted this year was \$0.86.

The range of exercise prices for options outstanding at the end of the year was \$0.40 to \$2.60 (2021: \$0.40 to \$2.33).

The following tables list the inputs to the models used for the plans for the year ended in 30 June 2022 and 30 June 2021 respectively:

	2022		
	Option plans	Fundraiser plans	Right plans
Weighted average fair values at the measurement (\$)	0.33	–	0.86
Expected volatility (%)	55	–	–
Risk-free interest rate (%)	0.50-1.00	–	–
Expected life of options (years)	3.21	–	–
Weighted average share price (\$)	0.75-1.30	–	0.86
Model used	Black-Scholes	Black-Scholes	–

The fair value at grant date of the performance rights issued with non-market performance conditions is the share price at grant date.

	2021		
	Option plans	Fundraiser plans	Right plans
Weighted average fair values at the measurement (\$)	0.40	0.39	–
Expected volatility (%)	55	55	–
Risk-free interest rate (%)	0.50-1.00	1.00	–
Expected life of options (years)	4.25	5.71	–
Weighted average share price (\$)	0.73-2.33	0.73	–
Model used	Black-Scholes	Black-Scholes	–

Notes to the Consolidated Financial Statements continued

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.

23. 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	
			2022	2021
4DMedical R&D Inc.	Research and development in support of 4DMedical's technology development	USA	100	100
4Dx Pte Ltd	Dormant	Singapore	100	100
Australian Lung Health Initiative Pty Ltd	Deliver project milestones under the MRFF Research Plan Grant	Australia	100	100
4DMedical R&D Pty Ltd	Dormant	Australia	100	100
4DMedical USA Inc.	Sales, marketing and distribution of 4DMedical's patented imaging solutions	USA	100	100
4DMedical NZ Limited	Dormant	New Zealand	100	100
4DMedical Employee Share Trust	Employee share trust established to acquire, deliver, allocate and hold shares under 4DMedical's employee equity plans for the benefit of its participants	Australia	100	100

24. Related party disclosures

Compensation of KMP of the Group

The total compensation of KMP for the Group was \$1,186,541 (2021: \$1,352,506). In addition, the Group paid key person insurance for an officer of the Group of \$3,963 during the year (2021: \$3,656).

	2022 \$	2021 \$
Categories of compensation:		
Short-term employee and directors' benefits	1,183,741	1,157,726
Post-employment benefits	42,809	45,830
Share-based payment	134,110	71,450
Consulting fees	–	77,500
	1,360,659	1,352,506

Included in the compensation of KMP are amounts paid to NED Julian Sutton as an exertion allowance for additional services and duties performed in providing short-term corporate finance and investor relation coverage to the Company and to John Livingston as Senior Strategist and Executive Director.

25. Commitments and contingencies

Lease commitments

The Group has no lease contracts that have not yet commenced as at 30 June 2022 (2021: \$nil).

Contingencies

The Group has no contingent assets or contingent liabilities as at 30 June 2022 (2021: \$nil).

26. 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.

27. Auditor's remuneration

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

	2022 \$	2021 \$
<i>Amounts paid or payable to PKF Melbourne Audit & Assurance Pty Ltd:</i>		
– An audit or review of the financial report of the entity	88,000	81,500

28. Information relating to 4DMedical Limited (Parent)

	2022 \$	2021 \$
Current assets	55,575,964	81,123,185
Total assets	74,403,471	89,552,343
Current liabilities	8,926,710	2,465,914
Total liabilities	14,170,091	3,577,842
Issued capital	141,718,799	141,587,808
Other capital reserves	2,384,989	1,771,037
Accumulated losses	(83,870,408)	(57,384,344)
	60,233,380	85,974,501
Loss for the year	(26,486,064)	(19,544,829)

The commitments and contingencies of the Parent are that of the Group, which are disclosed at Note 25.

Directors' Declaration

In accordance with a resolution of the directors of 4DMedical Limited, I state that:

1. In the opinion of the directors:
 - (a) the consolidated financial statements and notes of 4DMedical Limited for the financial year ended 30 June 2022 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 2022 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.
2. This declaration is made pursuant to the declaration given to the director by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2022.

On behalf of the board



Dr Andreas Fouras
Managing Director
30 September 2022

Independent Auditor's Report



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

Report on the Financial Report

Auditor's 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 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of 4DMedical Limited is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- 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 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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and 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 – Recognition, valuation and recoverability of software development costs as intangible assets	How our audit addressed this matter
<p>As disclosed in note 13 of the financial report, the carrying amount of the Group's internally developed software is \$4,078,636 (2021: \$3,252,045). The accounting policy in respect of this asset is outlined in Note 2.4(i).</p> <p>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.</p> <p>Amortisation of the asset begins when development is complete and the asset is available for use, a stage which has not yet been achieved.</p> <p>Accounting for software development costs is considered a Key Audit Matter due to the judgements applied in the recognition and valuation of expenditure capitalised and the specific criteria that must be met for capitalisation, in accordance with Australian Accounting Standards.</p>	<p>Our procedures included, but were not limited to, assessing and challenging:</p> <ul style="list-style-type: none">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 <i>Intangible Assets</i> 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 business development plans;the Group's determination that the asset has not achieved a stage of completion and thus does not require amortisation; <p>continued...</p>

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Key Audit Matter – Recognition, valuation and recoverability of software development costs as intangible assets

How our audit addressed this matter

- 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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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 and 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.

Directors' Responsibilities 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:

- 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

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

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, 30 September 2022

Kaitlynn Brady
Partner

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 1 September 2022.

(a) Distribution of equity securities

(i) Ordinary share capital

- 294,675,761 fully paid ordinary shares are held by 8,127 individual shareholders

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

(ii) Options

- 23,198,141 options are held by 20 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	1,149,628	–
1,001-5,000	7,073,966	–
5,001-10,000	9,239,704	–
10,001-100,000	64,262,759	182,310
100,001 and over	212,949,704	23,015,831
	294,675,761	23,198,141
Holding less than a marketable parcel	606,181	–

(b) Substantial shareholders

Ordinary shareholders	Number	Fully paid Percentage
Velocimetry Consulting Pty Ltd (substantial holding due to direct holdings and having voting power in 4DMedical Limited above 20%) ¹		
Helen Fouras (substantial holding due to direct holdings and having voting power in Velocimetry Consulting Pty Ltd above 50%) ²	64,838,000	22.00%
Dr Andreas Fouras (substantial holding due to having voting power in Velocimetry Consulting Pty Ltd above 20%) ³		

1. As per Form 604 lodged with ASX on 10 August 2021.

2. As per Form 604 lodged with ASX on 10 August 2021.

3. As per Form 604 lodged with ASX on 7 June 2021.

(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.

Ordinary shareholders	Fully paid	
	Number	Percentage
National Nominees Limited	10,001,364	3.39%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	9,631,190	3.27%
JP Morgan Nominees Australia Pty Limited	7,656,644	2.60%
CitiCorp Nominees Pty Limited	7,228,735	2.45%
Ryder Innovation Fund LP	6,290,475	2.13%
HSBC Custody Nominees (Australia) Limited	3,997,630	1.36%
HSBC Custody Nominees (Australia) Limited – A/C 2	3,470,345	1.18%
Jordan Blair Thurgood & Philip Charles Thurgood	2,500,000	0.85%
SSD Nominees Pty Ltd	2,500,000	0.85%
Alex Petrou & Christine Petrou	2,462,000	0.84%
Netwealth Investments Limited	1,872,242	0.64%
John Livingston Pty Ltd	1,817,243	0.62%
Endless Smiles Pty Ltd	1,500,000	0.51%
BNP Paribas Nominees Pty Ltd	1,218,502	0.41%
Jianwen Xiao	1,216,176	0.41%
AAX Pty Ltd	1,200,000	0.41%
Cyls Investments Pty Ltd	1,128,192	0.38%
Alltogether Pty Ltd	1,115,000	0.38%
Wal Assets Pty Ltd	1,103,055	0.37%
Desiderata Investments Limited	1,085,542	0.37%
	68,994,335	23.42%

(d) Unquoted equity securities shareholdings greater than 20%

Fully paid ordinary shares	Number
Nil	–

(e) Restricted or escrow securities

The number and class of restricted securities subject to mandatory ASX escrow	Number
Unquoted options escrowed until 1 January 2021, exercisable at \$0.40 and expiring on 31 December 2024	2,000,000

Corporate Governance Statement (CGS)

The directors and management are committed to conducting the business of 4DMedical Limited in an ethical manner and in accordance with the highest standards of corporate governance. 4DMedical Limited has adopted and has substantially complied with the ASX Corporate Governance Council's Principles and Recommendations (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of its operations.

In accordance with Listing Rule 4.10.3, the Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year, identifies and explains any Recommendations that have not been followed. The 2022 Corporate Governance Statement can be found on the Company's website at <https://4dmedical.com/corporate-governance>.

Corporate Information



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Registered Office

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T: +613 9545 5940

E (general): info@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

Ms Evonne Collier, Non-Executive Director

Dr Robert A. Figlin, Non-Executive Director

Mr John Livingston, Executive Director

Mr Julian Sutton, Non-Executive Director

Company Secretary

Ms Melanie Leydin

E: companysecretary@4DMedical.com

Auditor

PKF Melbourne Audit & Assurance Pty Ltd

Level 12, 440 Collins Street
Melbourne VIC 3000 Australia

Investor Relations

Julia Maguire (TCN)

E: julia@thecapitalnetwork.com.au

E: investor.relations@4DMedical.com

Share Registry

Link Market Services Limited

Level 12, 680 George Street
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Mailing Address

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Sydney South NSW 1235 Australia

Toll free: +61 1300 554 474

F: +612 9287 0303

F: +612 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) under ASX code: 4DX.

Websites

4DMedical Investor Centre:

<https://investors.4dmedical.com/Investor-Centre/>

4DMedical Corporate Governance:

<https://4dmedical.com/corporate-governance>

4DMedical Enquiries:

<http://4dmedical.com>

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