



4D Medical Limited
ABN 31 161 684 831

Half-Year Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020



Contents

Directors' report	03
Auditor's independence declaration	06
Consolidated statement of profit or loss and other comprehensive income	07
Consolidated statement of financial position	08
Consolidated statement of changes in equity	09
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11
Directors' declaration	21
Independent auditor's review report	22

Directors' report

Your directors submit their report on the consolidated entity consisting of 4DMedical Limited (the "Company" or "4DMedical") and its controlled entities (referred to hereafter as the "Group") for the half-year ended 31 December 2020.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period, unless otherwise stated.

Bruce Rathie	Non-Executive Director and Chairman
Dr Andreas Fouras	Managing Director
Lilian Bianchi	Non-Executive Director
Dr Robert Figlin	Non-Executive Director
Lusia Guthrie	Non-Executive Director
Heath Lee	Executive Director (Retired: 20 November 2020)
John Livingston	Non-Executive Director
Julian Sutton	Non-Executive Director

Operating and financial review

4DMedical Limited is a software technology company founded to create a step change in the capacity of physicians to diagnose and manage patients with diseases of the lung. The Company's non-invasive respiratory imaging solution using four-dimensional imaging 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.

Review of operations

On 7 August 2020, 4DMedical was admitted to the official list of the Australian Securities Exchange (ASX) following the successful completion of a \$55.79 million initial public offering (IPO), raising \$50.0 million of new capital. The IPO included the issue of 68,493,152 fully paid ordinary shares and the sale and transfer of 7,936,549 fully paid ordinary shares, at the issue price of \$0.73 per share. The Company received approximately \$45.50 million in net proceeds from the IPO after the payment of related fees and expenses of approximately \$4.50 million. In addition, all outstanding convertible notes which were issued in December 2019 were converted to equity at the IPO. The convertible notes with a total face value of \$16.28 million plus accrued interest were converted at \$0.50 per share, resulting in the issue of 36,511,199 ordinary shares.

During the reporting period, the Australian Therapeutic Goods Administration (TGA) approved 4DMedical's XV Lung Ventilation Analysis Software (XV LVAS) for inclusion in the Australian Register of Therapeutic Goods (ARTG). Shortly after this the Company delivered its first commercial XV LVAS scan to a patient based in Victoria, Australia. This significant commercial progress allows the Company to begin rolling out XV LVAS to hospitals and imaging centres nationwide, in both the inpatient and outpatient settings.

Installations of XV LVAS are anticipated across Australia in 2021 as 4DMedical defines a path for immediate adoption of its Software-as-a-Service (SaaS) product and supply of the software to departments of health, laboratories, medical practitioners and health care professionals in Australia.

In December 2020 4DMedical also made significant clinical progress by establishing its first research program in the U.S., which will use the Company's proprietary XV Technology™. 4DMedical and University of Miami Health System are establishing the Functional Lung Imaging Research Program to advance breakthrough lung technologies and improve treatment outcomes for patients with chronic lung diseases. More specifically it will allow researchers and physicians to accurately diagnose ventilatory abnormalities in patients, therefore providing treatment and management options that are targeted and more effective.

It is expected that this research program will be another driver of acceptance and adoption of XV Technology™ at hospitals and clinics located in the U.S. This research program is expected to deliver a number of preclinical and clinical studies that will include patients with various lung-related conditions, such as emphysema, cystic fibrosis, pulmonary hypertension, pulmonary embolism and lung cancer.

Subsequent to the end of the half-year, 4DMedical announced its first U.S. clinical pilot for its XV LVAS offering to the ASX on 27 January 2021. The clinical pilot will be conducted at St. Joseph Hospital located in Orange County, California, U.S. and will be used to aid hospital physicians screening for a variety of lung conditions, including COVID-19.

Directors' report (continued)

Operating and financial review (continued)

Review of operations (continued)

The clinical pilot with St. Joseph Hospital follows on from XV LVAS receiving FDA 510(k) clearance in May 2020, enabling 4DMedical to sell and market XV LVAS in the U.S. Clinical pilots will form an important part of the commercial rollout of XV LVAS in the U.S., allowing hospitals and medical institutions to implement and trial 4DMedical's end-to-end solution ahead of potential commercial integration.

St. Joseph Hospital is one of 51 hospitals owned by Providence Health & Services, the third largest not-for-profit health system in the U.S. Over the coming months, St. Joseph Hospital will conduct a full review of 4DMedical's end-to-end solution.

In addition to the Company's recent operating success, 4DMedical has continued to grow its team with the addition of 18 new employees to its offices in the U.S. and Australia over the half-year, in line with the Company's growth plans. A focus on expanding 4DMedical's sales and distribution network in the U.S. has seen several key executive positions hired and appointed over the period in the go-to-market and medical affairs team.

Post IPO, 4DMedical also granted 2,599,572 options to key employees under the Company's long-term incentive plan (LTIP). The vesting of these options will be subject to the satisfaction of appropriate service-based conditions and performance hurdles determined by the Board.

4DMedical continued to strengthen its portfolio of intellectual property rights that complement and facilitate the Company's business objectives. On 31 December 2020, 4DMedical's patent portfolio had 43 patents (16 granted and 27 filed) across jurisdictions such as the U.S., Europe, Australia, Japan, Singapore, Canada, India, New Zealand and China. The Company also had 10 trademarks (2 granted and 8 filed) including 4Dx, 4DMedical and XV Technology across jurisdictions including the U.S., Australia and China.

Executive Director, Heath Lee retired from the 4DMedical board of directors on 20 November 2020, completing his transition from non-executive director to executive management, in his role of Chief Financial Officer.

4DMedical is now establishing its sales and marketing team with an anticipation to deliver customers in 2021, a target which is significantly ahead of schedule. The Company has also made significant progress in verifying potential healthcare reimbursement pathways and billing channels for XV LVAS in both the U.S. and Australian markets.

Analysis of the U.S. payor market has identified American Medical Association (AMA), Current Procedural Terminology (CPT®), 76000 Fluoroscopy (separate procedure), as an appropriate billing code for the fluoroscopic imaging component required for XV LVAS analysis in both inpatient and outpatient care. Widely recognised by all U.S. payors, CPT 76000 will allow 4DMedical to drive provider and payor adoption of XV LVAS while the Company develops the necessary requirements to secure new, distinct AMA Category I CPT codes specific to XV LVAS.

In Australia, reimbursement research and analysis has identified potential payment opportunities for XV LVAS in the public and private, inpatient and outpatient markets within existing Australian Refined Diagnosis-Related Groups (AR-DRGs) and Medicare Benefits Scheme (MBS) payment systems. 4DMedical will work towards securing distinct coverage and payment for XV LVAS through the Australian Medical Services Advisory Committee technology review processes.

During the half-year, the Company continued to make strong inroads with key leaders in the industry through active engagement in dialogues with potential hospitals, healthcare institutions, partners and customers for both collaborative and commercial projects in the future. The COVID-19 pandemic has created a significant increase in global demand for lung health technologies.

Importantly, XV LVAS has been validated to monitor Acute Respiratory Distress Syndrome (ARDS), a respiratory condition caused by COVID-19, as part of its FDA 510(k) clearance and has the potential to be used to accelerate therapy research and assess the effectiveness of potential treatments.

As a result of the widespread presence of COVID-19 in the U.S., bans on certain activities and loss of bandwidth from decision makers at hospitals has delayed some of 4DMedical's commercialisation activities. Despite the slowdown, the Company has built a significant pipeline of hospital pilots and projects that are expected to resume once hospitals are better equipped to manage the pandemic. 4DMedical believes that COVID-19 will substantially and permanently increase the demand for lung health assessments and in turn grow the respiratory diagnostics market.

Directors' report (continued)

Operating and financial review (continued)

Financials

The net loss after tax of the Group for the half-year ended 31 December 2020 was \$13.14 million (2019: \$5.37 million). The net loss after tax includes non-cash interest expense of \$2.63 million relating to the convertible notes and non-recurring costs totalling \$2.62 million.

Non-recurring costs consists of employee benefits expense of \$1.18 million arising from options and rights issued under the Company's legacy employee equity plan (Legacy EEP) which have been accounted for as equity-settled share-based payments, other employee benefit expense relating to the Legacy EEP of \$0.41 million and IPO transaction costs of \$1.03 million.

During the reporting period, the Group recorded revenue of \$0.15 million from ongoing support and maintenance services of its preclinical scanners and associated SaaS revenue. The Group reported an increase in other income of \$0.25 million to \$1.08 million, comprising R&D Tax Incentive credits of \$0.47 million, grant income and Federal Government JobKeeper subsidies totalling \$0.61 million. 4DMedical received its final eligible payment under the JobKeeper scheme in October 2020.

Total expenses including cost of sales and before depreciation and amortisation were higher by \$7.06 million from last year, on the back of an increase in operating expenditure of \$6.25 million and interest cost of \$1.88 million.

Operating expenditure reported for the half-year was \$11.70 million (2019: \$5.45 million), driven by rapid recruitment and planned growth of headcount and employment benefit expenses, increased clinical collaboration and research expenses and expansion of the Group's sales and distribution network in preparation of the commercial rollout of XV LVAS. During the period, the Company recorded employee benefit and related expenses, including share-based payments of \$5.98 million, \$0.76 million in clinical research and development costs relating to the establishment of its first U.S. research program and \$0.45 million in continued development of the 'XV Technology' platform, and the associated pipeline of SaaS products. The increase in operating expenditure during the period is also due to IPO transaction costs and listed company expenses of \$1.19 million.

In line with the Group's focus on commercialising its patented respiratory imaging platform in Australia and the United States, go-to-market and healthcare reimbursement expenses increased by \$0.35 million to \$0.66 million for the half-year (2019: \$0.31 million) according to plan. 4DMedical's sales and marketing team which are critical in driving future revenue generation, grew from 4 in 2019 to 13 employees at the end of the reporting period.

The Group's net cash balance as at the end of the period was \$43.04 million.

Auditor's independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Signed in accordance with a resolution of the directors.



Dr Andreas Fouras
Managing Director

25 February 2021

Auditor's independence declaration



Auditor's Independence Declaration to the Directors of 4DMedical Limited

In relation to our review of the financial report of 4DMedical Limited for the half-year ended 31 December 2020, 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.

This declaration is made in respect of 4DMedical Limited and the entities it controlled during the financial period.

PKF
Melbourne, 25 February 2021

Steven Bradby
Partner

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Liability limited by a scheme approved under Professional Standards Legislation

PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2020

		6 months to 31 December 2020	6 months to 31 December 2019
	Notes	\$	\$
Revenue	4.1	150,728	1,100,000
Cost of sales		(77,250)	(981,545)
Gross income		73,478	118,455
Other income	4.3	1,084,243	837,443
Employee benefits expense	4.4	(5,976,657)	(2,700,740)
Depreciation and amortisation expense		(275,802)	(258,523)
Foreign currency gains/(losses)		33,119	(99,931)
Other expenses	4.5	(5,445,292)	(2,493,427)
Finance costs – net	4.6	(2,637,582)	(771,619)
Loss before income tax		(13,144,493)	(5,368,342)
Income tax expense		-	-
Loss for the period		(13,144,493)	(5,368,342)
Other comprehensive income		-	-
Total comprehensive loss for the period		(13,144,493)	(5,368,342)
Earnings per share (EPS):			
Basic, loss for the period attributable to ordinary equity holders		(0.05)	(0.04)
Diluted, loss for the period attributable to ordinary equity holders		(0.05)	(0.03)

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 31 December 2020

		31 December 2020	30 June 2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	43,038,129	8,429,192
Trade and other receivables		556,096	649,151
Inventories		164,688	16,045
Research and development tax incentive receivable		1,739,583	1,102,213
Other assets		604,849	101,043
Deferred costs		-	387,980
Total current assets		46,103,345	10,685,624
Non-current assets			
Trade and other receivables		84,205	108,205
Property, plant and equipment	6	785,555	803,398
Right-of-use assets	7	733,678	965,434
Intangible assets	8	3,565,735	3,261,939
Total non-current assets		5,169,173	5,138,976
Total assets		51,272,518	15,824,600
Liabilities and equity			
Current liabilities			
Trade and other payables		1,244,405	2,334,626
Contract liabilities		409,585	492,085
Loans and borrowings	9	370,263	17,436,459
Employee benefit liabilities		901,859	298,870
Financial liabilities at fair value through profit or loss		-	6,174,221
Other liabilities		189,306	221,761
Total current liabilities		3,115,418	26,958,022
Non-current liabilities			
Loans and borrowings	9	409,960	621,154
Employee benefit liabilities		110,532	55,274
Total non-current liabilities		520,492	676,428
Total liabilities		3,635,910	27,634,450
Equity			
Issued capital	10.1	97,724,862	18,927,393
Other capital reserves	10.2	1,652,258	7,051,341
Other equity	10.3	-	796,787
Other reserves	10.4	(10,648)	-
Accumulated losses		(51,729,864)	(38,585,371)
Total equity/(deficit)		47,636,608	(11,809,850)
Total liabilities and equity		51,272,518	15,824,600

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2020

	Issued capital (Note 10.1)	Other capital reserves (Note 10.2)	Other equity (Note 10.3)	Other reserves (Note 10.4)	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2020	18,927,393	7,051,341	796,787	-	(38,585,371)	(11,809,850)
Loss for the period	-	-	-	-	(13,144,493)	(13,144,493)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(13,144,493)	(13,144,493)
Issue of share capital	50,000,000	-	-	-	-	50,000,000
Capital raising costs	(3,026,136)	-	-	-	-	(3,026,136)
Share-based payments (Note 11)	-	1,284,138	-	-	-	1,284,138
Exchange differences on translation of foreign operations	-	-	-	(10,648)	-	(10,648)
Conversion of rights to issued capital	2,716,482	-	-	-	-	2,716,482
Conversion of options to issued capital	2,453,949	-	-	-	-	2,453,949
Conversion of convertible notes to issued capital	26,653,174	-	(796,787)	-	-	25,856,387
Settlement of rights – issued capital	-	(2,961,151)	-	-	-	(2,961,151)
Settlement of options – issued capital	-	(628,676)	-	-	-	(628,676)
Buyback of options	-	(3,093,394)	-	-	-	(3,093,394)
At 31 December 2020	97,724,862	1,652,258	-	(10,648)	(51,729,864)	47,636,608
At 1 July 2019	17,705,138	3,460,544	-	-	(16,609,992)	4,555,690
Loss for the period	-	-	-	-	(5,368,342)	(5,368,342)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,368,342)	(5,368,342)
Issue of share capital	1,222,255	-	-	-	-	1,222,255
Share-based payments (Note 11)	-	903,839	-	-	-	903,839
Convertible notes	-	-	797,423	-	-	797,423
At 31 December 2019	18,927,393	4,364,383	797,423	-	(21,978,334)	2,110,865

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

Consolidated statement of cash flows

For the half-year ended 31 December 2020

		6 months to 31 December 2020	6 months to 31 December 2019
	Note	\$	\$
Operating activities			
Receipts from customers		100,685	1,827,941
Payments to suppliers and employees		(5,697,852)	(2,515,288)
Research costs		(3,784,505)	(1,410,348)
Interest and other costs of finance paid		(22,631)	(246,217)
Government grants and tax incentives		379,979	554,657
Interest received		12,449	1,284
Net GST paid		(60,979)	(178,406)
Other		(24,000)	-
Net cash flows used in operating activities		(9,096,854)	(1,966,377)
Investing activities			
Purchase of property, plant and equipment		(78,593)	(119,264)
Purchase of intangibles		(96,431)	(80,345)
Research and development tax incentive	5	-	372,005
Capitalisation of development costs to intangible assets		(227,126)	(389,606)
Net cash flows used in investing activities		(402,150)	(217,210)
Financing activities			
Proceeds from issues of equity securities (excluding convertible debt securities)		50,000,000	1,222,255
Transaction costs related to issues of equity securities or convertible debt securities		(4,178,638)	-
Proceeds from convertible notes issue		-	17,287,500
Cost of fund raising		-	(1,111,195)
Repayment of borrowings		-	(3,000,000)
Payment of principal portion of lease liabilities		(180,882)	(169,775)
Net cash paid for settlement of options		(1,532,539)	-
Net cash flows from financing activities		44,107,941	14,228,785
Net increase in cash and cash equivalents		34,608,937	12,045,198
Cash and cash equivalents at the beginning of the period		8,429,192	3,085,224
Cash and cash equivalents at the end of the period	5	43,038,129	15,130,422

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2020

1. Corporate information

The financial report of 4DMedical Limited (the "Company") and its controlled entities (collectively referred to as the "Group") for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on the date the director's declaration was signed.

4DMedical Limited (the "Company") is a for-profit company limited by shares incorporated in Australia. The Company listed on Australian Securities Exchange (ASX) on 7 August 2020 (ASX code: 4DX).

The registered office and principal place of business of the Company is Suite 501, Level 5, 468 St Kilda Road, Melbourne, Victoria 3004.

The principal activities of the Group during the half-year ended 31 December 2020 were medical research technology and development of a non-invasive respiratory imaging solution using four-dimensional imaging. This four-dimensional lung imaging technology utilises proven, patented mathematical models and algorithms to convert X-ray scans into quantitative data to enhance the capacity of physicians to manage patients with respiratory diseases and diseases of the lung. There were no significant changes in the nature of these activities during the period.

2. Summary of significant accounting policies

2.1 Basis of preparation

The report is a condensed half-year financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars (\$).

The half-year financial report does not include all notes of the type normally included within the annual financial report and, therefore, cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full audited financial report prepared as at June of each year.

It is recommended that the half-year financial report should be read in conjunction with the annual report prepared for the year ended 30 June 2020.

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current period.

2.2 Changes in accounting policies, disclosures, standards and interpretations

New and amended standards and interpretations

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

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting judgements, estimates and assumptions relating to taxes and development costs capitalised to intangible assets for the half-year ended 31 December 2020 remain consistent with that adopted in the 30 June 2020 financial statements.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

4. Revenue and expenses

4.1 Revenue

Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2020	2019
	\$	\$
Type of goods or service		
Sale of goods	-	1,100,000
Ongoing support and maintenance	84,478	-
Software licences	66,250	-
Total revenue from contracts with customers	150,728	1,100,000
Timing of revenue recognition		
Goods transferred at a point in time	-	1,100,000
Services transferred over time	150,728	-
Total revenue from contracts with customers	150,728	1,100,000
Geographical markets		
Australia	58,125	1,100,000
United States of America	92,603	-
Total revenue from contracts with customers	150,728	1,100,000

The Group has considered its internal reporting framework, management and operating structure and the directors' conclusion is that the Group has one operating segment.

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. The normal credit term is 30 to 90 days upon delivery.

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 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.

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 transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	31 December 2020	31 December 2019
	\$	\$
Within one year	137,918	-
More than one year	271,667	212,586
	409,585	212,586

The remaining performance obligations expected to be recognised in more than one year relate to the provision of predominantly support and maintenance services that are to be satisfied within the next four years. All the other remaining performance obligations are expected to be recognised within one year.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

4. Revenue and expenses (continued)

4.3 Other income

	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Research and development tax incentive	473,027	331,857
Government grants	571,216	495,000
Partner contribution	40,000	10,586
Total other income	1,084,243	837,443

4.4 Employee benefits expense

	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Wages and salaries	3,758,670	1,182,765
Other employee and directors' benefits expense	947,519	661,230
Equity-settled share-based payments	1,270,468	856,745
Total employee benefits expense	5,976,657	2,700,740

4.5 Other expenses

	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Computer expenses	271,661	105,088
Research and development expenses	896,812	778
Bad debt expenses	-	125,000
Insurance expenses	406,663	178,873
Legal, professional and consultant expenses	2,854,404	1,016,046
Occupancy and utilities expenses	92,252	97,991
Sales and marketing expenses	482,578	258,893
Share-based payment expenses to third parties	32,069	-
General expenses	408,853	710,758
Total other expenses	5,445,292	2,493,427

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

4. Revenue and expenses (continued)

4.6 Finance costs – net

	6 months to 31 December 2020	6 months to 31 December 2019
	\$	\$
Interest expense on borrowings and convertible notes	2,627,400	747,303
Interest expense on lease liabilities (Note 7)	22,631	25,600
Total finance costs	2,650,031	772,903
Interest income	(12,449)	(1,284)
Total finance income	(12,449)	(1,284)
Total finance costs – net	2,637,582	771,619

5. Cash and cash equivalents

	31 December 2020	30 June 2020
	\$	\$
Cash at bank	43,038,129	8,429,192

As at the date of this report, expected research and development tax incentive cash credits relating to the financial year ended 30 June 2020 are yet to be received.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

6. Property, plant and equipment

Reconciliation of carrying amounts at the beginning and the end of the period

	31 December 2020	30 June 2020
	\$	\$
<i>Furniture, fittings and equipment</i>		
Opening net amount	167,291	175,224
Additions	-	10,664
Assets written off	(1,977)	(2,490)
Foreign exchange adjustment	-	3,848
Depreciation charge for the period	(9,705)	(19,955)
Net book value	155,609	167,291
<i>Conference assets</i>		
Opening net amount	38,124	180,211
Additions	-	8,000
Asset written off	(4,785)	(141,166)
Foreign exchange adjustment	-	1
Depreciation charge for the period	(1,690)	(8,922)
Net book value	31,649	38,124
<i>Leasehold improvements</i>		
Opening net amount	56,413	57,964
Depreciation charge for the period	(782)	(1,551)
Net book value	55,631	56,413
<i>Workshop equipment</i>		
Opening net amount	55,881	54,518
Additions	-	14,355
Assets written off	(11)	-
Depreciation charge for the period	(7,639)	(12,992)
Net book value	48,231	55,881
<i>Computer equipment</i>		
Opening net amount	485,689	301,544
Additions	77,593	292,278
Assets written off	(7,858)	(3,286)
Depreciation charge for the period	(60,989)	(104,847)
Net book value	494,435	485,689
<i>Total property, plant and equipment</i>		
Opening net amount	803,398	769,461
Additions	77,593	325,297
Assets written off	(14,631)	(146,942)
Foreign exchange adjustment	-	3,849
Depreciation charge for the period	(80,805)	(148,267)
Net book value	785,555	803,398

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

7. Leases

Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises 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 period:

	Right-of-use assets
	\$
As at 1 July 2019	1,316,005
Depreciation expense	(392,195)
Foreign exchange adjustment	41,624
As at 30 June 2020	965,434
Depreciation expense	(190,132)
Foreign exchange adjustment	(41,624)
As at 31 December 2020	733,678

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

	31 December 2020	30 June 2020
	\$	\$
As at 1 July	1,002,847	1,316,005
Accretion of interest	22,631	54,048
Payments	(203,513)	(408,863)
Foreign exchange adjustment	(41,742)	41,657
As at end of reporting period (See Note 9)	780,223	1,002,847

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

8. Intangible assets

Reconciliation of carrying amounts at the beginning and the end of the period

	31 December 2020	30 June 2020
	\$	\$
<i>Development costs</i>		
Opening net amount	2,749,012	2,264,009
Additions	227,126	485,003
Net book value	2,976,138	2,749,012
<i>Other intangible assets</i>		
Opening net amount	512,927	373,373
Additions	96,431	183,745
Assets written off	(14,896)	-
Amortisation for the period	(4,865)	(44,191)
Net book value	589,597	512,927
<i>Total intangible assets</i>		
Opening net amount	3,261,939	2,637,382
Additions	323,557	668,748
Assets written off	(14,896)	-
Amortisation for the period	(4,865)	(44,191)
Net book value	3,565,735	3,261,939

9. Loans and borrowings

	31 December 2020	30 June 2020
	\$	\$
Current		
Lease liabilities (Note 7)	370,263	381,693
Convertible notes	-	17,054,766
	370,263	17,436,459
Non-current		
Lease liabilities (Note 7)	409,960	621,154

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

9. Loans and borrowings (continued)

The convertible notes were converted to issued capital as a result of the IPO on 7 August 2020. See below for reconciliation from the face value of convertible notes to the value that was converted to issued capital.

	31 December 2020
	\$
Face value	16,281,965
Other equity securities – value of conversion rights	–
	16,281,965
Interest expense*	10,371,209
Convertible notes before conversion to share	26,653,174
Converted to share capital	(26,653,174)
	–

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

10. Issued capital and reserves

10.1 Issued capital

	31 December 2020	30 June 2020
	\$	\$
Ordinary shares	97,724,862	18,927,393

Terms and conditions of ordinary shares

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

Movement in ordinary shares on issue

	No. of shares	\$
At 1 July 2019	144,888,792	17,705,138
Issued shares	3,145,500	1,222,255
At 1 July 2020	148,034,292	18,927,393
Issued shares	68,493,152	50,000,000
Capital raising costs	–	(3,026,136)
Conversion of rights to issued capital	8,492,850	2,716,482
Conversion of options to issued capital	3,230,912	2,453,949
Conversion of convertible notes to issued capital	36,511,199	26,653,174
At 31 December 2020	264,762,405	97,724,862

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

10. Issued capital and reserves (continued)

10.2 Other capital reserves

	31 December 2020	30 June 2020
	\$	\$
Share-based payment reserve	1,652,258	7,051,341
Movement in the share-based payment reserve		
Balance at the beginning of the period/year	7,051,341	3,460,544
Share-based payment expense during the period/year	1,284,138	3,590,797
Settlement of rights – issued capital	(2,961,151)	–
Settlement of options – issued capital	(628,676)	–
Buyback of options	(3,093,394)	–
Balance at the end of the period/year	1,652,258	7,051,341

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

10.3 Other equity

	31 December 2020	30 June 2020
	\$	\$
Value of conversion rights – convertible notes	–	796,787
Movement in conversion rights		
Balance at the beginning of the year	796,787	–
Convertible notes	–	796,787
Conversion of convertible notes to issued capital	(796,787)	–
Balance at the end of the year	–	796,787

Conversion rights of convertible notes

The amount shown for other equity securities is the value of the conversion rights relating to convertible notes with a coupon rate of 10%, details of which are shown in Note 9.

10.4 Other reserves

	31 December 2020	30 June 2020
	\$	\$
Foreign currency translation reserve	(10,648)	–

Foreign currency translation reserve

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

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2020

11. Share-based payments under the employee equity plan

During the half-year ended 31 December 2020, certain employees (including key management personnel) were granted 2,599,572 options (2019: 129,466) under the 4DMedical Long Term Incentive Plan. No rights were granted during the half-year (2019: 1,817,637).

8,492,850 shares from the conversion of rights and 3,230,912 shares from the conversion of options have been issued during the half-year (2019: nil). There are 2,599,572 (2019: 2,296,360) options that have been granted but not yet vested as at date of this report. There were no rights that had been granted but not yet vested at date of this report (2019: 4,421,394).

The following tables list the inputs to the models used for the plans for the half-year ended 31 December 2020 and 2019:

	2020	
	Option plans	Right plans
Weighted average fair values at the measurement (\$)	0.39	–
Expected volatility (%)	55	–
Risk-free interest rate (%)	0.01	–
Expected life of share options (years)	4	–
Weighted average share price (\$)	0.73	–
Model used	Black-Scholes	–

	2019	
	Option plans	Right plans
Weighted average fair values at the measurement (\$)	0.17	0.18
Expected volatility (%)	55	–
Risk-free interest rate (%)	1.03	–
Expected life of share options (years)	7	–
Weighted average share price (\$)	0.40	0.36
Model used	Black-Scholes	Qualitative assessment

The cost recognised for employee services received during the half-year and remunerated by equity-settled share-based payment transactions is shown in the following table:

	31 December 2020	31 December 2019
	\$	\$
Recognised in employee benefits expense	1,270,468	856,745
Recognised in the cost of capitalised development costs	13,670	47,094
Total cost arising from share-based payment transactions	1,284,138	903,839

12. Events after the reporting period

There were no significant events occurring after the reporting which may affect either the Group's operations or results of those operations or the Group's state of affairs.

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 half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (b) 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 directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the half-year ended 31 December 2020.

On behalf of the board



Dr Andreas Fouras

Managing Director

25 February 2021



Independent Auditor's Review Report to the Members of 4DMedical Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of 4DMedical Limited (the Company) and its subsidiaries (collectively, the Group) which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PKF
Melbourne, 25 February 2021

Steven Bradby
Partner

PKF Melbourne Audit & Assurance Pty Ltd ABN 75 600 749 184
Level 12, 440 Collins Street, Melbourne, Victoria 3000
T: +61 3 9679 2222 F: +61 3 9679 2288 www.pkf.com.au

Liability limited by a scheme approved under Professional Standards Legislation

PKF Melbourne Audit & Assurance Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

