4DMedical™

A DECADE OF IMAGING INNOVATION

Annual Report 2023

Accelerating our ambitions

Revolutionising functional lung assessments

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 vision

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

Scan to watch SAHMRI Executive Director, Professor Steve Wesselingh, on partnering with 4DMedical and the pre-clinical power of XV Technology

Our mission is sustained over ten years: Improving global health by providing unique and non-invasive imaging technologies enabling unprecedented insight into pulmonary functioning.

Contents

Chair Address

Dear Shareholders,

On behalf of the board of directors of 4DMedical Limited, I am pleased to present the Annual Report for the year ended 30 June 2023.

To begin with I would like to express my sincere thanks to our investors, both institutional and retail, who have supported the Company throughout the year and especially with respect to the recent capital raise. The Company has made significant progress along the path towards broad clinical adoption this year and the $45 million raised in May will provide the necessary resources to deliver on its commercialisation strategy.

Total Income for FY2023 was $13.9 million, comprising operating revenue of $0.7 million and other income of $13.2 million. Notably, cash receipts from customers were $2.2 million, up 413% from FY2022, while operating cash outflows were $22.7 million, a reduction of $2.6 million on last year.

Operating expenditure for FY2023 was $45.3 million, while net operating expenditure (allowing for R&D tax incentives of $5.5 million and the Medical Research Future Fund grant instalment of $7.7 million) was $32.1 million. Compared with FY2022, expenditure related to travel and marketing increased as the Company's go-to-market efforts in the U.S. gained momentum and the industry recovered from the impact of COVID-19. In addition, the Company made significant investments attending the two major global industry conferences during the year, which both yielded excellent results.

The Company reported a net loss after tax of $31.5 million for FY2023 and had a net cash balance of $69.6 million at the end of the period, with zero debt.

4DMedical made demonstrable progress across all areas of operations throughout the year. The Company's commercialisation focus turned to the U.S. where we announced a five-year SaaS contract with the University of Miami to deliver XV LVAS® ventilation reports. This contract follows the success of a long-term clinical trial program already underway at Miami and validates the efficacy and utility of XV Technology®.

In May, the Company successfully completed its first commercial XV LVAS scan at Harry S. Truman Memorial Veterans Hospital, one of 171 major clinical centres within the Veterans Health Administration (VHA). This scan represents the Company's first commercial activity within the U.S. Department of Veterans Affairs (VA) and demonstrates our ability to deliver an XV LVAS scan in a routine VA hospital clinical setting. Later in the month, 4DMedical was granted Authority to Operate at the Harry S. Truman Memorial Veterans Hospital, which allows us to deliver scans at scale through our fully automated SaaS platform at that site.

A vision to enable better care for Veterans is core to 4DMedical's mission. Early in the financial year, the Company released data from the Vanderbilt 'burn pit' trial showing XV Technology could detect the presence of constrictive bronchiolitis (CB) in Veterans exposed to burn pits and other harmful toxins while on deployment, and where conventional pulmonary function tests and CT scans failed to do so. The $280 billion PACT Act requires the VHA to provide toxic exposure screening to each of the nine million Veterans enrolled in the VA health care program, and data from a clinical trial at Vanderbilt University positions XV Technology as a non-invasive and scalable solution.

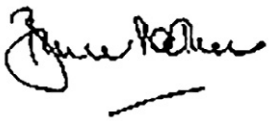
4DMedical also has an opportunity to inform the treatment of active military personnel afflicted by respiratory disease and initiated a commercial pilot within the Military Health System (MHS) of the U.S. Department of Defense in May. The MHS is one of the largest and most advanced health care institutions in the U.S., with annual budget of over USD $50 billion, providing 1.3 million active military personnel with access to health services across a network of 45 hospitals and inpatient facilities. This pilot on full commercial terms represents another important milestone in the Company's go-to-market strategy and is further validation of the utility of XV Technology in providing rich respiratory insights across a range of lung diseases.

In Australia, we also experienced material progress over the financial year. In October, the Company released its breakthrough image processing software, CT LVAS™, which provides an almost identical report to our proven XV LVAS product with industry leading richness and fidelity but utilising widely available CT imaging infrastructure instead of X-ray equipment. The launch of this product accelerated the rollout of XV Technology across the I-MED Radiology Network and at the end of the financial year our software was installed at 42 sites, up from seven sites at the same time last year.

Organisationally, the Company is in excellent shape, and we continue to benefit from our move to the Melbourne Connect Innovation Precinct. Recently, 4DMedical's Founder and Chief Executive Officer, Dr Andreas Fouras, was recognised by the University of Melbourne for the outstanding contribution he has made to research and academia by awarding him an Honorary Professorial Fellowship. I wholeheartedly congratulate him on this achievement. As well, we continue to be able to attract and retain the highest quality people who are committed to our vision. On this, I would like to personally welcome Dr David Shulkin, a highly respected health care professional and former U.S. Secretary of Veterans Affairs , as an advisor to the Company.

My gratitude and appreciation are extended to my fellow directors, and I recognise the contribution of our globally dispersed staff to the continuing success of 4DMedical. We have much to do, but with the momentum we have garnered in FY2023 I look forward to next year with great confidence.

Sincerely,



Mr Bruce Rathie
Non-Executive Director
and Chairman

The Company's perfusion imaging product under the project name of CT:VQ was announced during May, extending the capabilities of XV Technology into vascular perfusion analysis.

Managing Director / Chief Executive Officer's letter

Dear Shareholders,

It seems amazing to think we are only just celebrating the first anniversary of the PACT Act.

On 10th August 2022, President Joe Biden signed into law an additional USD $280 billion of healthcare benefits for the estimated 3.5 million Veterans exposed to toxic burn pits and other airborne hazards while deployed on operations since 2001. The bipartisan legislation is the biggest expansion of healthcare benefits for service-connected health issues in 30 years. Included in this legislation is the requirement for the Veterans Administration (VA) to provide toxic exposure screening to each of the 9 million Veterans enrolled in the VA healthcare program.

Under the PACT Act, if a Veteran is diagnosed with one of 20-plus listed conditions the VA assumes their service caused the condition and therefore makes it easier for the Veteran to get a disability rating and then benefits. One of the presumptive conditions is Constrictive Bronchiolitis (CB), a disease that results in obstruction of the smallest airways. Symptoms include a dry cough, shortness of breath, wheezing and fatigue; untreated the disease is likely to worsen and may become debilitating.

Unfortunately, CB is a very difficult disease to diagnose. In testimony before the U.S. Senate, Dr Robert Miller, Professor of Pulmonary and Critical Care at Vanderbilt University Medical Center, noted that beyond "not being visible, it's not detectable with your usual tools; X-rays, CTs, pulmonary function tests are normal." Until now, the only way to detect the presence of CB has been through highly invasive surgical biopsy, which is not at all scalable. It was against this backdrop, that the data from our Vanderbilt 'burn pit' trial released in late August, was met with such excitement.

The clinical trial enrolled a group of Veterans who had undergone surgical lung biopsy. The data from the trial showed that XV Technology® confirmed the diagnosis of CB with excellent sensitivity, and as a dramatically safer and less expensive alternative to lung biopsy. Commenting on the clinical trial results, principal investigator, Dr Bradley Richmond, MD, PhD, Vanderbilt, said: "We see many Iraq and Afghanistan Veterans who have lung biopsies showing significant damage, but traditional non-invasive testing appears normal.

We are hopeful that 4DMedical's technology can help us diagnose lung disease in these Veterans without the need for a surgical lung biopsy. If our efforts are successful, we expect this technology can also be used to detect other lung diseases earlier than traditional testing, so patients get started on treatment sooner."

A vision to enable better care for Veterans is core to 4DMedical's mission and we are leaving no stone unturned in order to get XV Technology® into the VA, including lobbying government. A prime example of this resulted in 4DMedical-specific language being included in the Committee on Appropriations report for the Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill that made specific reference to "emerging technology that uses existing x-ray imaging equipment to derive four-dimensional models of lung function to identify respiratory illnesses and accompanying loss of lung function." As well, the Committee urged the Department "to evaluate this technology for the purposes of conducting population-wide surveillance of Veterans who have been exposed to airborne hazards in order to conduct a full accounting of the health impacts suffered by Veterans and to provide full and effective medical care to this population."

In April, we announced Dr David Shulkin, MD, has taken an advisory role with 4DMedical. Dr Shulkin is a highly respected physician and healthcare executive, who was previously the Secretary of the U.S. Department of Veterans Affairs. In his short time with the Company, Dr Shulkin has already made a big impact.

With all of this effort, it was enormously gratifying to announce the first commercial scan within the VA, conducted at Harry S. Truman Memorial Veterans Hospital. Soon after the successful first scan, 4DMedical was granted Authority to Operate (ATO) for XV LVAS® at Harry S. Truman VA. 4DMedical requires ATO at each VA site where it seeks to deliver scans at scale through its fully automated SaaS platform. The first ATO is an important milestone for the Company as it demonstrates the robust and secure nature of 4DMedical's platform. Additionally, once we have ATO at two sites, we are eligible to apply for a National ATO, which will provide the Company with authorisation at all 171 major clinical centres within the VA network.

Subsequently, the Company announced another significant commercial milestone with the initiation of a commercial pilot at the Military Health System (MHS) within the U.S. Department of Defense (DoD). If successful, the arrangement has the potential to expand and further validates the utility of XV Technology® in a clinical setting.

...it is humbling to witness the insight that can be delivered to an individual ex-warfighter, knowing that this scalable exercise can be repeated almost infinitely, making the process for accessing medical care easier for veterans with this basis of definitive evidence.

Additionally, we believe there are excellent opportunities for deployment of XV Technology® in leading U.S. academic medical centres. In April, we announced the signing of a five-year contract with the University of Miami to provide XV LVAS® ventilation reports. Importantly, the agreement sets out a framework for further expansion of XV technology® into the U.S. market.

Broad adoption of XV Technology® in the U.S. will require us to establish reimbursement. The July issuance of the new distinct Category III Current Procedural Terminology (CPT) codes by the American Medical Association represents a major milestone towards advancing US reimbursement for XV LVAS®, as healthcare providers and facilities will be able to submit claims directly to payers identifying when XV LVAS® is ordered. Establishing a clear billing pathway for the technology is a critical component in achieving U.S. commercialisation success.

While the Company's focus is on generating revenue with our existing ventilation scans, we continue to advance our long-standing product pipeline, the focus of which is on the development of our perfusion (blood flow) capability. At the ATS conference in May, 4DMedical unveiled first clinical data of our CT-based ventilation-perfusion product.

Being able to quantify and visualise both ventilation and perfusion can provide valuable diagnostic information across a range of lung conditions. The development of this capability was given a boost with the announcement from the Federal Minister for Health and Aged Care that 4DMedical had won $1.1 million in non-dilutive Clinical Translation and Commercialisation Medtech (CTCM) funding for this product.

I want to take this opportunity to thank our talented and hard-working staff for generating the great momentum across all areas of our business, and our loyal and supportive shareholders, who have once again provided us with the capital that will allow us to accelerate our commercialisation efforts.

Sincerely,

Dr Andreas Fouras
Managing Director and
Chief Executive Officer

Highlights FY23

- Signing a five-year commercial SaaS product delivery contract with the University of Miami, providing XV LVAS ventilation reports on demand.
- Winning a commercial pilot with the U.S. Department of Defense.
- Obtaining a Category III CPT Current Procedural Technology code from the American Medical Association, representing significant progress towards reimbursement.
- Demonstrating the validity and utility of XV LVAS through continuing clinical trials at Vanderbilt University and scanning of U.S. veterans at the University of Miami.
- Expanding our product range to include CT LVAS, image processing software enabled by computed tomography infrastructure.
- Gaining the healthcare system management expertise of former U.S. Secretary for Veteran Affairs, Dr David Shulkin, MD.
- Signing of the PACT Act: the U.S. Government's $US280 billion commitment to improving healthcare for veterans.
- Sustaining the confidence of institutional and retail investors, successfully completing a $45 million capital raise.

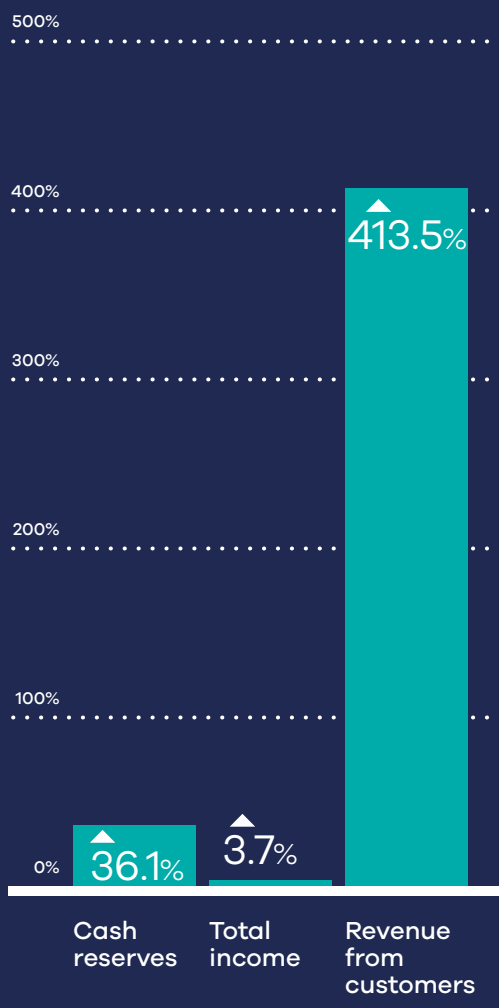
$9.4m

funding received from Medical Research Future Fund (MRFF) agreement

Cash reserves

$69.6m

Zero debt



Total income

$13.9m

Includes:

$5.5m R&D TAX CREDITS

$7.7m TOTAL GRANT INCOME

Medical Research Future Fund income, plus State Government of Victoria grants

$0.7m OPERATING REVENUE

Our people

131

Receipts from customers

$2.2m

Operating expenditure

$45.3m

Net loss

$31.5m

Year in Review

Our commercialisation strategy progressed by winning a commercial pilot with the U.S. Department of Defense

The contractual arrangement involves performing an agreed number of scans on full commercial terms.

The Military Health Service (MHS) is one of the largest and most advanced health care institutions in the U.S., with an annual budget of over USD $50b, providing the 1.3m active military personnel with access to health services across a network of 45 hospitals and inpatient facilities.

Supporting U.S. National Defense Strategy, the MHS provides a medically ready force through cutting edge medical research and development.

This arrangement with the Department of Defense validates the utility of XV Technology® to provide rich respiratory health insights across a range of lung diseases.

Whilst not material in terms of revenue, this success represents another step in making 4DMedical's capability a key element of lung health assessment for serving U.S. military personnel.

FY23 Achievements

August 2022

- Vanderbilt 'Burn Pit' clinical trial hits primary endpoint, detecting constrictive bronchiolitis ('CB')

October 2022

- American Medical Association (AMA) accepts application for Category III CPT code
- Release of CT LVAS product in Australia

November 2022

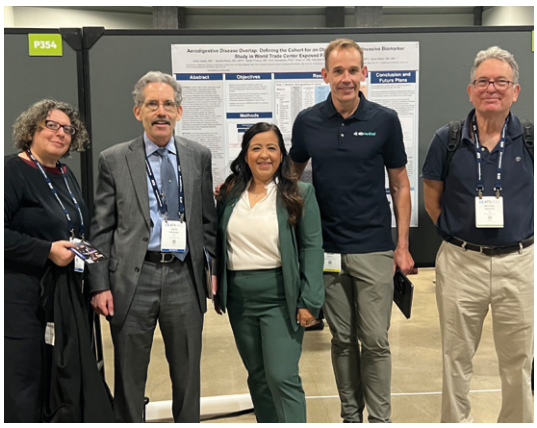
- $9.4 million milestone payment from MRFF
- XV Scanner displayed at RSNA conference in Chicago

January 2023

- Veterans advocates Le Roy Torres and Julie Tomáška scanned at University of Miami

February 2023

- Exhibiting at STR 2023 conference in Charleston, SC
- Dr Naresh Punjabi presents at International Workshop on Pulmonary Imaging at University of Pennsylvania
- Study data released at Australian Lung Cancer Conference
- Memorandum of Understanding formalises relationship with University of Melbourne



March 2023

- Dr Andreas Fouras briefs Governor of Victoria on 4DMedical successes and future plans
- Exhibiting at TSANZSRS in Christchurch
- 4DMedical delegation 'on the Hill' with U.S. legislators in Washington, DC
- Rosie Torres guest of honour at VA Military Toxin Exposure Conference

April 2023

- First U.S. hospital SaaS contract signed with University of Miami
- Ex-VA Secretary Dr David Shulkin joins 4DMedical in an advisory role

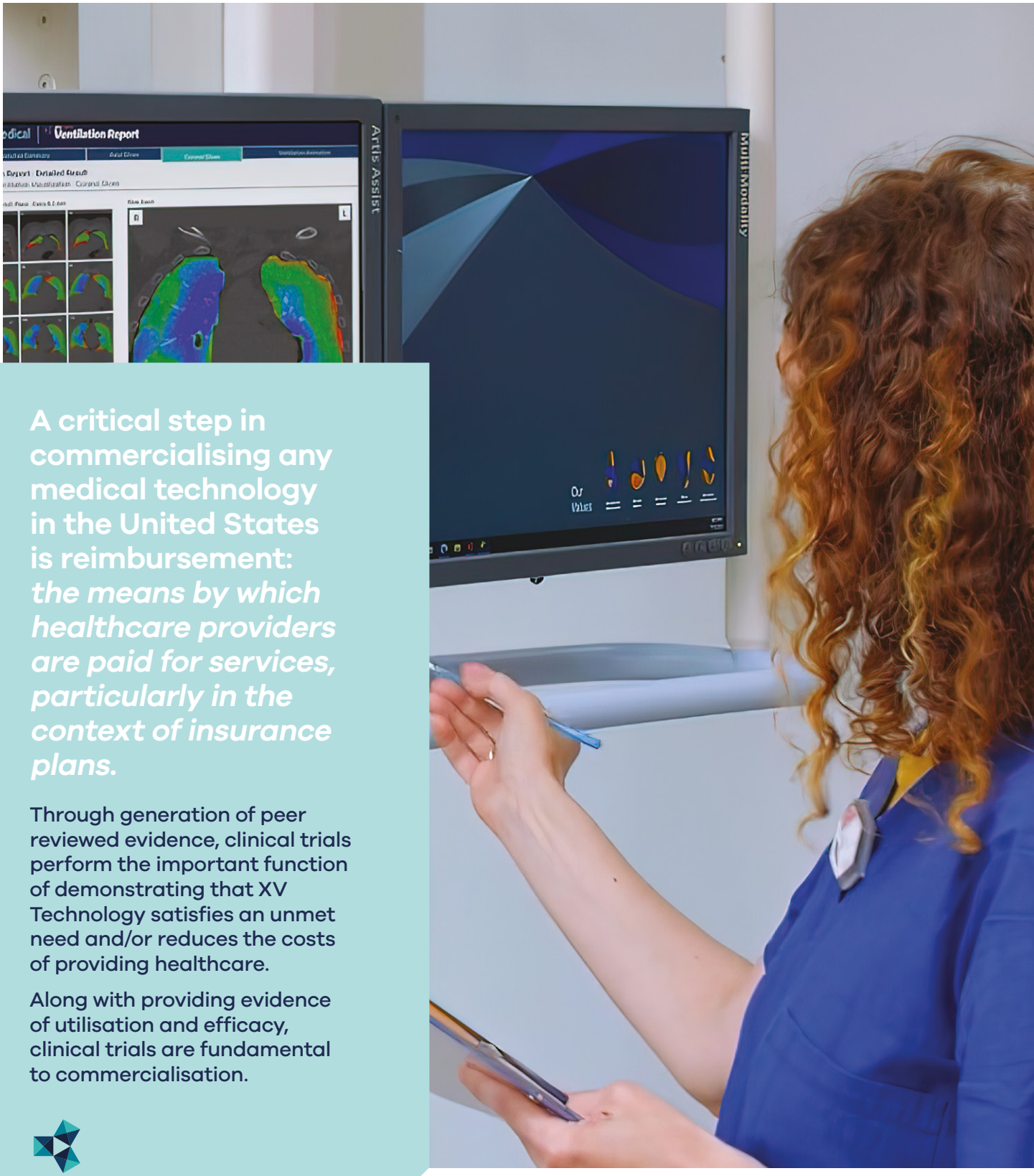
May 2023

- First commercial scan within Veterans Health Administration at Truman VA Hospital
- Commercial pilot agreement with U.S. Department of Defense announced
- $20 million share placement successfully concluded
- Authority to Operate at Truman VA Hospital granted
- Dr Andreas Fouras keynote at Bionics Institute Innovation Lecture
- CT:VQ perfusion product unveiled at ATS conference in Washington DC

June 2023

- $45 million capital raise completed with shareholder approval at EGM
- Dr Andreas Fouras appointed as Honorary Professor by University of Melbourne
- Working prototype of RoboLung dynamic imaging phantom completed and tested, meeting Australian Medtech Manufacturing Centre grant obligations
- Award of $1.1 million CTCM grant announced by MTPConnect

Commercialisation Strategy



A critical step in commercialising any medical technology in the United States is reimbursement: *the means by which healthcare providers are paid for services, particularly in the context of insurance plans.*

Through generation of peer reviewed evidence, clinical trials perform the important function of demonstrating that XV Technology satisfies an unmet need and/or reduces the costs of providing healthcare.

Along with providing evidence of utilisation and efficacy, clinical trials are fundamental to commercialisation.

Commercialisation roadmap

Our success pillars

PILLAR 1 Clinical trials		PILLAR 2 Commercial pilots
Eminent researchers & institutes	**1** **Build relationships**	Respiratory specialists & physicians
Commence clinical trials	**2** **Active scanning**	Commence commercial pilots
Peer reviewed medical manuscripts	**3** **Publish results**	Post-pilot reports
Present at medical conferences	**4** **Stakeholder engagement**	Commercial services agreement
Grow market confidence	**5** **Uptake & growth**	Commence service at clinics

Clinical trial milestones

4DMedical is optimising successes in lung transplantation.

Led by Professor Greg Snell of Monash University, the Functional Lung Imaging in the Assessment of Severe Lung Disease for Lung Transplantation (FIT) Study successfully validated the use of XV Technology for patients with end-stage lung diseases. Harnessing the power of XV Technology, this innovative approach significantly enhances assessment of potential candidates for transplant surgery. 40 patients were imaged at Melbourne's Alfred Hospital in the course of this pioneering clinical trial.

Imaging in progress & patient recruitment

Imaging complete

Completed studies

Establishing medical necessity and unmet need

The 'VAPOR' study (Ventilation Imbalances in Mild to Moderate Chronic Obstructive Pulmonary Disease) is gaining preliminary data answering fundamental questions directly related to managing COPD.

Airflow limitation assessed by spirometry remains the cornerstone of COPD diagnosis and management despite its limitations in uncovering underlying disease complexities.

Emerging technologies like X-ray velocimetry (XV) assessing regional variations in ventilation using low-dose fluoroscopy offer robust functional information that may complement the spirometric assessment of lung function.

This single centre study led by Professor Akram Khan at Oregon Health & Science University (OHSU) in Portland is determining the stability and reproducibility of indices of ventilation obtained with XV during spirometry testing.

BLVR	Asthma	Paediatric CF	Lung Transplant	ILD-WLL
University of Miami XV LVAS®	Cleveland Clinic XV LVAS®	Johns Hopkins XV LVAS®	Alfred Hospital, Melbourne XV LVAS®	Prince Charles Hospital XV LVAS®

PH	COPD	BLVR	COPD	CF
Cleveland Clinic VQ	Vanderbilt University XV LVAS®	Temple University XV LVAS®	University of Miami XV LVAS®	Women and Children Hospital Adelaide XV LVAS®

Lung Transplant	CB (PDRS)	COPD
Duke University XV LVAS®	Vanderbilt University XV LVAS®	Oregon Health & Science University XV LVAS®

COPD	Pneumonitis
Johns Hopkins XV LVAS®	Cedar Sinai XV LVAS®

- Establishing medical necessity for use in diagnosis and treatment of respiratory illnesses.
- Validating application and clinical utility of XV Technology® in peer reviewed journals and conferences.
- Four submissions currently under review, with eight in preparation.

Participants from a 30-85 years of age bracket have a diagnosis of mild-moderate COPD defined by the GOLD criteria and had completed CT imaging within the year prior.

Participants undergo standard spirometry and C-arm fluoroscopy imaging for XV analysis at baseline – before and after bronchodilator use. Investigators obtained the forced expiratory volume in one second (FEV1), the forced vital capacity (FVC), and the FEV1/FVC ratio from spirometry.

XV analyses were undertaken deriving ventilation heterogeneity (VH), an indicator of ventilation distribution, and the ventilation defect percentage (VDP) reflecting the proportion of the lungs with below 60% ventilation for inspiration and expiration.

Paired t-tests were then used to compare group variables for PFT and XV.

Interim results of this OHSU study demonstrate ventilation phenotyping with X-ray velocimetry is stable and reproducible during spirometry testing in COPD patients.

X-ray velocimetry may provide a simple radiographic approach to phenotype lung function for clinical trials and clinical care.

Preliminary findings were presented by Professor Akram Khan at the ATS 2023 conference in Washington during May.

Estimated study completion date is April 2024.

Scientific sharing at ATS 2023

4DMedical was a prominent participant in the poster presentation and symposia programs at the American Thoracic Society's annual conference during May.

Posters presented by our Medical & Clinical Affairs team included:

Performance of CT:V Quantitative Ventilation Imaging Against PET Ventilation Imaging

N. Eikelis, P. Pirakalathanan, H. Byrne, J.P. Kirkness, J. Dusting, E. Castillo, P. Keall, A. Fouras: 4DMedical/University of Sydney/ University of Texas – Austin

American Journal of Respiratory and Critical Care Medicine

Research by 4DMedical team and associates demonstrates conformity between CT:V and PET, the former being "a powerful functional lung imaging tool that can serve as a reliable and more readily available alternative to nuclear medicine…".

https://www.atsjournals.org/doi/abs/10.1164/ajrccm-conference.2023.207.1_MeetingAbstracts.A2304

X-ray Velocimetry in Veterans with Constructive Bronchiolitis

M.G. Lester, T. Siddharthan, J.P. Kirkness, T. Otvos, N.M. Punjabi, R.F. Miller, A. Fouras, B.W. Richmond: Vanderbilt University/University of Miami/4DMedical

American Journal of Respiratory and Critical Care Medicine

Michael Lester/Brad Richmond-led study concludes "X-ray velocimetry is a novel technique for assessing specific ventilation abnormalities in deployment-related constrictive bronchiolitis (DR-CB) affecting Iraq and Afghanistan veterans who have normal PFTs and chest CT scans."

https://www.atsjournals.org/doi/abs/10.1164/ajrccm-conference.2023.207.1_MeetingAbstracts.A2319

Assessment of Regional Lung Ventilation Using Computer Tomography (CT) Lung Ventilation Analysis in Chronic Obstructive Pulmonary Disease (COPD)

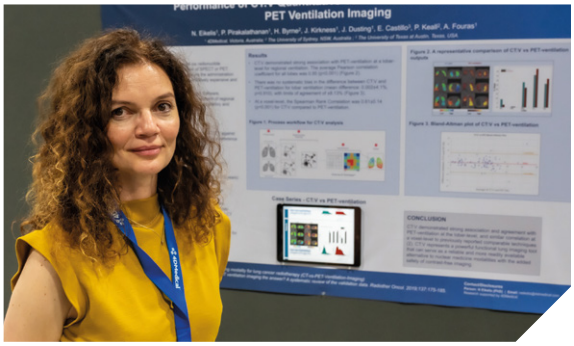
D. Karmali, M. Dalzell, E. Gonzalez, K. Grealis, E. Castillo, J.P. Kirkness, T. Otvos, A. Fouras, N.M. Punjabi, T. Siddharthan: University of Miami/University of Texas – Austin/4DMedical

American Journal of Respiratory and Critical Care Medicine

"Ventilation analysis when combined with lung segmentation can be utilised to assess regional ventilation and better characterise lung disease."

https://www.atsjournals.org/doi/abs/10.1164/ajrccm-conference.2023.207.1_MeetingAbstracts.A2699

Ventilation Phenotyping using X-ray Velocimetry Demonstrates Reproducibility During Pre – and Post-bronchodilator Spirometry in COPD Patients



A. Khan, C.A. Ahmed, M. Oh, A.G. Brixey, R. Reddy, K.A. Hubel, H. Kirbach, T. Otvos, A. Fouras, J.P. Kirkness: Oregon Health & Science University/4DMedical

American Journal of Respiratory and Critical Care Medicine

"X-ray velocimetry my provide a simple radiographic approach to phenotype lung function for clinical trials and clinical care in COPD patients".

https://www.atsjournals.org/doi/10.1164/ajrccm-conference.2023.207.1_MeetingAbstracts.A4016

Progressing the promise of the PACT Act

During deployments by U.S. military personnel to the west Asia theatre of operations, contractors burnt up to 227 metric tons of hazardous waste at forward operating bases as an expedient means of rendering equipment inoperative and disposing of waste materials.

Batteries, medical waste, plastics, ammunition, human waste, animal carcasses, rubber and chemicals were indiscriminately incinerated in these toxic burn pits, laced with JP-8 jet turbine fuel generating toxic clouds of smoke in proximity to troops.

Exposure to these toxins has in many instances devastated the lives of service personnel and their families. Traumatic outcomes include neurological disorders, pulmonary diseases, rare cancers, and many unexplained symptoms collectively referred to as PDRS: Post-Deployment Respiratory Syndrome.

In a 2011 report, Dr Robert Miller of Vanderbilt University Medical Center described examining soldiers returned from theatre with a range of disabling respiratory symptoms. Conventional lung imaging and pulmonary function tests failed to reveal any impairment, with highly invasive biopsies needed to diagnose the presence of Constrictive Bronchiolitis (CB).

4DMedical has a proud history of veterans supporting veterans, recognising that XV Technology has a unique capability in revealing diminished respiratory function on the part of veterans exposed to burn pits.

The company has pursued a dogged agenda to engage and inform U.S. lawmakers of this insight in framing the Sergeant Heath Robinson Honoring our Promise to Address Comprehensive Toxins Act – or "PACT Act".

In our endeavours 'on the Hill' in Washington DC, and in a multitude of briefings to legislators, 4DMedical is allied with Burn Pits 360, an influential advocacy organisation founded by Rosie Lopez Torres and her husband, Iraq veteran CAPT Le Roy Torres.

Following years of lobbying, the PACT Act was passed by both Houses in August 2022, delivering quicker access to healthcare for the 3.5 million veterans estimated to have been exposed to burn pits.

On 10 August in the immediate presence of Rosie and Le Roy Torres, President Biden signed the PACT Act into law, ensuring veterans access to high quality screenings. The PACT Act codifies the Department of Veterans Affairs' processes for evaluating and determining presumption of exposure and service connection for various conditions.

The US$280 billion commitment over ten years by the U.S. legislature through the PACT Act also enables delivery of critical resources.

Evaluation of "existing x-ray imaging equipment to derive four-dimensional models of lung function to identify respiratory illnesses and accompanying loss of lung function" was specifically referenced in the accompanying appropriation bill language.

Only weeks after the signing of the PACT Act, initial results from a clinical trial at Vanderbilt were released, validating XV Technology as an effective respiratory assessment tool with application to Iraq and Afghanistan veterans.

For President Biden, signing of the PACT Act is personal, given his belief that exposure to the toxicity of burn pits was a key factor in the death of his son MAJ Beau Biden from brain cancer.

The PACT Act is "...one of the most significant laws in our history to help millions of veterans who were exposed to toxic substances during their military service.

(It) brings us one closer to fulfilling that sacred obligation... they're real benefits, like exposure screenings. If you came back and you're — and not in a bag, but out walking — you came back, you're exposed, you get the screening. It means new facilities, new research, more healthcare workers at VA hospitals."

Patient Centricity

Patient story: Le Roy Torres and the war that followed him home

As a Captain in the United States Army Reserve and a Texas State Trooper, Le Roy Torres' life epitomises true public service.

This sense of duty led him to the sparse, vast deserts of Iraq, where he would unknowingly be exposed to a danger far exceeding that of the threat posed by Saddam Hussein's army.

The impact of this exposure and danger would become more pronounced following a return to his peacetime role, maintaining law and order in the Gulf of Mexico hinterland around Corpus Christi.

Headaches, brain fog, vertigo, convulsive coughing – unexplained conditions with no logical cause rendered this dedicated State Trooper unable to actively perform a law enforcement function, and a career he had coveted since childhood.

Diagnoses by physicians shed no light on Le Roy Torres' state of health and offered no path to an effective treatment.

Captain Torres was not alone.

A staggering 3.5 million U.S. military personnel are estimated to have been exposed to these burn pits and their toxic emissions.

During the U.S. military expedition to Iraq, an expedient method was used to destroy the detritus of modern warfare. Known as 'burn pits', all manner of waste including toxic materials were dumped into excavations in the desert sands, laced with JP-8 jet fuel and ignited.

A staggering 3.5 million U.S. military personnel are estimated to have been exposed to these burn pits and their toxic emissions. Many are unaffected. Some are blissfully unaware of the detriment to their health. Others like Le Roy Torres suffer a range of ailments ranging from an ability to breathe through to rarely diagnosed cancers.

The concept of caring for Veterans is fundamentally simple. Volunteers for military service willingly forego their own civil rights in order to protect those of others. Risk and physical danger are a given. Rehabilitation and recovery is an entitlement as a broader cost of war.

Torres' legal battle to retain his career and fulfil a sense of duty as a Texas Highway Patrol trooper led to a landmark Supreme Court ruling. Victory in this dispute represented a win for all Veterans. Regarding his personal health and wellbeing, the fight by Le Roy Torres continued. "We were on the verge of losing our home. We exhausted our life savings in traveling to the medical facilities." He was eventually diagnosed with constrictive bronchitis and toxic brain injury.

As co-founders of veterans' advocacy organisation Burn Pits 360, Le Roy and Rosie Torres expanded that fight, ensuring that thousands of similarly afflicted warfighters do not suffer in silence.

"They said until an act of congress happens nothing would change," says Rosie Torres. "So we took it into our own hands and moved forward with a mission."

Rosie's 40 years of experience working within the U.S. Department of Veterans Affairs combined with an unbreakable resolve led to the emergence of Burn Pits 360 as a highly respected educator and influencer regarding toxic chemical exposure through burn pits – gaining a prominent profile enhanced by the involvement of Jon Stewart: comedian, political commentator, satirist, agitator and general power for good.

A key advocacy objective of Burn Pits 360 was achieved with the signing into law of the "PACT Act" being the legislated basis for the largest health care and benefit expansion in VA history.

"I'm just a living casualty.
I thought I left the fight behind back overseas and maybe I'm denied a full recovery."

– 'The War That Followed Me Home'

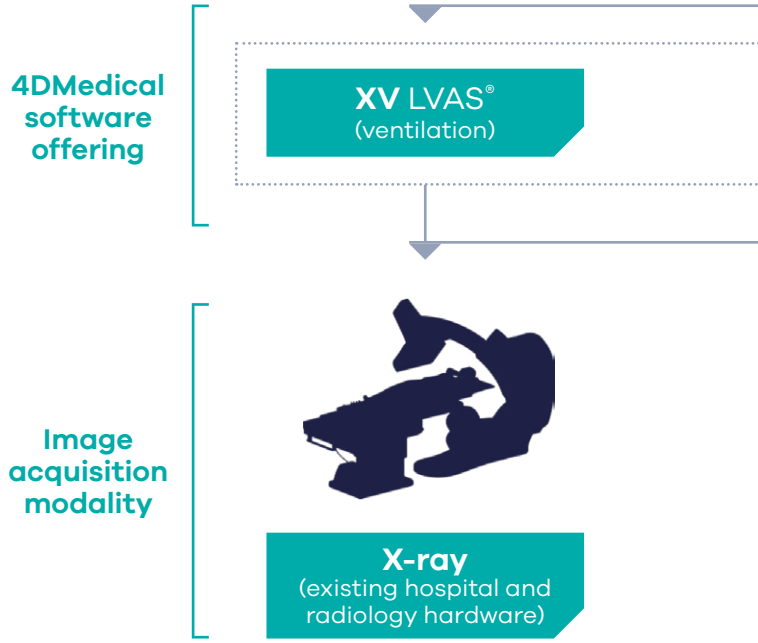
The relentless efforts of Burn Pits 360 towards realising the PACT Act is enabling generations of Veterans to access the health care they are owed and deserve. A core principle of the Act is the notion of 'presumptive conditions': an automatic assumption on the part of the VA that military service is the cause of the Veteran's health diminution. Whilst the 'burden of proof' has been removed, the ability of Veterans exposed to toxins to fully understand the extent of their respiratory compromise remains limited by the lack of sensitivity of existing modalities utilised within the VA system.

In January, Le Roy and Rosie Torres accompanied by faithful service dog Hope journeyed to the University of Miami in Florida. Under the supervision of Professor Naresh Punjabi, MD, Le Roy Torres undertook a four-dimensional lung scan administered by university medical centre radiographers and 4DMedical imaging technologists.

"My scan today is a major step forward for fellow Veterans who are suffering from burn pit exposures and are desperate for answers," said Le Roy Torres at the time, who having previously been subjected to a highly invasive lung biopsy, this being the accepted best practice prior to the utility of 4DMedical's X-ray Velocimetry Analysis Software (XV LVAS) being validated. "It was frankly a horrendous experience and incredibly painful."

The promise of 4DMedical's capabilities is clear to this patient and prominent advocate for fellow Veterans. "With the passage of the PACT Act, the United States Department of Veterans Affairs (VA) and Congress can develop protocols and use cutting-edge technologies that will bring new and expanded health care services to thousands of Veterans like me — who suffer from deployment related respiratory disease."

Product Development



Integrating XV LVAS and CT LVAS software with platforms optimising throughput and accessibility

Rollout of CT LVAS

Embracing the wide availability of Computed Tomography (CT) imaging infrastructure, the release of breakthrough image processing software, CT LVAS™ provides clinicians and researchers with an almost identical report to 4DMedical's proven XV LVAS® product.

Australian is second only to Japan in density of CT scanners per capita, providing scale and accelerating adoption.

CT LVAS significantly broadens the accessibility of functional lung imaging for Australians living with lung disease.

Seamless integration of this product line into automated workflow throughout imaging network partners represents a significant opportunity to drive revenue for the Company, exploiting a distribution framework for rapid commercialisation already in place.

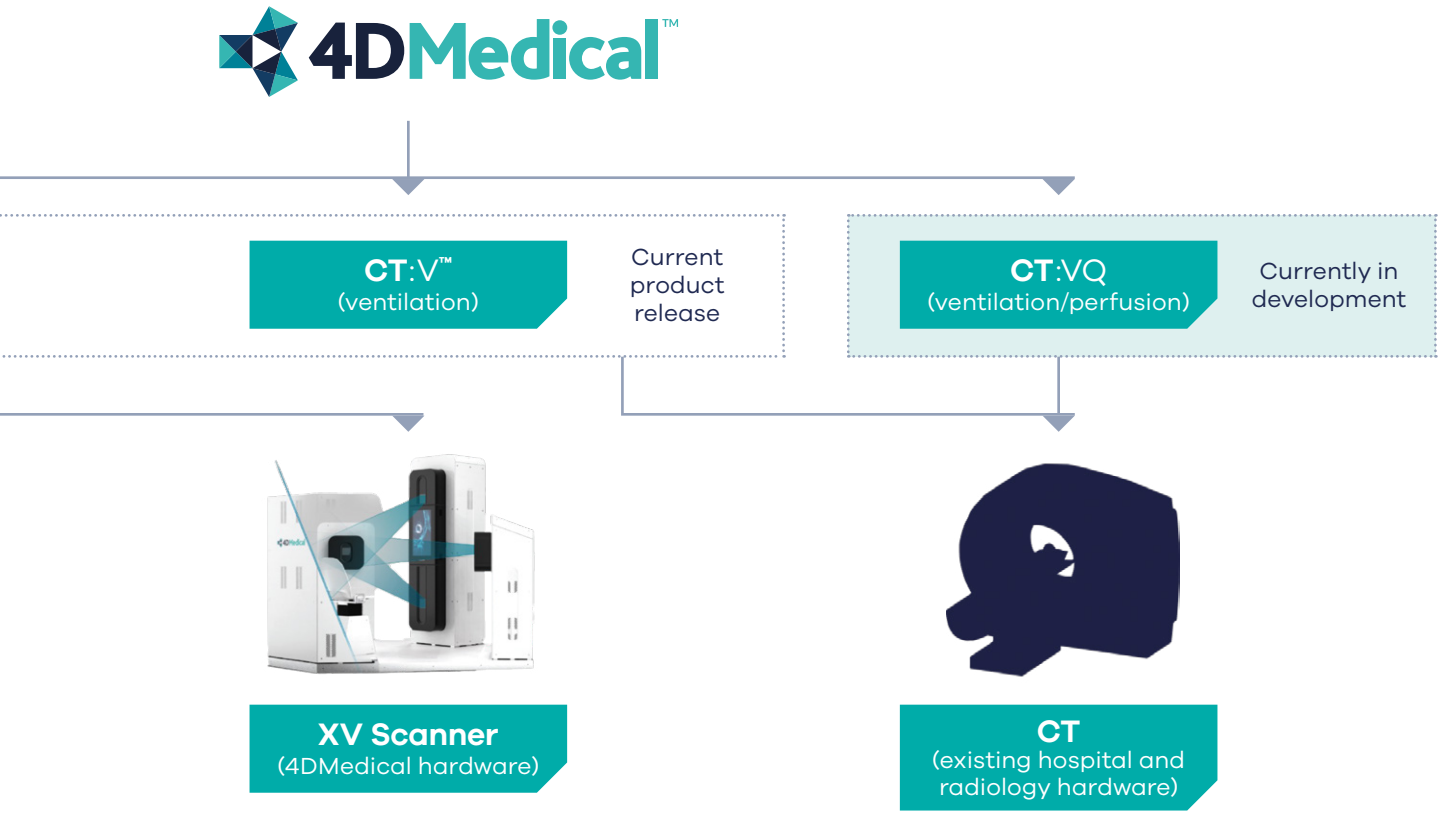
Unveiling of CT:VQ

Announced during the annual conference of the American Thoracic Society (ATS 2023) in Washington, DC our CT-based ventilation-perfusion product "CT:VQ" represented a significant technological breakthrough and milestone in an ambitious product development strategy.

This capability represents a significant breakthrough in respiratory imaging by providing vascular perfusion analysis without the need for either injected radioactive tracers or contrast media.

CT:VQ technology enables quantitative perfusion data and visualisations to be extracted from non-contrast paired inspiratory-expiratory CT scans. It achieves this by measuring the regional motion of lung tissue, while also assessing local density changes to quantify regional blood-mass change.

Extracting VQ information from standard non-contrast CT images rather than nuclear medicine VQ images requiring radioactive contrast media, hospitals can avoid the significant capital expenditure involved in mitigating radiation risks of operating a nuclear medicine VQ scanner.



XV Scanner evolves

An example of the XV Scanner was displayed in the United States on the conference circuit during FY2022-23, including an appearance at the RSNA conference in Chicago (before a radiological professional audience), and at ATS 2023 in Washington where an "XV Scanner experience" attracted delegates from the pulmonary sciences professions to be part of a simulated scanning process, providing a patient perspective to prospective users of this dedicated respiratory imaging platform.

Ongoing usability studies involving both patients and radiographers are informing refinement of user interfaces.

A focus of the XV Scanner development team is partnering with companies in the Victorian supply chain and securing multiple sources of key components available only from offshore manufacturers.

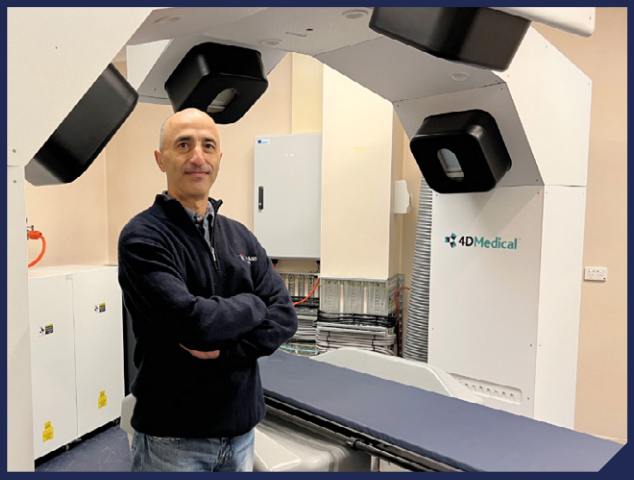
Capital works at the Port Melbourne facility enabling this evolution include construction of a purpose-built Radiation Laboratory (Rad Lab) control room, dedicated R&D workshop and a best-in-class medical device pre-assembly node optimised for RoboLung manufacturing.

This co-investment by the company and the State Government of Victoria accelerates iteration of product design.

CTCM funding expands XV Scanner capability

$1.1 million of Clinical Translation and Commercialisation Medtech (CTCM) program funding announced by Minister for Health, the Hon Mark Butler, MP and delivered by MTPConnect is enabling a perfusion capability to be integrated into our XV Scanner product line. Combining both functional components of airflow and blood flow into a single analytical process represents a dramatic advancement in respiratory healthcare – providing the ideal test for phenotyping, early detection and evaluation of specific treatment responses for high-impact lung diseases.

Pre-clinical variant of XV Scanner installed in Adelaide



A unique variant of the XV Scanner was designed and built in Melbourne, and installed in Adelaide. The South Australian Health and Medical Research Institute (SAHMRI) already possesses a Permetium scanner; this new one-off XV Scanner expands pre-clinical capability for University of Adelaide researchers.

According to SAHMRI Director Professor Steve Wesselingh, "working with 4DMedical on this project is very exciting... we can see enormous benefits in commercialising this product."

CT:VQ perfusion capability released

4DMedical's CT:VQ technology enables regional changes in ventilation and perfusion to be quantified and visualised, allowing a detailed assessment of V/Q mismatch (where V=ventilation, and Q=perfusion, the exchange of gases in the bloodstream).

In their primary clinical application, CT:VQ scans are used in diagnosing and managing pulmonary embolism but can also be employed in assessing conditions such as chronic obstructive pulmonary disease (COPD), pulmonary hypertension, lung parenchymal diseases and in evaluating pulmonary vascular disorders.

Acute Pulmonary Embolus (PE) is a serious, yet difficult, diagnosis for clinicians, where pulmonary perfusion is a critical component to aid diagnosis. Current imaging modalities for PE include CT Pulmonary Angiography (CTPA) and Nuclear Medicine VQ scans, with CTPA assessing pulmonary arterial flow blockages and Nuclear Medicine VQ assessing the mismatch in ventilation and perfusion.

Both of these modalities require administration of an intravenous contrast media, and in the case of Nuclear Medicine VQ, inhalation of a radioactive contrast agent by the patient.

The current U.S. market size for Nuclear Medicine VQ assessment of PE is estimated to be approximately 15% of the 4,000,000 patient procedures per annum, at an average cost of ~US$1,500 per scan.

The potential for transforming the VQ space reflects the capability for XV Technology to replace outmoded modalities that in some cases have been in use for over a century. A submission to the FDA is scheduled during FY2023-24 ahead of rapid rollout in the U.S. market.

Together, 4DMedical's transformation of regional ventilation and perfusion insight is poised to provide a complete picture of lung health.

People and Culture

Dr David Shulkin, MD, joins 4DMedical

Former Secretary of the U.S. Department of Veterans Affairs providing expertise and advice

Highly respected physician and health care executive Dr David Shulkin commenced an advisory role at 4DMedical during April. As Ninth Secretary of the United States Department of Veterans Affairs (VA), Dr Shulkin oversaw the U.S. government's second largest agency serving over nine million veterans.

As a nationally recognised leader in health care quality and population health management, Dr Shulkin's proven expertise and experience is highly valuable in bringing 4DMedical's innovative technologies to market.

Named by Modern Healthcare as among the "One Hundred Most Influential People in American Healthcare", Dr Shulkin is widely recognised as accomplished and prominent health care system leader, physician, academic, and industry entrepreneur. He brings particular knowledge of the Veterans Health Administration – the largest such system in the United States – to 4DMedical.

A graduate of Yale School of Medicine and the University of Pittsburgh, Dr Shulkin rose to become President and Chief Executive Officer of Beth Israel Medical Center in New York City.

As a clinician, Dr Shulkin was the first Chief Medical Officer of the University of Pennsylvania Hospital, previously fulfilling physician leadership roles at the University of Pennsylvania Health System, Temple University Hospital, and the Medical College of Pennsylvania Hospital.

His academic and research appointments include Chairman of Medicine and Vice Dean at Drexel University College of Medicine, and Professor of Medicine at Albert Einstein College of Medicine.

Dr Shulkin was Editor of the peer-reviewed Journal of Clinical Outcomes Management and Hospital Physician, and was a member of the editorial board of the Journal of the American Medical Association (JAMA).

Born on a U.S. Army base where his father was an officer, and the grandson of returned soldiers from World War I, Dr Shulkin took decisive action as Secretary of Veterans Affairs in preventing deaths from suicide, and resisted political pressure to privatise VA clinical practices, earning the respect of the Veteran community.

Dr Shulkin brings an unparalleled understanding of Veterans' health care to 4DMedical as the company seeks to enable implementation of the PACT Act.

Named by industry publication Modern Healthcare as one of the "50 Most Influential Physician Executives in the Country", Dr David Shulkin brings an unparalleled understanding of Veterans' health care to 4DMedical.

Capability through people

Organisational capabilities emerge when a company delivers on the combined competencies and abilities of its individuals.

At 4DMedical, our ability for attracting, motivating and retaining competent and committed people in a competitive market for talent remains a key focus.

We are proponents of the concept of 'capability multipliers': utilising the intelligence and energy of our people that are divergent in their backgrounds and expertise, experienced in diverse spheres, and able to bring creativity and resourcefulness into the company through their generosity of intellect.

Our ability to recognise and celebrate such contributions within the 4DMedical community has been enhanced in 2023 through the rollout of the My4D platform embracing a theme of 'inspire, appreciate, engage'.

I-MED Radiology Network's Adam John Michael (National Contracts Business Development Manager) and Dr Catherine Jones (Cardiothoracic Radiology Lead) with 4DMedical's James Drougas participated as co-exhibitors at the 2022 Queensland Mining Industry Health and Safety Conference in Brisbane. As a dedicated strategic relationship partner, James is permanently embedded within I-MED's regional headquarters, reflecting the high level of integration that is expediting commercial rollout of SaaS product lines through Australia's largest provider of medical imaging services.

Dr Andreas Fouras honoured by the University of Melbourne

Possessing an outstanding reputation and a number-14 (QS) Quacquarelli Symonds global ranking, the University of Melbourne is an internationally renowned teaching and research institution. It awards honorary appointments recognising individuals who make significant ongoing contributions through world-class, values-based teaching, research, research training, engagement, enterprise, leadership and service.

The appointment of MD/CEO Dr Andreas Fouras as the recipient of an Honorary Professorial Fellowship formally announced by the Dean of Engineering and Information Technology, Professor Mark Cassidy, reinforces the close relationship between 4DMedical and its primary academic and research partner, co-located within the Melbourne Connect innovation precinct.

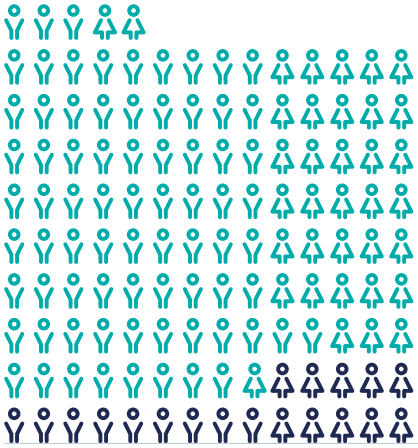
4DMedical cultivates and celebrates inclusion and diversity

International Women's Day

Our team joined with collaborators from the University of Melbourne and throughout the Melbourne Connect innovation ecosystem in welcoming technology start up and commercialisation expert Professor Jia-Yee Lee, insightfully reminding us on this special day of the incredible sustained contribution of women to innovation in the engineering and medical sciences.

Three team members presented with 10 year long service awards: recognising a decade of commitment from the company's formation.

131 Total staff



113 Staff in Australia

18 Staff in U.S.

68% Male

32% Female

FY23 News

Passage and signing of PACT Act

3.5 million U.S. veterans have been exposed to harmful toxins during operational deployments. The signing of the "PACT Act" by President Biden delivers a US$280 billion commitment over ten years to expand healthcare and meet an obligation owed to America's warfighters.

Existing tools such as X-ray, CT and PFT often fail to reveal evidence of reduced lung function in veterans. Experts such as Dr Robert Miller and Dr Anthony Szema testified in Senate committee hearings that 4DMedical's innovative technology is capable of providing definitive evidence of the pulmonary impact of exposure to 'Burn Pits' by veterans on operations.

MD/CEO Dr Andreas Fouras applauded the U.S. government and legislature for a significant investment redressing an injustice to former military personnel, and also recognised the efforts of individuals and organisations advocating for veterans' wellbeing.

First U.S. hospital contract

During April the company announced a highly significant milestone in its commercialisation journey with the signing of a five-year contract with the University of Miami to provide XV LVAS® (X-ray Velocimetry Lung Ventilation Analysis Software) ventilation reports.

This signing represented an expansion of a strong relationship between 4DMedical and the University of Miami, with a basis in joint research demonstrating the clinical value of XV Technology across a range of indications.

The permanent deployment of XV Technology at the University of Miami enables patient data to be processed on demand under an agreement including minimum annual fees and ongoing training support.

Capital raise success

4DMedical successfully completed a capital raise totalling $45 million in May, enabling acceleration of commercialisation effort and balance sheet flexibility for future growth.

Demand for shares exceeded availability, with new institutional and sophisticated investors participating in the placement.

This success led to formulation of a Securities Purchase Plan (SPP) offering new shares to existing retail investors, recognising their loyalty and confidence in the company. The SPP was also oversubscribed, generating $25 million in capital.

Commercial XV LVAS scanning within the VA system

During May the company announced successful completion of the inaugural commercial scanning operation conducted at the Harry S. Truman Memorial Veterans Hospital in Colombia, Missouri.

The first scan involved scanning of a U.S. veteran using XV LVAS (X-ray Velocimetry Lung Ventilation Analysis Software) imaging capability. This successful scan also represented the company's first commercial activity within the VA.

Augmenting this achievement was the subsequent granting of an Authority to Operate (ATO) by the Veterans Health Administration.

Ensuring security and privacy of a vast amount of sensitive and personal health information, the VA has comprehensive controls and guidelines governing the operation of information systems within its network.

Following a rigorous assessment and authorisation process, this grant of an ATO demonstrates the robust and secure nature of 4DMedical's SaaS platform and its integration into VA systems.

MoU signing with University of Melbourne

The signing of a Memorandum of Understanding with the University of Melbourne formalised pre-existing collaboration and established a basis widening use of XV Technology in investigations by university researchers. Provision of technical training, development of curriculum inclusive of four-dimensional imaging, teaching into academic programs by 4DMedical guest lecturers and access to clinical networks are additional aspects of this partnering.

Grant of CPT Code

The American Medical Association (AMA) is the authority for granting Current Procedural Terminology (CPT) codes, used to record and report medical services and procedures under public and private insurance programs in the U.S.

Granting of a Category III CPT code to 4DMedical in respect of XV LVAS enables healthcare providers and payers to distinctly substantiate the use of this technology, a prerequisite for enabling payment for new services and procedures across the U.S. healthcare system.

Outlook FY23

During FY23 4DMedical accelerated its ambitions, realising commercialisation strategy across two continents.

Rollout of our core product intensified and participating at global conferences gained prominence and positive attention.

The first XV Scanner was exported to the United States and displayed prominently at global conferences.

Evolution of XV Technology continued, enabled by Computed Tomography with the commercial introduction of our CT:V product and the release of CT:VQ technology.

During FY24, 4DMedical is poised to demonstrate clinical utility at scale, generate revenue from operational expansion and reinforce its corporate intellect through scientific evidence and peer-reviewed publication:

1	Expanding our rollout of XV Technology within the U.S. Veterans Affairs healthcare network, gaining Authority to Operate across multiple clinical sites.
2	Realising the potential of delivering a scanning capability to the U.S. Department of Defense with 1.4 million active military personnel.
3	Deploying the XV Scanner at prominent research institutions in the U.S., delivering the insight of XV LVAS in an integrated, self-containing imaging platform.
4	Evolving Computed Tomography-enabled XV Technology into the perfusion sphere, unlocking commercialisation potential with our CT:VQ product line.

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 2023.

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)
BCom, 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 (BCom) 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 1980s. After completing his MBA in Switzerland, he went into investment banking in 1986 which took him to New York for three years returning to Sydney in 1990. He spent the 1990s as an investment banker in Sydney, the last five 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 Capricorn Mutual Limited (2015 – present; Chairman 2015 – 2022) and ASX-listed PolyNovo Limited (ASX:PNV) (2010 – present), Capricorn Society Limited (2008 – present) and Cettire Limited (ASX:CTT) (2020 – present). He is also Chairman of ASX-listed CleanSpace Holdings Limited (ASX:CSX) (2021 – present).

Previously, he has been a non-executive director of ASX-listed companies Netlinkz Limited (ASX:NET) (April 2020 – November 2020), Compumedics Limited (ASX:CMP), Anteo Diagnostics Limited (Chairman) (ASX:ADO), USCOM Limited (ASX:UCM), Mungana Goldmines Limited and Datadot Technology Limited (Chairman) (ASX:DDT).

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 studying experimental fluid dynamics in 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 Master's 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. Most recently, Andreas was recognised by The University of Melbourne through appointment as an Honorary Professorial Fellow. It awards honorary appointments recognising individuals who make significant ongoing contributions through world-class, values-based teaching, research, research training, engagement, enterprise, leadership, and service.

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

Ms Lilian Bianchi is an experienced Non-Executive Director and Audit & Risk Chair with a focus on innovative companies operating in highly regulated environments including health, finance, and infrastructure.

Her CEO and executive career brought commercial leadership and digital transformation to global listed corporates through to tech startups across US, Australia, India, Singapore, UK, and Europe. She has an international technology research background including programs in health and telecommunications. Her product expertise is in analytics, AI and SaaS where she took to market new products for diverse sectors including FinTech and Transport.

Lilian has a Bachelor of Science degree in Economics, Master's in Computer Science, UK Securities and Investment Certificate, and is a Graduate of the Australian Institute of Company Directors.

Lilian is a Non-Executive Director and member of the Innovation Committee for Qscan Radiology Group, Chair of Operational Risk and member of the Investment Committee for water infrastructure company Murrumbidgee Irrigation, and Director of ATech – a mission critical hosting company.

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

Ms Evonne Collier (Non-Executive Director)
BA, MBus, GradCertAppFin, GAICD

Ms Evonne Collier 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 brining 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) (November 2021 – present), Motorama Group Automotive Holdings (Chair Marketing and Digital Committee) (2017 – present) and Apiam Animal Health Limited (ASX:AHM) (October 2022 – present) and is Chair of digi-health company Curae Health (October 2020 – present) and global e-Commerce Gym & Fitness Supplies. Ms Collier was previously Non-Executive Director and Chair of ASX listed entities Think Childcare (ASX:TNK) (2018 – 2021) and Vault Intelligence (ASX:VLT) (2018 – 2019), 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 is in developing novel anticancer drugs that avoid the toxicity associated with standard treatments and furthers Cedars-Sinai's tradition of compassionate patient care.

Robert is an independent director and Chair of the Medical Advisory 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 lead the group through private equity investment with Advent Partners in 2014 and in 2015 John worked with Advent to list Integral Diagnostics on the ASX.

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

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 to 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 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 Remuneration and Nomination Committee.

Company Secretaries

The details of the Group's secretaries in office during the financial year ended 30 June 2023 and until the date of this report are as follows.

Naomi Lawrie (General Counsel and Company Secretary)
LLB, BCom
Commenced as General Counsel on 3 April 2023

Ms Naomi Lawrie was appointed Company Secretary of 4DMedical Limited on 28 April 2023.

Naomi is an experienced ASX-listed general counsel and company secretary with significant legal experience, including as a Partner of Corrs Chambers Westgarth. She has expertise in corporate and commercial law and has advised and consulted to companies in various industries, including health and technology. Prior to joining 4DMedical, Naomi was the General Counsel and Company Secretary at MedAdvisor Limited (ASX:MDR).

Naomi holds a Bachelor of Laws and a Bachelor of Commerce from The University of Melbourne.

Melanie Leydin (Company Secretary)
BBA, CA ANZ, FGIA
Retired as Company Secretary on 28 April 2023

Ms Melanie Leydin was appointed Company Secretary of 4DMedical Limited from 28 February 2022 to 28 April 2023.

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

Melanie was the founder and Management 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) form Swinburne University. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and a registered Company Auditor.

Share register

Link Market Services

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Sydney, South NSW 1235
Phone: +61 1300 554 474 (toll free within Australia)
Fax: +61 2 9287 0303
registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

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

Dividends

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend (2022: none).

Principal activities

The principal activities of the Group during the financial year ended 30 June 2023 were medical research technology and development of a non-invasive respiratory imaging solution using four-dimensional imaging. This four-dimensional lung imaging technology utilises proven, patented mathematical models and algorithms to convert X-ray scans into quantitative data to enhance the capacity of physicians to manage patients with respiratory diseases and diseases of the lung.

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

Operating and financial review

4DMedical is a global medical technology company transforming the ability to understand the lung function of patients accurately and quickly 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

Commercialisation in the U.S. market

Commercialisation of XV Technology® has gathered considerable momentum during the second half of FY2023. The Company successfully entered into a long-term software agreement with the University of Miami Leonard M. Miller School of Medicine to provide XV LVAS® ventilation reports. The agreement builds on the long standing relationship 4DMedical has established with the institution over the course of the last several years.

In addition, the Company has made significant progress with the Veterans Affairs (the VA), by adopting a 'top-down' and 'bottom-up' approach to engaging with the organisation. Working closely with industry advisers and veteran advocacy groups such as Burn Pits 360, 4DMedical has successfully engaged with legislators to incorporate language into legislation requiring the Veterans Affairs Department to consider "emerging technology that uses existing x-ray imaging equipment to derive four-dimensional models of lung function to identify respiratory illnesses and accompanying loss of lung function". As well, the Committee urged the Department "to evaluate this technology for the purposes of conducting population-wide surveillance of Veterans who have been exposed to airborne hazards in order to conduct a full accounting of the health impacts suffered by Veterans and to provide full and effective medical care to this population."

The Company's engagement has also extended to meetings with senior members of US Congress, with the Company sending a delegation to speak with advisors of Senator Sherrod Brown (D-OH) and Congressman Raul Ruiz (D-CA25), and to key staff of members of both the Senate and House Veterans Affairs Committees. Veterans' advocates Rosie Lopez Torres, Le Roy Torres, Kevin Hemsley and Tim Hauser led 4DMedical's delegation, urged the adoption of XV Technology® through allocation of PACT Act funding, and discussed their recent experiences of receiving 4DMedical scans.

To further assist in 4DMedical's top-down efforts, in April 2023 the Company announced that Dr David Shulkin had been appointed as an advisor. Dr Shulkin was previously the Secretary for Veterans Affairs, having been appointed in 2017, where he oversaw 350,000 employees responsible for serving over 9 million Veterans. As a nationally recognised leader in health care quality and population health management, Dr Shulkin brings a comprehensive understanding of integrated health care to 4DMedical with particular knowledge of the VA.

The Company is also working with individual hospitals as part of its bottom-up approach, and in May announced it had conducted its first commercial scan at Harry S. Truman Memorial Veterans Hospital, providing Truman VA physicians with insight only available through a four-dimensional scan. The XV LVAS® scan represents the Company's first commercial activity within the VA and, whilst not immediately material from a revenue perspective, it demonstrates significant validation of the Company's bottom-up approach to VA engagement.

Another critical milestone achieved for the Company was the securing of 'Authority to Operate' (ATO) at Harry S. Truman Memorial Veterans Hospital, which is a formal authorisation granted to software vendors to gain access to an information systems and technology infrastructure within the VA's network. The first ATO is an important milestone for the Company as it demonstrates the robust and secure nature of 4DMedcial's platform. Additionally, once 4DMedical has an ATO at two sites, it is eligible to apply for a National ATO, which will provide the Company with authorisation for all 171 major clinical centres within the VA network.

Related to the opportunity with the VA, the Company announced a significant commercial milestone with the initiation of a commercial pilot at the Military Health System (MHS) within the U.S. Department of Defense. The MHS, one of the largest and most advanced healthcare institutions in the U.S., provides medical support to over 1.3 million active military personnel. The agreement with the DoD involves an agreed number of scans on full commercial terms, and again whilst not immediately material from a revenue perspective, the arrangement has the potential to expand if successful, and further validates 4DMedical's XV Technology® in delivering respiratory health insights for lung diseases.

Commercialisation in the Australian market

The current financial year has seen considerable progress as the Company continues to steadily build throughout the I-MED network with a total of 42 sites now on-boarded across Australia. The Company's initial efforts have been focused on the larger metropolitan sites across Melbourne, Sydney and Brisbane, complemented by sites outside of these major cities, including across Tasmania, Cairns and Adelaide. The Company is now able to onboard new sites rapidly and efficiently and is balancing the pace of onboarding with clinical and operational training requirements to ensure clinics are set up for managing new patient and referrer requests, and to provide an exceptional client experience.

Overall, the radiology market in Australia is experiencing significant structural and competitive pressures, accentuated by cost-of-living pressures on discretionary spending. The Company continues to refine its commercialisation processes, with the support of I-MED Radiology Network, as it expands its presence in the market.

Clinical trials and pathway to reimbursements

Clinical trials are a fundamental pillar of the Company's commercialisation strategy. In addition to driving awareness of 4DMedical's technology amongst the medical community, clinical trial data provides essential evidence of utilisation, efficacy and satisfying an unmet need in lung diagnostics. Establishing a body of such evidence is a critical step in applying for a code for reimbursement from payers and the U.S. Medicare system.

During the year, Duke University completed imaging on the final patient in its lung transplant clinical trial. The clinical trial employed XV Technology® in measurement of lung ventilation abnormalities and diagnosis of chronic lung allograft dysfunction after lung transplantation. The Company foresees that the investigators will publish its conclusions after analysing and compiling the findings.

A trial focused on constrictive bronchiolitis also concluded at Vanderbilt University, with initial results released in August 2023, revealing XV Technology can detect ventilation anomalies in patients with constrictive bronchiolitis. Temple University imaged the first patients in its bronchoscopic lung volume reduction (BLVR) clinical trial. The progression of these clinical trials supports the efficacy of the technology and its clinical use in a wide array of respiratory diseases whilst supporting the commercialisation of XV Technology in the U.S.

Progress was also achieved through commencement of clinical trials at the Prince Charles Hospital in Brisbane with application to Interstitial Lung Disease and the use of Whole Lung Lavage techniques in patient treatment, whilst a second trial focused on Pediatric Cystic Fibrosis was initiated at the Women's and Children's Hospital in Adelaide. Finally, a trial validating utility of XV Technology in application to asthma began at the Cleveland Clinic, and researchers at Tufts University commenced a clinical trial focused on SARS-CoV-2.

Interim results from 4DMedical's extensive array of clinical trials partnerships were presented to an audience of peers as part of the scientific program at ATS 2023, the world's largest gathering for the pulmonary medicine professions staged in Washington, DC by the American Thoracic Society.

In October 2022, the AMA Current Procedural Terminology (CPT) Editorial Panel accepted 4DMedical's application for the addition of a new Category III CPT code (Cat III code) to identify the use of its XV Lung Ventilation Analysis Software (XV LVAS®) amongst healthcare providers and payers. Cat III codes are a set of temporary codes for new and emerging technologies created for data collection to substantiate the widespread use of the technology. Creating a distinct Cat III code for 4DMedical's XV LVAS® technology is a critical step towards commercial success in the U.S. The new Cat III code will allow healthcare providers to identify when a patient has received an XV LVAS scan, provide a billing pathway amongst payers, and enable tracking utilisation of the technology. Additionally, a distinct Cat III code opens the door for early engagements with payers to introduce XV LVAS technology, while also enabling discussions to establish reimbursement as 4DMedical continues to advance its U.S. commercialisation rollout demonstrating the positive real-world clinical outcomes and economic value of the technology.

Product Development

From a product development perspective, the last twelve months have seen some exciting advances in the XV Technology® product suite. In October 2022, 4DMedical proudly announced the launch of its revolutionary image processing software, CT LVAS™, a breakthrough product in the XV Technology pipeline. The software offers an almost identical report to the proven XV LVAS® product, with a significant advantage being its utilisation of widely available Computed Tomography (CT) imaging infrastructure, making it assessable for more Australians with lung disease.

In addition, 4DMedical announced a significant technological breakthrough and milestone in the Company's product development strategy, with its CT-based ventilation-perfusion product (CT:VQ) progressing to a development stage that allowed for release of early clinical data. The clinical data was presented at the annual conference of the American Thoracic Society (ATS 2023) in Washington, D.C. in May 2023.The development of this capability represents a significant breakthrough in respiratory imaging by providing vascular perfusion (blood flow) analysis, without the need for either injected radioactive tracers or contrast media. 4DMedical's CT:VQ technology enables quantitative perfusion data and visualisations to be extracted from non-contrast paired inspiratory-expiratory CT scans.

By extracting VQ information from standard non-contrast CT images rather than Nuclear Medicine VQ images (requiring patient exposure to radioactive contrast media), hospitals can avoid the significant expenditure involved in mitigating radiation risks of operating a nuclear medicine VQ scanner such as specialised facilities for preparing, handling and disposing of radioactive materials. Furthermore, quantifying and visualising the mismatch between ventilation (V) and perfusion (Q), can provide valuable diagnostic information. In certain lung conditions there can be a mismatch between ventilation and perfusion indicating abnormalities in lung function that in the most severe cases can be life threatening.

The Company's CT:VQ technology enables regional changes in ventilation and perfusion to be quantified and visualised, allowing a detailed assessment of V/Q mismatch. Clinically these scans are primarily used for diagnosing and managing pulmonary embolism, but they can also be employed to assess conditions such as chronic obstructive pulmonary disease, pulmonary hypertension, lung parenchymal diseases, and pulmonary vascular disorders.

The Company estimates the current US market size for nuclear medicine VQ assessment of pulmonary embolism is approximately 15% of the 4,000,000 patient procedures per annum, at an average cost of ~US$1,500 per scan (~US$900 million).

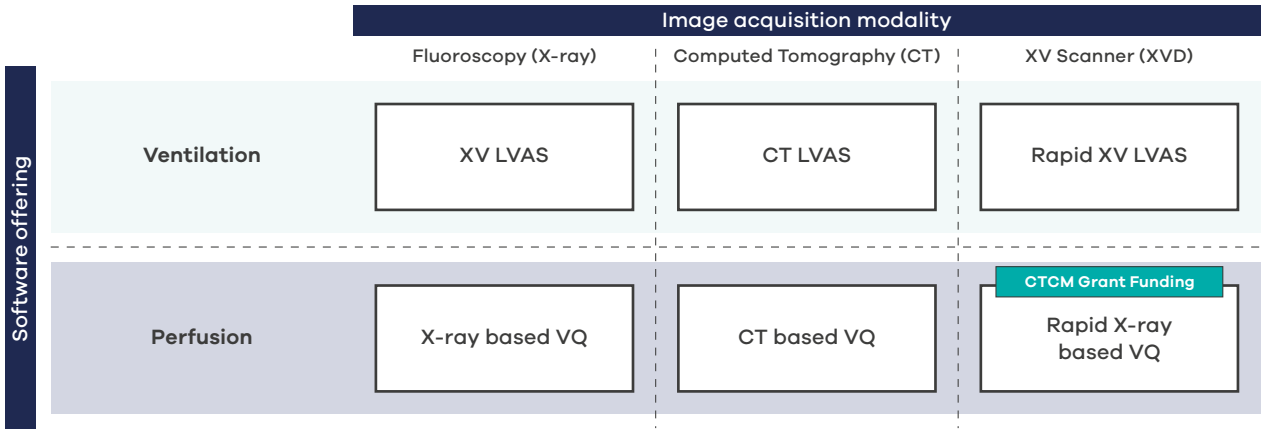
XV Scanner and CTCM

Most recently, 4DMedical announced the award of $1.1 million in non-dilutive funding from the Clinical Translation and Commercialisation Medtech (CTCM) program, an initiative of the Medical Research Future Fund (MRFF), delivered by MTPConnect.

Following on from the recent technological breakthrough with CT:VQ, CTCM funding will allow the Company to broaden the capability of its XV Scanner beyond ventilation to include the measurement of pulmonary perfusion. This additional capability will further strengthen 4DMedical's position as a leader in non-invasive lung diagnostics by providing detailed quantitative data on respiratory function via a single scan that has many advantages over existing modalities:

- rapid scan times;
- improved patient experience;
- accessible to all patient cohorts, including children, the elderly and the very unwell;
- zero contrast agents;
- low radiation; and
- unparalleled functional information, spanning both ventilation and perfusion.

The CTCM funding will help to accelerate the final stage of 4DMedical's long-standing product pipeline. Once complete, doctors and patients will be able to order detailed ventilation and perfusion maps of pulmonary function where the underlying images are acquired using X-ray, CT or 4DMedical's purpose-built XV Scanner. Each of these modalities offer advantages and disadvantages over each other, but importantly, together, they dramatically broaden patient access to XV Technology®.



Finally, a prototype Gen2.0 XV Scanner was designed and built at 4DMedical's advanced manufacturing facility in Port Melbourne and installed at the South Australian Health and Medical Research Institute (SAHMRI). SAHMRI already possesses a Permetium pre-clinical scanner, and the new XV Scanner expands the pre-clinical capability for SAHMRI and University of Adelaide researchers.

Material business risks

4DMedical has a risk management framework to identify, assess and appropriately manage risks. Details of the risk management framework are set out in the 2023 Corporate Governance Statement, which is available on the Company's website. 4DMedical's material business risks are outlined below. These are risks that may materially adversely affect the Group's business strategy, financial position or future performance. It is not possible to identify every risk that could affect the Group's business. Other risks besides those detailed below or in the financial statements could also adversely affect 4DMedical's business and operations. Accordingly, the material business risks below should not be considered an exhaustive list of potential risks that may affect 4DMedical.

Risk	Description
Barrier to entry	Competitors in the respiratory imaging sector may seek to minimise the ability of 4DMedical to penetrate the market by seeking to impede or disrupt 4DMedical's ability to establish product distribution and maintenance pathways. However, as a cloud-based SaaS service provider, the risk that a third party may successfully impede 4DMedical's ability to penetrate the market is reduced.
Future profitability is uncertain	4DMedical is not yet profitable and has historically incurred losses. 4DMedical is still in the early sales and commercialisation stage for its XV Technology®. Although FDA and TGA clearance has been obtained for the XV (Ventilation) product, there is no guarantee that regulatory approval will be obtained for any of 4DMedical's other products or that regulatory approval of 4DMedical's products will guarantee market adoption of its products, which is crucial for revenue generation and profitability.
Sufficiency of funding	4DMedical may be required to raise additional funds from time to time to finance development and commercialisation of its products and other longer-term objectives. The ability to raise additional funding is subject to factors beyond the control of 4DMedical and its directors. There is no assurance that future funds can be raised by 4DMedical on favourable terms, or at all.
Foreign exchange	4DMedical's financial position may be negatively affected by exchange rate fluctuations. In particular, the majority of 4DMedical's costs are Australian dollar denominated relating to remuneration for R&D staff who are based in Melbourne, whereas 4DMedical's initial revenues from operations are expected to be substantially U.S. dollar denominated. 4DMedical is subject to adverse exchange movements, particularly in the USD:AUD exchange rate. This is expected to become more significant in the future as more revenue is anticipated to be generated offshore.
Intellectual property	4DMedical's success, in part, depends on its ability to obtain patents, maintain trade secret protections and operate without infringing the proprietary rights of third parties. If patents are not granted, or if granted only for limited claims, 4DMedical's intellectual property may not be adequately protected and other third parties may be able to copy or reproduce 4DMedical's intellectual property. 4DMedical has developed and owns a range of proprietary items of intellectual property that management believe are novel and inventive. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology to avoid the patented technologies.
Key personnel	The successful operation of 4DMedical in part relies on 4DMedical's ability to retain its existing key management personnel who have intimate knowledge of the business and its products. The loss of any key members of management, or the inability to attract additional skilled individuals to key management roles, may adversely affect 4DMedical's capacity to develop and implement its business strategies.
Changes in law	The legislative framework in key countries may vary without notice and adversely impact 4DMedical's operations and profitability. Failure by 4DMedical to comply with legislative or regulatory requirements may result in compliance orders being issued against 4DMedical, financial penalties being levied against 4DMedical, a cessation of its operations or reputational damage.
Regulatory	There is a risk that regulatory bodies will not grant 4DMedical regulatory clearance to market its products or will significantly delay the grant of such clearances. Failure to receive regulatory clearance will have a negative impact on 4DMedical's future revenue streams. In addition, changes to regulatory regimes may become more burdensome in the future. If this occurs, 4DMedical may be required to dedicate more time and resources to ensuring that it complies with these regulations, which could adversely affect its financial performance and future prospects.

Risk	Description
Superseding technology and competition from new entrants	There is a risk that new technology will be developed that will supersede 4DMedical's technology. Although new technologies have significant development and commercialisation times, 4DMedical cannot guarantee that its technology will not be superseded by a competitor. 4DMedical's potential competitors may include companies with substantially greater resources and access to more markets. Therefore, competitors may succeed in developing products that are more effective or otherwise commercially superior to 4DMedical's products.
Technology suppliers	There is a risk that 4DMedical's cloud delivery supplier could breach the delivery agreement or another relevant contractual arrangement and that 4DMedical would be required to replace its supplier. A significant interruption to 4DMedical's ability to deliver its SaaS product could adversely impact its business, operating results and financial performance. Further, 4DMedical currently relies on third party software licensors to enable PACs to PACS workflow via the software. If 4DMedical's ability to rely on the software is compromised, then its ability to service customers would be impacted.
Product liability	There are no assurances that there will not be unforeseen performance characteristics or defects arising in relation to 4DMedical's products. Adverse events relating to its products could expose 4DMedical to product liability claims, litigation or the removal of its regulatory approvals. Product liability claims also have the potential to damage 4DMedical's reputation and the ongoing viability of 4DMedical if there is a significant erosion in the reputation of 4DMedical.
Commercialisation and distribution	There is a risk that 4DMedical may fail to achieve commercialisation and distribution goals. 4DMedical technology needs to find acceptance in a competitive market. Market acceptance depends on numerous factors (including convincing current and potential consumers and partners of the attractiveness of 4DMedical's products).
Future acquisitions	4DMedical may seek to acquire business or companies to achieve its objectives. There is a risk that any due diligence investigations undertaken by 4DMedical may not identify issues which are material to the acquisitions and which could result in additional liability affecting 4DMedical.
Privacy	4DMedical seeks to ensure that it has appropriate security measures and risk management systems in place to maintain the confidentiality and privacy of personal information collected from its customers, end-user patients, employees and others. However, those security measures are subject to various risks (including computer viruses, electronic theft, physical damage, third party provider failures or similar disruptions). The failure of 4DMedical to maintain the confidentiality of this information could breach law and cause significant operational, financial and reputational damage.

Other corporate updates

Capital Raise

In June 2023 the Company successfully completed a $45 million capital raise, comprising a $20 million placement to institutional and sophisticated investors, and a Securities Purchase Plan (SPP) of $25 million to retail shareholders (with options to be issued ordinary shares in the Company with an exercise price of $1.365 and an expiry date of 31 December 2024 being issued to participants in the placement and SPP on a 1:2 basis).

The $20 million placement to institutional and sophisticated investors was significantly oversubscribed and included the addition of several new institutional investors to the Company's register. The SPP also received very strong support with over 1,100 eligible shareholders subscribing for $25 million worth of shares, surpassing the initial target of $15 million. In recognition of the long term support of retail investors, and to maximise growth opportunities, the Company exercised its discretion under the terms of the SPP and determined not to scale back subscriptions.

Financials

The net result after tax of the Group for the financial year ended 30 June 2023 was a net loss after tax of $31.5 million (2022: $24.6 million), an increase of $6.9 million from the previous financial year. The reflects the acceleration of the commercialisation activities for XV Technology® in both the U.S. and Australian market.

The Group recorded total income of $13.9 million during the financial year, up 3.7% from $13.4 million in the previous year. Total income comprised operating revenue of $0.7 million (2022: $1.0 million) from on-going preclinical hardware support and maintenance contracts and associated SaaS revenue; and other income for the full year of $13.1 million, up 6.8% from $12.3 million in the previous financial year. Other income for the Group included R&D Tax Incentive credits of $5.5 million and grant income of $7.7 million, of which $7.0 million was reported by wholly owned subsidiary, the Australian Lung Health Initiative (ALHI) under the MRFF initiative. Cash receipts from customers were $2.2 million, up 413.5% on previous year, and net cashflows from operating activities of ($22.7) million, reduction of $2.6 million on last year.

Operating expenditure for the Group was $45.3 million, an increase of $8.2 million from FY2022, driven by investment in research and development and its 'go to market' capabilities to support commercialisation. Allowing for R&D tax incentives of $5.5 million and the MRFF and other government grant instalments of $7.7 million, net operating expenditure was $32.1 million. Employee benefit expenses of $22.4 million were higher by 16.6% or $3.2 million compared to the previous corresponding period. R&D expenditure of $6.7 million was up $2.3 million driven by the acceleration of the U.S. research program, clinical trials and collaboration expenses to support the commercialisation process associated with attaining reimbursement in the U.S. Go-to-market, reimbursement and marketing expenses of $2.0 million also increased by 42.7% from the previous financial year (2022: $1.4 million).

Loss per share increased to 0.10 cents per share in the current financial year.

The Group reported a net cash balance of $69.6 million, up by $18.5 million from the previous financial year, due to the recent capital raise.

Options and rights

During or since the end of the financial year, 30,935,994 (2022: 1,464,887) options to acquire, and 1,000,328 rights to be issued, ordinary shares in the Company were granted (2022: 82,850). 434,694 shares in 4DMedical were issued during or since the end of the financial year by virtue of the exercise of options and rights (2022: nil). There are 8,071,317 options and 365,453 performance rights that were granted but not yet vested as at the date of this report (2022: 1,464,887 and 82,850, respectively).

Details of unissued shares of 4DMedical under option as at the date of this report are:

Date options granted	Expiry date	Exercise price of options	Number of shares under option
15 January 2017	15 January 2027	$0.4688	2,624,014
15 January 2017	15 January 2027	$0.625	656,004
15 March 2017	15 March 2027	$1.20	4,266,667
15 March 2017	15 March 2027	$1.20	2,133,333
1 October 2017	30 June 2027	$0.55	22,157
1 July 2018	1 July 2028	$0.55	12,826
1 January 2020	31 December 2024	$0.40	2,000,000
1 March 2020	1 March 2025	$0.40	2,752,825
1 March 2020	1 March 2025	$0.49	1,028,346
7 August 2020	7 August 2024	$1.45	914,000
7 August 2020	7 August 2024	$0.73	244,560
7 August 2020	7 August 2024	$0.73	964,039
15 March 2021	15 March 2025	$2.33	14,367
25 June 2021	25 June 2025	$2.33	35,232
25 June 2021	25 June 2025	$1.30	818,157
1 November 2021	1 July 2025	$2.60	701,719
1 November 2021	25 June 2025	$1.30	70,059
6 June 2022	6 June 2025	$0.79	636,576
23 December 2022	30 June 2026	$0.48	2,989,362
23 December 2022	1 October 2026	$0.51	898,398
23 December 2022	30 June 2026	$0.95	1,850,914
15 June 2023	31 December 2024	$1.365	25,010,541
11 August 2023	30 June 2026	$0.00	24,132

Details of 4DMedical performances rights on issue as at the date of this report are:

Date rights granted	Expiry date	Issue price of rights	Number of rights
1 December 2022	N/A	$0.4066	339.939
11 August 2023	N/A	$0.37	504,280

The holders of the above options and performance rights do not have the right, by virtue of the option or performance right, to participate in any share issue or interest issue of the Company or any other related body corporate.

Details of shares or interests issued by 4DMedical during or since the end of the financial year as a result of exercise of an option or performance right are:

Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
153,600	Ordinary	$0.469	$nil
96,000	Ordinary	$0.625	$nil
26,702	Ordinary	$0.31	$nil
75,542	Ordinary	$0.369	$nil
82,850	Ordinary	$0.576	$nil

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 2023.

Significant events after the reporting period

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

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 in Australia.

Indemnification and insurance of directors and officers

The Company has entered into deeds of access and indemnity with each of the directors, the Company Secretaries and the Chief Financial Officer in accordance with the Company's constitution, under which the Company indemnifies each Director and applicable officer for costs incurred, in their capacity as a director or officer, for which they may be held personally liable (to the extent permitted by law). No other indemnities have been given or paid during, or since the end of the financial period for any person who is, or has been an officer of the Group.

The Company has insured its Directors, the Company Secretary and its officers under its Directors' and Officers' Liability Insurance policy against any liability to the extent permitted by the *Corporations Act 2001*. Key person insurance has been in place for the financial year ended 30 June 2023 for an officer of the Company. The contracts of insurance prohibit disclosure of the amount of the premiums.

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 49.

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year ended 30 June 2023 and the number of meetings attended by each director (while they were a director or committee member) were as follows:

	Board meetings		Audit and Risk		Remuneration and Nomination		Medical Advisory Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Bruce Rathie	13	13	–	–	2	1	–	–
Dr Andreas Fouras	13	13	–	–	–	–	5	5
Lilian Bianchi	13	13	9	9	–	–	–	–
Evonne Collier	13	13	–	–	6	6	–	–
Dr Robert A. Figlin	13	10	–	–	–	–	5	5
John Livingston	13	13	–	–	6	6	–	–
Julian Sutton	13	13	9	9	–	–	–	–

Committee membership

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

Audit & Risk Committee	Remuneration and Nomination Committee	Medical Advisory Committee
Lilian Bianchi (Chair)	Evonne Collier (Chair)	Dr Robert Figlin (Chair)
Julian Sutton	John Livingston	Dr Andreas Fouras
	Bruce Rathie (from 8 February 2023)	

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	65,701,465	8,589,326
Lilian Bianchi	53,306	–
Evonne Collier	–	–
Dr Robert A. Figlin	519,943	–
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 one of significant progress for the business on delivering on its commercialisation strategy, which has been reflected in the evolution of its organisational structure and team member capability. Overall, total headcount finished at 131 for the reporting period, down slightly on last year reflecting a maturing organisation with a greater focus of deploying resources in the most productive areas and priorities. In addition, the Company made some significant senior appointments with the creation of Chief Commercial Officer and General Counsel roles. Both roles reflect the focus of accelerating commercialisation and establishing the critical foundations for future success.

Throughout the year, the Company has maintained its strong commitment to health, safety, and wellbeing, with the rollout of training programs and expansion of employee assistance programs to better support team members with respect to mental health. In terms of Employee Satisfaction, the Company recorded a yearly average Net Promoter Score of 32.5, with a score above 10 indicating a very positive result. Employee wellbeing also scored highly with the most recent survey results averaging 3.95 (out of 5), aided by the rollout of the abovementioned programs.

Remuneration structures

The Board regularly reviews the Company's 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 its LTI and STI plans, and the grant of performance rights to applicable US employees as previously disclosed.

Remuneration Outcomes

Our achievements over the financial year are reflected in the executive remuneration outcomes for the year. Executives received an average of 85% of their STI for performance against key performance indicators for the 2023 financial year, which compares to 79% for the 2022 financial year.

The Board is confident that our remuneration structures continue to support 4DMedical's financial and strategic goals, and to that end and in the interests of ensuring transparency and accountability, the Chairperson has joined the committee during the year.

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

Remuneration Report (continued)

The Directors of 4DMedical Limited present the Remuneration Report for the Company and its controlled entities (the Group) for the year ended 30 June 2023. 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)
- executive directors; and
- chief financial officer (CFO)

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

The table below outlines the KMP of the Group and their movements during 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
Evonne Collier	Non-Executive Director	Full financial year
Dr Robert A. Figlin	Non-Executive Director	Full financial year
Julian Sutton	Non-Executive Director	Full financial year
Executive Directors		
Dr Andreas Fouras	Managing Director and Chief Executive Officer	Full financial year
John Livingston	Executive Director	Full financial year
Executives		
Simon Glover	Chief Financial Officer	Appointed as Chief Financial Officer on 25 July 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.

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;

Remuneration Report (continued)

- 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 Group 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 Group'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 an LTI plan.

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.

Remuneration Report (continued)

The key features of the STI award 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 2023, the CEO was able to earn 37.5% of his fixed annual remuneration.
How is performance measured?	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. During the year, nine key performance indicators covering financial and non-financial were utilised. A summary of the measures and weightings are set out in the table below:

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 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?	If an executive resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. 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.

LTI

The objective of that 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 2023, 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?	If an executive resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board. 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). The treatment of vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.

Remuneration Report (continued)

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 and rights issued under those legacy arrangement remain in existence.

Target remuneration mix

The target remuneration mix for the executives is as follows.

Position	Fixed remuneration	STI	LTI
CEO	65%	17%	18%
Senior Strategist	100%		
CFO	67%	13%	20%

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

		Short-term benefits		Post-employment benefits	Other long term benefits	Share-based payments				
Executive	Financial year	Salary $	Cash bonus[1] /STI $	Other benefits $	Pension/ Superannuation $	Long service leave entitlement $	LTI – Options and/or performance rights $	Termination payments $	Total remuneration $	Performance related %	Equity based %
Dr Andreas Fouras	**2023**	**556,895**	**167,069**	**82,675**	**–**	**–**	**181,466**	**–**	**988,105**	**17%**	**18%**
	2022	519,385	106,961	60,130	–	–	134,110	–	820,586	13%	16%
John Livingston	**2023**	**158,333**	**–**	**–**	**16,625**	**–**	**122,222**	**–**	**297,180**	**–**	**41%**
	2022	72,121	–	–	7,212	–	–	79,333	–	–	–
Simon Glover	**2023**	**295,349**	**–**	**–**	**25,292**	**–**	**19,590**	**–**	**340,232**	**–**	**6%**
	2022	–	–	–	–	–	–	–	–	–	–

1. Cash bonus paid during the financial year ended 30 June 2023 is in relation to services performed in the previous financial year.

Remuneration Report (continued)

3. Executive remuneration outcomes in FY23 (continued)

Short term incentives

STI offered for the financial year ended 30 June 2023

A total STI pool of US$261,875 and A$628,723 is offered for the financial year ended 30 June 2023, which compares to US$235,625 and $A355,151 for the financial year ended 30 June 2022.

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 the financial year ended 30 June 2023

Executives received an average of 85% of their STI target for performance against key performance indicators, equating to total payments of US$221,284 and A$531,271 for the financial year ended 30 June 2023. For the financial year ended 30 June 2022, Executives received an average of 79% of their STI target for performance against key financial 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 2023

The Company granted 5,901,321 options during the financial year under its Long Term Incentive Plan (FY23 LTIP). Furthermore, the Company granted 496,048 performance rights during the financial year ended 30 June 2023 under its Long Term Incentive Plan.

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 the financial year ended 30 June 2023

The FY23 LTIP options do not vest until FY26 or later. No assessment regarding these options was necessary at the end of the financial year ended 30 June 2023. Of the 496,048 performance rights granted during the financial year ended 30 June 2023, 215,557 vested during the financial year, 53,865 lapsed and 226,626 are expected to vest during FY24.

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 his employment agreement as at 30 June 2023 are as follows:

Name:	Andreas Fouras
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	1 July 2020 (superseding an employment agreement dated 18 December 2015)
Term of agreement:	Open ended
Details:	Andreas has entered into an employment contract with 4DMedical R&D Inc. which governs his employment with the Group. 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 first year of this agreement 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. 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. 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.

Remuneration Report (continued)

The Senior Strategist has a fixed term of employment with the Group. Details of the employment agreement as at 30 June 2023 are as follows:

Name:	John Livingston
Title:	Senior Strategist
Agreement commenced:	1 May 2022, as amended 1 December 2022
Term of agreement:	Three (3) years
Details:	John will receive a fixed remuneration of A$200,000 plus superannuation at legislated rates. As a full time equivalent of 0.25, John will receive pro-rata employee entitlements for annual leave and other statutory requirements. In the financial year ended 30 June 2023, John participated 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. 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. The employment contract contains express provisions protecting the Group's confidential, information and intellectual property.

The Chief Financial Officer does not have a fixed-term contract with the Group. Details of the employment agreement as at 30 June 2023 are as follows:

Name:	Simon Glover
Title:	Chief Financial Officer
Agreement commenced:	25 July 2022
Term of agreement:	Open ended
Details:	Simon will receive a fixed remuneration of A$350,000 inclusive of superannuation at legislated rates. Simon is eligible to participate in an STI arrangement each year. The target STI for the current financial year is 20% of fixed annual remuneration. Simon is also eligible to participate in an LTI arrangement to a value equating to 30% of fixed annual remuneration per year unless otherwise agreed with the Company. Either party may terminate Simon's employment by giving three months' notice. The Group may terminate Simon's appointment without notice in circumstances warranting summary dismissal.

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 non-executive directors (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 2023 are 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	**2023**	**90,067**	**9,457**	**–**	**–**	**99,524**
	2022	84,091	8,409	–	–	92,500
Lilian Bianchi	**2023**	**70,769**	**7,431**	**–**	**–**	**78,200**
	2022	71,091	7,109	–	–	78,200
Evonne Collier	**2023**	**66,244**	**6,956**	**–**	**–**	**73,200**
	2022	34,229	3,423	–	–	37,652
Dr Robert A. Figlin	**2023**	**63,200**	**–**	**–**	**–**	**63,200**
	2022	63,200	–	–	–	63,200
Julian Sutton	**2023**	**61,719**	**20,677**	**–**	**135,200** [1]	**217,596**
	2022	62,000	13,922	–	83,200	159,122

1. Includes an allowance paid for additional services and duties performed in providing corporate finance and investor relation coverage to the Company

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

Directors may be paid such an 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 non-executive directors 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 2023.

Details of options issued to directors and other KMP as part of compensation during the year ended 30 June 2023 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	FY23C Long Term Incentive Plan	1,850,914	23/12/2022	0.48	0.95	1/07/2025	30/06/2026	230,769.23
Simon Glover	FY23B Long Term Incentive Plan	482,109	23/12/2022	0.51	0.51	1/10/2025	1/10/2026	105,003.34

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 2023.

Additional disclosures relating to KMP

Shareholding

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

Name	Balance at 1 July 2022	Received as part of remuneration	Additions	Disposals/ Other	Balance at 30 June 2023
Non-Executive Directors					
Bruce Rathie	509,638	–	–	–	509,638
Lilian Bianchi	53,306	–	–	–	53,306
Evonne Collier	–	–	–	–	–
Dr Robert A. Figlin	519,943	–	–	–	519,943
Julian Sutton	480,800	–	–	–	480,800
Executive Directors					
Dr Andreas Fouras	65,701,465*	–	–	–	65,701,465
John Livingston	1,925,352	–	–	–	1,925,352
Executive (KMP)					
Simon Glover	–	–	–	–	–

* Includes 64,838,000 shares held by Velocimetry Consulting Pty Ltd, 11,277 shares held by Andreas Fouras and 852,188 shares held by Helen Fouras.

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 2022	Granted during the year	Exercised	Expired/ Granted/ Forfeited from any other change	Balance at 30 June 2023	Vested and exercisable	Vested not exercisable
Dr Andreas Fouras	Options	6,738,412	1,850,914	–	–	8,589,326	5,122,693	–
		–	–	–	–		–	–
Julian Sutton	Options	6,205,162	–	–	–	6,205,162	6,205,162	–
		–	–	–	–	–	–	–
John Livingston	Options	636,576	–	–	–	636,576	–	–
		–	–	–	–	–	–	–
Simon Glover	Options	–	482,109	–	–	482,109	–	–

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
29 August 2023

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 2023, 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, 29 August 2023

Kaitlynn Brady
Partner

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 $	2022 $
Revenue	4.1	718,581	1,054,300
Cost of sales		(34,146)	(773,683)
Gross income		**684,435**	**280,617**
Other income	4.3	13,151,946	12,316,525
Employee benefits expense	4.4	(22,396,746)	(19,214,984)
Depreciation and amortisation expense	4.5	(2,565,338)	(1,495,713)
Foreign currency (losses)/gains		(32,229)	(28,663)
Other expenses	4.6	(20,292,250)	(16,320,494)
Finance income/(costs) – net	4.7	313,606	(86,956)
Loss before income tax		**(31,136,576)**	**(24,549,668)**
Income tax expense	6	(323,222)	(43,208)
Loss for the year		**(31,459,798)**	**(24,592,876)**
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(158,786)	2,335
Total comprehensive loss for the year		**(31,618,584)**	**(24,590,541)**
Earnings per share (EPS):			
Basic, loss for the year attributable to ordinary equity holders	7	(0.10)	(0.08)
Diluted, loss for the year attributable to ordinary equity holders	7	(0.10)	(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 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	69,576,373	51,114,537
Trade and other receivables	9	815,017	2,145,188
Inventories	10	665,010	1,509
Research and development tax incentive receivable		6,146,500	4,222,764
Other assets		1,336,550	1,369,883
Total current assets		**78,539,450**	**58,853,881**
Non-current assets			
Trade and other receivables	9	44,800	44,800
Property, plant and equipment	11	5,515,964	5,484,653
Right-of-use assets	12	3,740,647	4,865,718
Intangible assets	13	5,082,656	5,064,139
Total non-current assets		**14,384,067**	**15,459,310**
Total assets		**92,923,517**	**74,313,191**
Liabilities and equity			
Current liabilities			
Trade and other payables	14	12,832,599	7,189,676
Contract liabilities	15	1,652,768	200,000
Loans and borrowings	16	933,076	1,100,445
Employee benefit liabilities	18	1,302,010	1,026,415
Income tax payable		351,239	42,282
Total current liabilities		**17,071,692**	**9,558,818**
Non-current liabilities			
Loans and borrowings	16	4,205,655	5,138,733
Employee benefit liabilities	18	185,793	104,648
Total non-current liabilities		**4,391,448**	**5,243,381**
Total liabilities		**21,463,140**	**14,802,199**
Net assets		**71,460,377**	**59,510,992**
Equity			
Issued capital	19	184,359,111	141,718,799
Other capital reserves	19.3	3,312,646	2,384,989
Other reserves	19.4	(152,804)	5,982
Accumulated losses		(116,058,576)	(84,598,778)
Total equity		**71,460,377**	**59,510,992**
Total liabilities and equity		**92,923,517**	**74,313,191**

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 2023

	Issued capital (Note 19.2) $	Other capital reserves (Note 19.3) $	Other reserves (Note 19.4) $	Accumulated losses $	Total equity $
At 1 July 2022	**141,718,799**	**2,384,989**	**5,982**	**(84,598,778)**	**59,510,992**
Loss for the year	–	–	–	(31,459,798)	(31,459,798)
Other comprehensive loss	–	–	(158,786)	–	(158,786)
Total comprehensive loss for the year	–	–	(158,786)	(31,459,798)	(31,618,584)
Issue of share capital	44,959,245	–	–	–	44,959,245
Capital raising costs	(2,534,820)	–	–	–	(2,534,820)
Share-based payments	–	1,097,796	–	–	1,097,796
Share-based payments expense during the year – options have lapsed	–	(86,265)	–	–	(86,265)
Conversion of options to issued capital	132,013	–	–	–	132,014
Conversion of rights to issued capital	83,874	–	–	–	83,874
Settlement of options – issued capital	–	(83,874)	–	–	(83,874)
At 30 June 2023	**184,359,111**	**3,312,646**	**(152,804)**	**(116,058,576)**	**71,460,377**

	Issued capital (Note 19.2) $	Other capital reserves (Note 19.3) $	Other reserves (Note 19.4) $	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/(loss)	–	–	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**

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 2023

	Notes	2023 $	2022 $
Operating activities			
Receipts from customers		2,205,684	429,515
Payments to suppliers and employees		(20,383,519)	(21,117,120)
Research costs		(18,950,585)	(16,813,234)
Interest received		607,566	92,603
Interest and other costs of finance paid		(293,960)	(179,559)
Government grants and tax incentives		15,077,975	12,643,235
Net GST paid		(915,855)	(324,718)
Net cash flows used in operating activities	8	**(22,652,694)**	**(25,269,278)**
Investing activities			
Purchase of property, plant and equipment		(421,333)	(2,647,155)
Purchase of intangibles		(309,980)	(430,991)
Capitalisation of development costs to intangible assets		(882,418)	(422,629)
Net cash flows used in investing activities		**(1,613,731)**	**(3,500,775)**
Financing activities			
Proceeds from issues of equity securities		44,960,499	–
Proceeds from exercise of options		132,000	–
Transaction costs related to issues of equity securities		(2,534,820)	–
Receipt of lease incentives		1,343,932	–
Payment of principal portion of lease liabilities		(1,173,350)	(995,472)
Net cash flows (used in)/from financing activities		**42,728,261**	**(995,472)**
Net (decrease)/increase in cash and cash equivalents		18,461,836	(29,765,525)
Cash and cash equivalents at the beginning of the year		51,114,537	80,880,062
Cash and cash equivalents at the end of the year	8	**69,576,373**	**51,114,537**

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 2023

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 2023 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 accounting policies adopted are consistent with those of the previous financial year.

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 Group has not adopted any new or amended accounting standards or interpretations that have been issued but are not yet effective. These standards are not expected to have a material impact on the financial report.

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 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

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.

The receivable is recognised in the financial year in which the expenditure is incurred and the claim is lodged for receipt.

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
- R&D hardware equipment 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 (5 years)
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	Amortised on a straight-line basis over the period of the development costs. Amortisation reflects the pattern in which the asset's future economic benefits are expected to be consumed and commenced when commercial scale achieved

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; and
- 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) 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.

q) 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.

r) 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.

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.

Lease Income

The Group derives revenue from leasing hardware to customers. The leases are classified as operating leases per AASB 16 *Leases* and recognised as performance obligations are met over the duration of the lease. There are no variable lease payments as a part of these arrangements.

s) 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).

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:

	2023 $	2022 $
Type of goods or service		
Sale of goods	–	829,105
Ongoing support and maintenance	40,663	35,359
Software licences	196,400	143,634
Services	45,118	46,202
Lease income	436,400	–
Total revenue from contracts with customers	**718,581**	**1,054,300**
Timing of revenue recognition		
Goods or services transferred at a point in time	–	829,105
Services transferred over time	718,581	225,195
Total revenue from contracts with customers	**718,581**	**1,054,300**
Geographical markets		
Australia	542,710	100,300
United States of America	175,871	954,000
Total revenue from contracts with customers	**718,581**	**1,054,300**

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(r).

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(r).

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(r).

Services

The Group provides services whereby the performance obligations are satisfied either over time with agreed upon services being rendered over a contractual period as specified in customer contracts; or at a point in time with the performance obligations satisfied upon customer delivery or acceptance of the service rendered.

Lease income

The Group provides hardware to customers under an operating lease model. The lease payments from operating leases are recognised as income on a straight-line basis over the lease term.

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

	2023 $	2022 $
Within one year	746,319	100,000
More than one year	906,449	100,000
	1,652,768	**200,000**

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

4.3 Other income

	2023 $	2022 $
Research and development tax incentive	5,467,115	3,567,941
Government grants (Note 17)	7,684,770	8,748,169
Other income	61	415
Total other income	**13,151,946**	**12,316,525**

4.4 Employee benefits expense

	2023 $	2022 $
Wages and salaries	16,161,571	15,212,048
Other employee and directors' benefits expense	5,223,644	3,257,993
Equity-settled share-based payments (Note 22)	1,011,531	613,952
Tax exempt direct share issue	–	130,991
Total employee benefits expense	**22,396,746**	**19,214,984**

4.5 Depreciation and amortisation expense

	2023 $	2022 $
Furniture and fixtures	29,646	31,933
Conference assets	12,892	2,066
Leasehold improvements	380,282	57,186
Workshop equipment	17,549	16,092
Computer equipment	260,129	233,924
Motor vehicles	2,000	1,279
R&D hardware equipment	9,380	–
Right-of-use assets	931,576	1,086,624
Other intangible assets	921,884	66,609
Total depreciation and amortisation expense	**2,565,338**	**1,495,713**

4.6 Other expenses

	2023 $	2022 $
Computer expenses	2,830,413	2,674,487
Bad debts	40,172	–
Research and development expenses	4,036,534	3,266,650
Clinical trial expenses	2,666,339	1,176,975
Insurance expenses	900,178	1,072,401
Legal, professional and consultant expenses	4,133,735	4,206,253
Occupancy and utilities expenses	756,638	539,273
Sales and marketing expenses	1,958,434	1,372,679
Travel expenses	1,601,153	1,010,538
General expenses	1,368,654	1,001,238
Total other expenses	**20,292,250**	**16,320,494**

4.7 Finance costs – net

	2023 $	2022 $
Interest expense on borrowings	6,502	–
Interest expense on lease liabilities (Note 12)	287,458	179,559
Total finance costs	**293,960**	**179,559**
Interest income	(607,566)	(92,603)
Total finance income	**(607,566)**	**(92,603)**
Total finance costs – net	**(313,606)**	**86,956**

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 2023 and 2022 are:

	2023 $	2022 $
Current income tax charge:		
Current income tax charge	323,222	43,208
Income tax expense reported in the consolidated statement of profit or loss	**323,222**	**43,208**

6.2 Reconciliation between tax expense and the accounting loss multiplied by the Group's domestic tax rate for 2023 and 2022

	2023 $	2022 $
Accounting loss before income tax	**(31,136,576)**	**(24,549,668)**
At Company's statutory income tax rate of 25% (2022: 25%)	(7,784,144)	(6,137,417)
Research costs (permanent differences)	2,194,652	1,527,178
Other losses not recognised	5,912,714	4,653,447
Income tax expense reported in the statement of profit or loss	**323,222**	**43,208**

Carry forward tax losses

As at 30 June 2023, the Group has carry forward tax losses of $64,675,655 (2022: $46,578,331) 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:

	2023 $	2022 $
Basic earnings per share	(0.10)	(0.08)
Diluted earnings per share	(0.10)	(0.08)

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

	2023 $	2022 $
Loss attributable to ordinary equity holders	**(31,459,798)**	**(24,592,876)**

	2023	2022
Weighted average number of ordinary shares for basic earnings per share	300,013,539	294,508,186
Effect of dilution from:		
Options and rights	26,816,906	23,280,991
Weighted average number of ordinary shares adjusted for the effect of dilution	**326,830,445**	**317,789,177**

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

	2023 $	2022 $
Cash at bank	**69,576,373**	**51,114,537**

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

	2023 $	2022 $
Cash flow reconciliation		
Reconciliation of net loss after tax to net cash flows from operations:		
Net loss for the year	(31,459,798)	(24,592,876)
Adjustments for:		
Depreciation and amortisation expense	2,565,338	1,495,713
Research and development tax incentive	–	(325,000)
Share based payment expense	1,011,531	613,952
Unrealised foreign currency (gains)/losses	24,162	(4,353)
Assets written down	92,786	–
Assets written off	270,168	166,506
Tax exempt direct share issue	–	130,991
Bad debts	40,172	–
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(532,312)	(1,679,179)
Increase in inventories	(663,501)	(273,135)
Increase in other assets	(723,794)	(570,098)
Increase in trade and other payables	5,316,599	312,878
(Increase)/decrease in research and development tax incentive receivables	(1,290,586)	(335,590)
Increase in employee benefit liabilities	336,509	547,390
(Decrease)/increase in contract liabilities	2,041,216	(784,200)
Decrease in other liabilities	–	(14,559)
Increase in income tax payable	318,816	42,282
Net cash flows used in operating activities	**(22,652,694)**	**(25,269,278)**

8.1 Changes in liabilities arising from financing activities

	1 July 2022 $	Cash flows $	Other $	30 June 2023 $
Current – Lease liabilities	1,100,445	(1,173,350)	1,005,981	933,076
Non-current – Lease liabilities	5,138,733	–	(933,078)	4,205,655
Total liabilities from financing activities	**6,239,178**	**(1,173,350)**	**72,903**	**5,138,731**

	1 July 2021 $	Cash flows $	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**

9 Trade and other receivables

	2023 $	2022 $
Current		
Trade receivables	584,405	1,936,114
GST receivable	230,162	195,821
Net other receivables	450	13,253
	815,017	**2,145,188**
Non-current		
Employee receivables	44,800	44,800
	44,800	**44,800**

(i) Trade receivables

Trade receivables as at 30 June 2023 includes an amount relating to a 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 (2022: 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 2023, 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.

10 Inventories

	2023 $	2022 $
Raw materials	665,010	–
Work in progress	–	1,509
Total inventories	**665,010**	**1,509**

11 Property, plant and equipment

	Assets under construc-tion $	R&D hardware equipment $	Furniture and fixtures $	Conference assets $	Leasehold improve-ments $	Workshop equipment $	Computer equipment $	Motor vehicles $	Total $
Cost or valuation									
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**
Cost or valuation									
At 1 July 2022	2,084,996	–	268,947	8,000	2,127,229	185,990	1,562,709	10,000	6,247,871
Additions	–	–	16,179	330,008	380,511	53,385	39,993	–	820,076
Transfer	(703,482)	703,482	–	–	–	–	–	–	–
Asset written down	–	–	–	(55,223)	–	–	–	–	(55,223)
Assets written off	(8,069)	–	–	(8,000)	(3,848)	(37,134)	(4,794)	–	(61,845)
Foreign exchange adjustment	–	–	5,394	–	–	–	6,406	–	11,800
At 30 June 2023	**1,373,445**	**703,482**	**290,520**	**274,785**	**2,503,892**	**202,241**	**1,604,314**	**10,000**	**6,962,679**
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**
Depreciation									
At 1 July 2022	–	–	77,287	1,236	56,599	53,277	573,540	1,279	763,218
Depreciation charge for the period	–	9,380	29,646	12,892	380,282	17,549	260,129	2,000	711,878
Assets written off	–	–	–	(1,598)	(1,791)	(28,357)	(3,749)	–	(35,495)
Foreign exchange adjustment	–	–	2,262	–	–	–	4,852	–	7,114
At 30 June 2023	**–**	**9,380**	**109,195**	**12,530**	**435,090**	**42,469**	**834,772**	**3,279**	**1,446,715**
Net book value At 30 June 2022	**2,084,996**	**–**	**191,660**	**6,764**	**2,070,630**	**132,713**	**989,169**	**8,721**	**5,484,653**
Net book value At 30 June 2023	**1,373,445**	**694,102**	**181,325**	**262,255**	**2,068,802**	**159,772**	**769,542**	**6,721**	**5,515,964**

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 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**
Assets written down	(92,787)
Derecognition of right of use asset	(100,708)
Depreciation expense	(931,576)
As at 30 June 2023	**3,740,647**

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

	2023 $	2022 $
As at 1 July	**6,239,178**	**1,688,807**
Additions	–	5,534,841
Accretion of interest	287,458	179,559
Payments	(1,387,905)	(1,175,031)
Foreign exchange adjustment	–	11,002
At 30 June	**5,138,731**	**6,239,178**
Current	933,076	1,100,445
Non-current	4,205,655	5,138,733

The following are the amounts recognised in profit or loss:

	2023 $	2022 $
Depreciation expense of right-of-use assets	931,576	1,086,624
Interest expense on lease liabilities	287,458	179,559
Total amount recognised in profit or loss	**1,219,034**	**1,266,183**

The Group had total cash inflows for leases of $170,581 in 2023 (2022: cash outflows $1,175,031).

13 Intangible assets

	Development costs $	Other intangible assets $	Total $
Cost			
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**
At 1 July 2022	4,078,636	1,082,786	5,161,422
Additions	882,418	309,980	1,192,398
Assets written off	–	(252,369)	(252,369)
At 30 June 2023	**4,961,054**	**1,140,397**	**6,101,451**
Amortisation			
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**
At 1 July 2022	–	97,283	97,283
Amortisation for the period	896,273	25,610	921,883
Assets written off	–	(371)	(371)
At 30 June 2023	**896,273**	**122,522**	**1,018,795**
Net book value At 30 June 2022	**4,078,636**	**985,503**	**5,064,139**
Net book value At 30 June 2023	**4,064,781**	**1,017,875**	**5,082,656**

14 Trade and other payables

	2023 $	2022 $
Current		
Trade payables	2,864,419	1,810,298
Other payables	3,397,540	1,064,543
Government grants (Note 17)	6,570,640	4,314,835
	12,832,599	**7,189,676**

15 Contract liabilities

	2023 $	2022 $
At 1 July	**200,000**	**955,200**
Deferred during the year	2,049,598	–
Released to the consolidated statement of profit or loss and other comprehensive income	(596,830)	(755,200)
At 30 June	**1,652,768**	**200,000**

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

16 Loans and borrowings

	2023 $	2022 $
Current		
Lease liabilities (Note 12)	**933,076**	**1,100,445**
Non-current		
Lease liabilities (Note 12)	**4,205,655**	**5,138,733**

17 Government grants

	2023 $	2022 $
At 1 July	**4,314,835**	**4,475,033**
Received during the year	9,590,575	8,587,971
Funding for milestone achieved, yet to be received	350,000	–
Released to the consolidated statement of profit or loss and other comprehensive income	(7,684,770)	(8,748,169)
At 30 June	**6,570,640**	**4,314,835**

Australian Lung Health Initiative Pty Ltd, a wholly owned subsidiary of 4DMedical was awarded a $28.9 million grant under the Australian Government's Medical Research Future Fund (MRFF) Frontier Stage 2 initiative. The MRFF grant is funding the development of the XV Scanner, the world's first dedicated, low dose lung function scanners integrated with 4DMedical's proprietary XV Technology, over a period of five years. During the year, ALHI received its third payment of $9.45 million under the MRFF grant.

The Group also received grant funding from two grants awarded by the State Government of Victoria, Department of Jobs, Precincts and Regions through the Manufacturing and Industry Development Fund stream and MedTech Manufacturing Capability Program.

Grants received from the Government are subject to satisfactory delivery of agreed project outcomes and compliance by the Group 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

	2023 $	2022 $
Current		
Employee entitlements	1,302,010	1,026,415
Non-current		
Employee entitlements	185,793	104,648

19 Issued capital and reserves

	2023 $	2022 $
Ordinary shares	**184,359,111**	**141,718,799**

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 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**
Issued shares	50,022,117	44,959,245
Conversion of options to issued capital	249,600	132,013
Conversion of rights to issued capital	185,094	83,874
Transaction costs relating to shares issued		(2,534,820)
At 30 June 2023	**345,132,572**	**184,359,111**

The Group successfully raised $45.0 million before transaction costs, through the issue of 50.0 million new shares. There were 22.0 million shares issued for total of $20 million from a share placement to institutional investors and 28.0 million shares issued through a Share Purchase Plan (SPP) totalling $25.0 million to existing shareholders. One unlisted option with an exercise price of $1.365 and expiry date at 31 December 2024 was issued for every two shares issued under the SPP and Placement. Transaction costs associated with the capital raised totalled $2.5 million with net proceeds of capital raise totalling $42.4 million.

19.3 Other capital reserves

	2023 $	2022 $
Share-based payment reserve	**3,312,646**	**2,384,989**
Movement in the share-based payment reserve		
Balance at the beginning of the year	2,384,989	1,771,037
Share-based payments expense during the year	1,097,796	696,982
Share-based payments expense during the year – options lapsed	(86,265)	(83,030)
Settlement of rights – issued capital	(83,874)	–
Balance at the end of the year	**3,312,646**	**2,384,989**

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 reserves

	2023 $	2022 $
Foreign currency translation reserve	**(152,804)**	**5,982**

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 2023 are expected to be settled within one year of this date.

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

Year ended 30 June 2023	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	> 5 years $	Total $
Lease liabilities (Note 16)	–	290,388	642,689	2,851,234	1,354,420	5,138,731
Trade and other payables (Note 14)	1,383,062	2,046,676	9,402,861	–	–	12,832,599
At 30 June 2023	**1,383,062**	**2,337,064**	**10,045,550**	**2,851,234**	**1,354,420**	**17,971,330**

Year ended 30 June 2022	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	> 5 years $	Total $
Lease liabilities (Note 16)	–	264,942	835,503	5,138,733	–	6,239,178
Trade and other payables (Note 14)	1,627,164	860,850	4,701,662	–	–	7,189,676
At 30 June 2022	**1,627,164**	**1,125,792**	**5,537,165**	**5,138,733**	**–**	**13,428,854**

21.2 Fair value estimation

Trade and other receivables

Trade receivables are non-interest bearing and generally on 30 days terms. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

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.

22 Share-based payments

During the year ended 30 June 2023, certain employees (including KMP) were granted 5,901,321 options (2022: 1,464,887) and 496,048 rights (2022: 82,850) under the 4DMedical Long Term Incentive Plan.

249,600 shares from the conversion of options (2022: nil) and 185,094 shares from the conversion of rights (2022: nil) were issued during the financial year. There are 5,738,674 options and 226,626 rights that were granted during the financial year but not yet vested under the Long Term Incentive Plan as at 30 June 2023 (2022: 1,464,887 and 82,850, respectively).

Description of the Share-based payment arrangements

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

	Date of grant	On Issue as at 1 July 2022	Issued during FY23	Lapsed	Exercised	Balance	Vested not exercised	Unvested	Vesting conditions
2016 Options Offer	15/01/2017	249,600	–	–	249,600	–	–	–	50% to vest on/after 15 January 2017; and 50% on/after 30 June 2017
2016 Options Offer (Other)	15/01/2017	3,280,018	–	–	–	3,280,018	3,280,018	–	50% to vest on/after 15 January 2017; and 50% on/after 30 June 2017
2017 Fundraiser's Offer	15/03/2017	6,400,000	–	–	–	6,400,000	6,400,000	–	Vesting is subject to the Fundraising Hurdle
2017 Options USA Offer	01/10/2017	22,157	–	–	–	22,157	22,157	–	50% on 1 July 2018 and 50% on 30 June 2019
2019 USA Options Incentive Offer	01/07/2018	12,826	–	–	–	12,826	12,826	–	50% on 1 July 2019 and 50% on 30 June 2020
Series C 'Early Bird'	24/10/2019	2,256,775	–	2,256,775	–	–	–	–	100% to vest on 24 October 2019
2019 Incentive Offer	01/01/2020	2,000,000	–	–	–	2,000,000	2,000,000	–	50% on 1 January 2020 and 50% on 1 January 2021
FY20A Special Options Offer	01/03/2020	1,842,675	–	–	–	1,842,675	1,842,675	–	100% on 1 March 2020
2020 Introducer Options Offer A	01/03/2020	910,150	–	–	–	910,150	910,150	–	100% on 1 March 2020
2020 Introducer Options Offer B	01/03/2020	1,028,346	–	–	–	1,028,346	1,028,346	–	100% to vest after a successful IPO
FY21 Long Term Incentive Plan (Other)	07/08/2020	914,000	–	–	–	914,000	–	914,000	Complete 3 years service from grant date
FY21 Long Term Incentive Plan	07/08/2020	1,606,963	–	78,609	–	1,528,354	–	1,528,354	Complete 3 years service from grant date
FY21B Long Term Incentive Plan	15/03/2020	14,367	–	–	–	14,367	14,367	–	Complete 3 years service from grant date
FY21C Long Term Incentive Plan	25/06/2020	35,232	–	–	–	35,232	35,232	–	Complete 3 years service from grant date

	Date of grant	On Issue as at 1 July 2022	Issued during FY23	Lapsed	Exercised	Balance	Vested not exercised	Unvested	Vesting conditions
FY22 Long Term Incentive Plan	25/06/2021	1,160,145	–	67,931	–	1,092,214	–	1,092,214	Complete 3 years service from grant date
FY22B Long Term Incentive Plan (Other)	01/11/2021	701,719	–	–	–	701,719	–	701,719	Must remain an employee for a period from 1 July 2021 until 30 June 2024
FY22B Long Term Incentive Plan	01/11/2021	126,592	–	56,533	–	70,059	–	70,059	Must remain an employee for a continuous period from grant date until 25 June 2024
FY22C Long Term Incentive Plan	06/06/2022	636,576	–	–	–	636,576	–	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	30/03/2022	82,850	–	–	82,850	–	–	–	Nil
FY22 US Sales Incentive Rights	01/08/2022	–	53,865	53,865	–	–	–	–	Nil
FY23B Long Term Incentive Plan	23/12/2022	–	898,398	–	–	898,398	–	898,398	Complete 3 years service from grant date
FY23C Long Term Incentive Plan	23/12/2022	–	1,850,914	–	–	1,850,914	–	1,850,914	Must remain an employee for a period from 1 July 2022 until 30 June 2025
FY23A Long Term Incentive Plan	23/12/2022	–	3,152,009	162,647	–	2,989,362	–	2,989,362	Must remain an employee for a continuous period from grant date until 1 July 2025
FY23A US Sales Incentive Rights	03/10/2022	–	26,702	–	26,702	–	–	–	Nil
FY23B US Sales Incentive Rights	01/12/2022	–	415,481	–	75,542	339,939	226,626	113,313	Nil
Total		**23,280,991**	**6,397,369**	**2,676,360**	**434,694**	**26,567,306**	**15,772,397**	**10,794,909**	

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:

	2023 $	2022 $
Recognised in employee and directors' benefits expense (Note 4.4)	1,011,531	613,952
Total net expense arising from share-based payment transactions	**1,011,531**	**613,952**

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

	2023 Number	2022 Number
Outstanding at 1 July	**23,198,141**	**22,029,117**
Granted during the year	5,901,321	1,464,887
Forfeited/lapsed during the year	(2,622,495)	(295,863)
Net settled and converted to issued capital during the year	(249,600)	–
Outstanding at 30 June	**26,227,367**	**23,198,141**
Vested and exercisable at 30 June	15,496,172	18,002,547

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

	2023 Number	2022 Number
Outstanding at 1 July	**82,850**	**–**
Granted during the year	496,048	82,850
Forfeited/lapsed during the year	(53,865)	–
Net settled and converted to issued capital during the year	(185,094)	–
Outstanding at 30 June	**339,939**	**82,850**
Exercisable at 30 June	**113,313**	**–**

The weighted average remaining contractual life for the options outstanding as at 30 June 2023 was 2.64 years (2022: 3.21).

The weighted average fair value of options granted during the year was $0.19 (2022: $0.33).

There were 496,048 rights granted during the year (2022: 82,850). The weighted average fair value of rights granted this year was $0.44.

The range of exercise prices for options outstanding at the end of the year was $0.40 to $2.60 (2022: $0.40 to $2.60).

The following tables list the inputs to the models used for the plans for the year ended in 30 June 2023 and 30 June 2022 respectively:

	2023	
	Option plans	Right plans
Weighted average fair values at the measurement ($)	0.19	0.44
Expected volatility (%)	55	–
Risk-free interest rate (%)	0.50-3.27	–
Expected life of share options (years)	2.64	–
Weighted average share price ($)	0.48-0.51	0.37-0.66
Model used	Black-Scholes	Qualitative assessment

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

	2022	
	Option 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	–

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:

			% equity interest	
Subsidiaries	Principal Activities	Country of incorporation	2023	2022
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 $2,207,236 (2022: $1,360,660). In addition, the Group paid key person insurance for an officer of the Group of $6,156 during the year (2022: $3,963).

	2023 $	2022 $
Categories of compensation:		
Short-term employee and directors' benefits	1,792,769	1,183,741
Post-employment benefits	91,189	42,809
Share-based payment	323,278	134,110
	2,207,236	**1,360,660**

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 2023 (2022: $nil).

Contingencies

The Group has no contingent assets or contingent liabilities as at 30 June 2023 (2022: $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.

	2023 $	2022 $
Amounts paid or payable to PKF Melbourne Audit & Assurance Pty Ltd:		
An audit or review of the financial report of the entity	94,500	88,000

28 Information relating to 4DMedical Limited (Parent)

	2023 $	2022 $
Current assets	93,918,645	55,575,964
Total assets	105,700,026	74,403,471
Current liabilities	22,320,486	8,926,710
Total liabilities	26,711,934	14,170,091
Issued capital	184,359,112	141,718,799
Other capital reserves	3,312,645	2,384,989
Accumulated losses	(108,683,665)	(83,870,408)
	78,988,092	**60,233,380**
Loss for the year	**(24,813,257)**	**(26,486,064)**

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 2023 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 2023 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 2023.

On behalf of the board

Dr Andreas Fouras
Managing Director & CEO
29 August 2023

Independent Auditor's Report

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

Report on the Financial Report

Opinion

We have audited the accompanying financial report of 4DMedical Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 to the financial statements, including material accounting policy 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:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial report section of our report.

We 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 and valuation of software development costs as intangible assets	How our audit addressed this matter
As disclosed in note 13 of the financial report, the carrying amount of the Group's internally developed software is $4,064,781 (2022: $4,078,638). The accounting policy in respect of this asset is outlined in Note 2.4(i). Judgement is required in determining eligible development expenditure 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. Accounting for software development costs is considered a Key Audit Matter due to the significant 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.	Our procedures included, but were not limited to, assessing and challenging: • the nature of the Group's development costs relative to the ongoing development projects and specifically incurred in the period to assess both the accuracy and completeness of amounts capitalised; • the key assumptions used, and estimates made in capitalising development costs and testing on a sample basis the accuracy of costs included for compliance with AASB 138 *Intangible Assets* and the Group's accounting policy; • evidence of the Group's conclusion of the economic feasibility of the products relying on the application of the software, including Board approved budgets and business development plans; • 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.

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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 2023 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.

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

Opinion

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

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

PKF
Melbourne, 29 August 2023

Kaitlynn Brady

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 16 August 2023.

(a) Distribution of equity securities

(i) Ordinary share capital

345,132,572 fully paid ordinary shares are held by 8,786 individual shareholders.

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

(ii) Options and performance rights

50,724,760 options are held by 1,367 individual option holders. 844,219 performance rights are held by 2 individual holders.

Options and performance rights do not carry a right to vote.

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

	Fully paid ordinary shares	Percentage of ordinary shares on issue	Options	Percentage options on issue	Performance Rights	Percentage of performance rights on issue
1-1,000	1,922	21.88%	83	6.07%	–	0.00%
1,001-5,000	2,626	29.89%	391	28.60%	–	0.00%
5,001-10,000	1,253	14.26%	272	19.90%	–	0.00%
10,001-100,000	2,556	29.09%	579	42.36%	–	0.00%
100,001 and over	429	4.88%	42	3.07%	2	100.00%
	8,786	**100.00%**	**1,367**	**100.00%**	**2**	**100.00%**
Holding less than a marketable parcel	–	–	–	–	–	–

(b) Substantial shareholders

	Number	Fully paid Percentage
Ordinary shareholders		
Velocimetry Consulting Pty Ltd (substantial holding due to direct holdings)		
Helen Fouras (substantial holding due to direct holdings and having voting power in Velocimetry Consulting Pty Ltd above 50%)	65,701,465	19.03%
Dr Andreas Fouras (substantial holding due to direct holdings and having voting power in Velocimetry Consulting Pty Ltd above 20%)		

(c) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary shareholders	**Number**	**Percentage**
Velocimetry Consulting Pty Ltd	64,838,000	18.79%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	18,106,697	5.25%
HSBC Custody Nominees (Australia) Limited	7,580,063	2.20%
Ryder Innovation Fund Lp	6,290,475	1.82%
National Nominees Limited	3,663,160	1.06%
J P Morgan Nominees Australia Pty Limited	3,038,117	0.88%
HSBC Custody Nominees (Australia) Limited – A/C 2	2,884,390	0.84%
Alex Petrou & Christine Petrou	2,484,471	0.72%
Mr Damen Diamantopoulos	2,470,000	0.72%
Netwealth Investments Limited	2,340,650	0.68%
Citicorp Nominees Pty Limited	2,083,306	0.60%
Mrs Irene Wai-Ping Lee & Miss Yvonne Lee & Mr Wilson Lee	1,841,379	0.53%
John Livingston Pty Ltd	1,817,243	0.53%
Endless Smiles Pty Ltd	1,500,000	0.43%
BNP Paribas Nominees Pty Ltd	1,480,089	0.43%
Mr Dev Jayram	1,433,262	0.42%
Wal Assets Pty Ltd	1,411,487	0.41%
Chapter 5 Pty Ltd	1,220,697	0.35%
Jianwen Xiao	1,216,176	0.35%
AAX Pty Ltd	1,200,000	0.35%
	128,899,662	**37.35%**

(d) Unquoted equity securities shareholdings greater than 20%

	Number
Fully paid ordinary shares	
Nil	–

(e) Restricted or escrow securities

	Number
The number and class of restricted securities or securities subject to voluntary escrow	–

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 2023 Corporate Governance Statement can be found on the Company's website at https://4dmedical.com/corporate-governance.

Corporate Information

4DMedical Limited ACN 161 684 831

Registered Office

Level 7 Melbourne Connect
700 Swanston Street
Carlton VIC 3053 Australia

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 Chief Executive Officer

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 Naomi Lawrie

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

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Toll free: +61 1300 554 474
F: +612 9287 0303
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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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