

# Appendix 4E

## ASX Preliminary Financial Report

|                                       |                         |
|---------------------------------------|-------------------------|
| <b>Name of Entity:</b>                | 4DMedical Limited       |
| <b>ABN:</b>                           | 31 161 684 831          |
| <b>Reporting period:</b>              | year ended 30 June 2020 |
| <b>Previous corresponding period:</b> | year ended 30 June 2019 |

### Results for announcement to the market

| <b>Results</b>  |    | <b>%</b> |    | <b>\$</b>  |
|---|----|----------|----|------------|
| Revenue from ordinary activities                                | up | 77       | to | 1,232,501  |
| Other income  | up | 149      | to | 2,140,762  |
| Loss from ordinary activities after tax attributable to members | up | 239      | to | 21,975,379 |
| Net loss for the year attributable to members                   | up | 239      | to | 21,975,379 |

### Dividends

The directors do not recommend the payment of a dividend for the reporting year.

### Commentary on results for the period

The net loss after tax for 4DMedical Limited (4DX) (the Company) and its controlled subsidiaries (the Group) was \$21.98 million, an increase of \$15.48 million from the previous year. The net loss after tax includes a non-cash interest expense of \$7.74 million relating to the convertible notes.

Total revenue and other income for the Group increased by \$1.82 million to \$3.37 million with \$1.23 million in reported sales of preclinical hardware and SaaS revenue during the year. Other income reported for the full year of \$2.14 million comprises R&D Tax Incentive credits of \$0.82 million and grant income of \$1.32m, which includes \$0.96 million received by consolidated subsidiary, Australian Lung Health Initiative Pty Ltd (ALHI) under the Federal Government's Stage One Medical Research Future Fund Frontiers initiative.

Total expenses including cost of sales and before depreciation and amortisation were higher by \$16.82 million from last year, on the back of an increase in operating expenditure of \$8.99 million and interest cost totalling \$7.96 million. The increased interest expense was incurred on borrowings of \$3.00 million which have since been repaid during the year and on convertible notes of \$17.41 million issued in December 2019 and February 2020 respectively.

Operating expenditure reported for the full year was \$16.07 million compared to \$7.08 million last year, driven by increased headcount and employment expenses, increased efforts in clinical development and conducting validation trials, increased capital raising activities and in obtaining FDA clearance for its XV Lung Ventilation Analysis Software (XV LVAS). Operating expenditure includes employee related expenses and share based payments totalling \$7.66 million, clinical development advisory and related trial costs of \$0.99 million, capital raising expenses and fees of \$0.71 million, regulatory consultancy and fees of \$0.37 million, go-to-market expenses of \$1.18 million and operating cost of ALHI of \$0.83 million.

The Group's net cash balance as at the end of the period was \$8.43 million. Total liabilities include loans and borrowings of \$17.05 million and embedded derivative of \$6.17 million recognised in relation to the convertible notes.

## Appendix 4E (continued)

**The basic and diluted earnings per share for the reporting period were as follows:**

|                            | <b>2020<br/>cents</b> | <b>2019<br/>cents</b> |
|----------------------------|-----------------------|-----------------------|
| Basic earnings per share   | (0.15)                | (0.05)                |
| Diluted earnings per share | (0.10)                | (0.04)                |

Earnings per share increased from (0.05) cents per share to (0.15) cents per share based on a weighted average number of shares of 146,877,834. Weighted average number of ordinary shares adjusted for the effect of dilution from convertible notes and increase in share based payment during the year was 221,968,908, higher by 64,350,406 shares.

### **Net tangible assets per security**

|                                 | <b>2020</b> | <b>2019</b> |
|---------------------------------|-------------|-------------|
| Net tangible asset per security | (0.11)      | 0.01        |

### **Dividend reinvestment plans**

Not applicable

### **Control gained or lost over entities having a material effect**

Not applicable

### **Details of aggregate shares of profits/(losses) attributable to joint ventures**

Not applicable

### **Other significant information in relation to financial performance and financial position**

Refer to commentary on results for the period.

### **Audit status**

This report is based on financial statements which are in the process of being audited.

## Appendix 4E (continued)

Please refer to the attached (unaudited) financial statements for the year ended 30 June 2020:

- Consolidated statement of financial position
- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Abbreviated notes to the consolidated financial statements



Andreas Fouras  
Managing Director  
28 August 2020

## Appendix 4E (continued)

### Consolidated statement of profit or loss and other comprehensive income

**For the year ended 30 June 2020**

|  |       | 2020                | 2019               |
|--|-------|---------------------|--------------------|
|  | Notes | \$                  | \$                 |
| Revenue                                      |       | 1,232,501           | 695,001            |
| Cost of sales                                |       | (1,121,111)         | (631,388)          |
| <b>Gross income</b>                          |       | 111,390             | 63,613             |
| Other income                                 | 1     | 2,140,762           | 861,387            |
| Employee benefits expense                    | 2     | (7,660,705)         | (3,686,610)        |
| Depreciation and amortisation expense        |       | (584,653)           | (103,944)          |
| Foreign currency losses                      |       | (190,991)           | (34,033)           |
| Other expenses                               | 3     | (7,828,060)         | (3,290,712)        |
| Finance costs - net                          | 4     | (7,961,364)         | (296,569)          |
| <b>Loss before income tax</b>                |       | <b>(21,973,621)</b> | <b>(6,486,868)</b> |
| Income tax expense                           |       | (1,758)             | (4,137)            |
| <b>Loss for the year</b>                     |       | <b>(21,975,379)</b> | <b>(6,491,005)</b> |
| Other comprehensive income                   |       | -                   | -                  |
| <b>Total comprehensive loss for the year</b> |       | <b>(21,975,379)</b> | <b>(6,491,005)</b> |

## Appendix 4E (continued)

### Consolidated statement of financial position

**As at 30 June 2020**

|  | Notes | 2020<br>\$                 | 2019<br>\$              |
|--|-------|----------------------------|-------------------------|
| <b>Assets</b>  |       |                            |                         |
| <b>Current assets</b>                                      |       |                            |                         |
| Cash and cash equivalents                                  |       | 8,429,192                  | 3,085,224               |
| Trade and other receivables                                |       | 1,330,364                  | 676,986                 |
| Inventories  |       | 16,045                     | 628,758                 |
| Research and development tax incentive receivable          |       | 1,102,213                  | 926,662                 |
| Other assets   |       | 101,043                    | 181,723                 |
| Deferred costs   | 6     | 387,980                    | -                       |
| <b>Total current assets</b>                                |       | <u>11,366,837</u>          | <u>5,499,353</u>        |
| <b>Non-current assets</b>                                  |       |                            |                         |
| Trade and other receivables                                |       | 108,205                    | 118,005                 |
| Property, plant and equipment                              |       | 803,398                    | 769,461                 |
| Right-of-use assets  |       | 965,434                    | -                       |
| Intangible assets  | 5     | 3,261,939                  | 2,637,382               |
| <b>Total non-current assets</b>                            |       | <u>5,138,976</u>           | <u>3,524,848</u>        |
| <b>Total assets</b>  |       | <u><b>16,505,813</b></u>   | <u><b>9,024,201</b></u> |
| <b>Liabilities and equity</b>                              |       |                            |                         |
| <b>Current liabilities</b>                                 |       |                            |                         |
| Trade and other payables                                   |       | 3,015,839                  | 1,153,623               |
| Contract liabilities                                       |       | 492,085                    | 124,586                 |
| Loans and borrowings                                       | 7     | 17,436,459                 | 1,500,000               |
| Employee benefit liabilities                               |       | 298,870                    | 161,215                 |
| Financial liabilities at fair value through profit or loss | 8     | 6,174,221                  | -                       |
| Other liabilities  |       | 221,761                    | -                       |
| <b>Total current liabilities</b>                           |       | <u>27,639,235</u>          | <u>2,939,424</u>        |
| <b>Non-current liabilities</b>                             |       |                            |                         |
| Loans and borrowings                                       | 7     | 621,154                    | 1,500,000               |
| Employee benefit liabilities                               |       | 55,274                     | 29,087                  |
| <b>Total non-current liabilities</b>                       |       | <u>676,428</u>             | <u>1,529,087</u>        |
| <b>Total liabilities</b>                                   |       | <u><b>28,315,663</b></u>   | <u><b>4,468,511</b></u> |
| <b>Equity</b>  |       |                            |                         |
| Issued capital   |       | 18,927,393                 | 17,705,138              |
| Other capital reserves                                     | 9.1   | 7,051,341                  | 3,460,544               |
| Other equity   | 9.2   | 796,787                    | -                       |
| Accumulated losses   |       | (38,585,371)               | (16,609,992)            |
| <b>Total (deficit)/equity</b>                              |       | <u><b>(11,809,850)</b></u> | <u><b>4,555,690</b></u> |
| <b>Total liabilities and equity</b>                        |       | <u><b>16,505,813</b></u>   | <u><b>9,024,201</b></u> |

## Appendix 4E (continued)

### Consolidated statement of changes in equity

For the year ended 30 June 2020

|                                       | Issued capital           | Other capital reserves<br>(Note 9.1) | Other equity<br>(Note 9.2) | Accumulated losses         | Total (deficit)/ equity    |
|---------------------------------------|--------------------------|--------------------------------------|----------------------------|----------------------------|----------------------------|
|                                       | \$                       | \$                                   | \$                         | \$                         | \$                         |
| <b>At 1 July 2019</b>                 | <b>17,705,138</b>        | <b>3,460,544</b>                     | -                          | <b>(16,609,992)</b>        | <b>4,555,690</b>           |
| Loss for the year                     | -                        | -                                    | -                          | (21,975,379)               | (21,975,379)               |
| Other comprehensive income            | -                        | -                                    | -                          | -                          | -                          |
| Total comprehensive loss for the year | -                        | -                                    | -                          | (21,975,379)               | (21,975,379)               |
| Issue of share capital                | 1,222,255                | -                                    | -                          | -                          | 1,222,255                  |
| Share-based payments                  | -                        | 3,590,797                            | -                          | -                          | 3,590,797                  |
| Convertible notes                     | -                        | -                                    | 796,787                    | -                          | 796,787                    |
| <b>At 30 June 2020</b>                | <b><u>18,927,393</u></b> | <b><u>7,051,341</u></b>              | <b><u>796,787</u></b>      | <b><u>(38,585,371)</u></b> | <b><u>(11,809,850)</u></b> |
| <br>                                  |                          |                                      |                            |                            |                            |
| <b>At 1 July 2018</b>                 | <b>11,473,199</b>        | <b>2,424,011</b>                     | -                          | <b>(10,118,987)</b>        | <b>3,778,223</b>           |
| Loss for the year                     | -                        | -                                    | -                          | (6,491,005)                | (6,491,005)                |
| Other comprehensive income            | -                        | -                                    | -                          | -                          | -                          |
| Total comprehensive loss for the year | -                        | -                                    | -                          | (6,491,005)                | (6,491,005)                |
| Issue of share capital                | 6,231,939                | -                                    | -                          | -                          | 6,231,939                  |
| Share-based payments                  | -                        | 1,036,533                            | -                          | -                          | 1,036,533                  |
| <b>At 30 June 2019</b>                | <b><u>17,705,138</u></b> | <b><u>3,460,544</u></b>              | <b><u>-</u></b>            | <b><u>(16,609,992)</u></b> | <b><u>4,555,690</u></b>    |

## Appendix 4E (continued)

### Consolidated statement of cash flows

For the year ended 30 June 2020

|  | 2020               | 2019               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Operating activities</b>                              |                    |                    |
| Grant and receipts from customers                        | 2,408,706          | 618,358            |
| Payments to suppliers and employees                      | (6,905,143)        | (5,219,711)        |
| Interest received  | 57,143             | 3,698              |
| Research costs   | (3,318,089)        | (2,050,001)        |
| Interest paid  | (274,698)          | -                  |
| Research and development tax incentive                   | 554,657            | 862,432            |
| Net GST (paid)/refunded                                  | (147,006)          | 4,837              |
| Other tax (paid)/refunded                                | (993)              | 1,474              |
| <b>Net cash flows used in operating activities</b>       | <b>(7,625,423)</b> | <b>(5,778,913)</b> |
| <b>Investing activities</b>                              |                    |                    |
| Purchase of property, plant and equipment                | (350,222)          | (524,573)          |
| Purchase of intangibles                                  | (183,745)          | (124,643)          |
| Research and development tax incentive                   | 372,005            | 253,406            |
| Capitalisation of development costs to intangible assets | (649,412)          | (634,688)          |
| <b>Net cash flows used in investing activities</b>       | <b>(811,374)</b>   | <b>(1,030,498)</b> |
| <b>Financing activities</b>                              |                    |                    |
| Proceeds from issuance of shares                         | 1,222,255          | 6,231,939          |
| Payment of lease liabilities                             | (354,815)          | -                  |
| (Repayment of)/proceeds from borrowings                  | (3,000,000)        | 2,000,000          |
| Proceeds from convertible notes issue                    | 17,412,500         | -                  |
| Payments for cost of fund raising                        | (1,499,175)        | -                  |
| <b>Net cash flows from financing activities</b>          | <b>13,780,765</b>  | <b>8,231,939</b>   |
| Net increase in cash and cash equivalents                | 5,343,968          | 1,422,528          |
| Cash and cash equivalents at the beginning of the year   | 3,085,224          | 1,662,696          |
| <b>Cash and cash equivalents at the end of the year</b>  | <b>8,429,192</b>   | <b>3,085,224</b>   |

## Appendix 4E (continued)

### Abbreviated notes to the consolidated financial statements

**For the year ended 30 June 2020**

#### 1 Other income

|  | 2020             | 2019           |
|--|------------------|----------------|
|  | \$               | \$             |
| Research and development tax incentive | 819,719          | 654,744        |
| Government grants                      | 1,320,945        | -              |
| Other income                           | 98               | 206,643        |
| <b>Total other income</b>              | <b>2,140,762</b> | <b>861,387</b> |

#### 2 Employee benefits expense

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | \$               | \$               |
| Wages and salaries                              | 3,448,688        | 2,284,120        |
| Other employee and directors' benefits expenses | 1,430,230        | 580,419          |
| Equity settled share-based payment (Note 9.1)   | 2,781,787        | 822,071          |
| <b>Total employee benefits expense</b>          | <b>7,660,705</b> | <b>3,686,610</b> |

#### 3 Other expenses

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | \$               | \$               |
| Computer expenses                           | 101,812          | 55,392           |
| Bad debt expenses                           | 125,000          | -                |
| Insurance expenses                          | 321,529          | 175,632          |
| Legal, professional and consultant expenses | 4,500,945        | 1,591,544        |
| Occupancy and utilities expenses            | 181,630          | 498,964          |
| Postage and couriers fees                   | 14,244           | 12,656           |
| Sales and marketing expenses                | 774,129          | 299,477          |
| Travel expenses                             | 349,991          | 406,382          |
| Other                                       | 1,458,780        | 250,665          |
| <b>Total other expenses</b>                 | <b>7,828,060</b> | <b>3,290,712</b> |

#### 4 Finance costs - net

|  | 2020             | 2019           |
|--|------------------|----------------|
|  | \$               | \$             |
| Interest expense on borrowings and convertible notes | 7,964,459        | 254,517        |
| Interest expense on lease liabilities                | 54,048           | -              |
| Loan establishment fees                              | -                | 45,750         |
| <b>Total finance costs</b>                           | <b>8,018,507</b> | <b>300,267</b> |
| Interest income                                      | (57,143)         | (3,698)        |
| <b>Total finance income</b>                          | <b>(57,143)</b>  | <b>(3,698)</b> |
| <b>Total finance costs - net</b>                     | <b>7,961,364</b> | <b>296,569</b> |



## Appendix 4E (continued)

### Abbreviated notes to the consolidated financial statements (continued)

For the year ended 30 June 2020

#### 5. Intangible assets

|                             | <b>Development costs</b> | <b>Other intangible assets</b> | <b>Total</b>            |
|-----------------------------|--------------------------|--------------------------------|-------------------------|
|                             | \$                       | \$                             | \$                      |
| <b>Cost</b>                 |                          |                                |                         |
| At 1 July 2018              | 1,686,775                | 463,358                        | 2,150,133               |
| Additions                   | 577,234                  | 124,643                        | 701,877                 |
| Disposals                   | -                        | (185,698)                      | (185,698)               |
| <b>At 30 June 2019</b>      | <b><u>2,264,009</u></b>  | <b><u>402,303</u></b>          | <b><u>2,666,312</u></b> |
| At 1 July 2019              | 2,264,009                | 402,303                        | 2,666,312               |
| Additions                   | 485,003                  | 183,745                        | 668,748                 |
| <b>At 30 June 2020</b>      | <b><u>2,749,012</u></b>  | <b><u>586,048</u></b>          | <b><u>3,335,060</u></b> |
| <b>Amortisation</b>         |                          |                                |                         |
| At 1 July 2018              | -                        | 209,620                        | 209,620                 |
| Amortisation for the period | -                        | 5,008                          | 5,008                   |
| Disposals                   | -                        | (185,698)                      | (185,698)               |
| <b>At 30 June 2019</b>      | <b><u>-</u></b>          | <b><u>28,930</u></b>           | <b><u>28,930</u></b>    |
| At 1 July 2019              | -                        | 28,930                         | 28,930                  |
| Amortisation for the period | -                        | 44,191                         | 44,191                  |
| <b>At 30 June 2020</b>      | <b><u>-</u></b>          | <b><u>73,121</u></b>           | <b><u>73,121</u></b>    |
| <b>Net book value</b>       |                          |                                |                         |
| <b>At 30 June 2019</b>      | <b><u>2,264,009</u></b>  | <b><u>373,373</u></b>          | <b><u>2,637,382</u></b> |
| <b>At 30 June 2020</b>      | <b><u>2,749,012</u></b>  | <b><u>512,927</u></b>          | <b><u>3,261,939</u></b> |

#### 6. Deferred costs

|                                | <b>2020</b>           | <b>2019</b>     |
|--------------------------------|-----------------------|-----------------|
|                                | \$                    | \$              |
| <b>Current</b>                 |                       |                 |
| Deferred capital raising costs | <b><u>387,980</u></b> | <b><u>-</u></b> |

## Appendix 4E (continued)

### Abbreviated notes to the consolidated financial statements (continued)

**For the year ended 30 June 2020**

#### 7. Loans and borrowings

|                       | 2020              | 2019             |
|-----------------------|-------------------|------------------|
|                       | \$                | \$               |
| <b>Current</b>        |                   |                  |
| Loan from third party | -                 | 1,500,000        |
| Lease liabilities     | 381,693           | -                |
| Convertible notes     | 17,054,766        | -                |
|                       | <b>17,436,459</b> | <b>1,500,000</b> |
| <b>Non-current</b>    |                   |                  |
| Loan from third party | -                 | 1,500,000        |
| Lease liabilities     | 621,154           | -                |
|                       | <b>621,154</b>    | <b>1,500,000</b> |

#### Loan from third party

The loans represented an early receipt of the estimated research and development tax refund. It consisted of two tranches of \$1.5 million. The interest rate on the tranches were 1.25% and 1.80% per month. The first tranche of \$1.5 million was repaid on 31 October 2019. The second tranche of \$1.5 million was due to be repaid on 31 October 2020. The loan was fully repaid as at 31 December 2019.

#### Convertible notes

In mid to late December 2019, the Company issued \$17,287,500 and in February 2020, \$125,000 in unsecured convertible notes ("the Notes"). The Notes bear a coupon rate of 10% per annum that accrues on each Note from the date of issue until maturity (ie. 12 months from the date of issue) or at IPO. The amount of interest payable is non-cumulative and calculated on the face value of each Note from the date of issue. The Notes mature 12 months after the date of issuance, unless converted at an earlier date. The Notes are convertible into ordinary shares of the Company immediately before the occurrence of an initial public offering of the Company's shares on the Australian Securities Exchange in accordance with the Deed Poll. This is based on the market price per share at the date of issue of the Notes of \$0.50. The Notes are presented in the consolidated statement of financial position net of capital raising costs, as follows:

|                                    | 2020              |
|------------------------------------|-------------------|
|                                    | \$                |
| Face value                         | 16,281,965        |
| Other equity securities (Note 9.2) | (796,787)         |
| Embedded derivative                | (6,174,221)       |
|                                    | <b>9,310,957</b>  |
| Interest expense*                  | 7,743,809         |
| <b>Current liability</b>           | <b>17,054,766</b> |

\*Interest expense is calculated by applying the effective interest rates between 42.00% and 49.72% to the liability component.

## Appendix 4E (continued)

### Abbreviated notes to the consolidated financial statements (continued)

**For the year ended 30 June 2020**

#### 8. Financial liabilities at fair value through profit or loss

|  | 2020             | 2019 |
|--|------------------|------|
|  | \$               | \$   |
| <b>Current</b>   |                  |      |
| Financial liabilities at fair value through profit or loss | <b>6,174,221</b> | -    |

The embedded derivative liability in relation to the convertible notes (Note 7) is separated from the convertible notes and carried at fair value through profit or loss.

#### 9. Reserves and other equity

##### 9.1 Reserves

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | \$               | \$               |
| Share-based payment reserve                        | <b>7,051,341</b> | <b>3,460,544</b> |
|  | 2020             | 2019             |
|  | \$               | \$               |
| <b>Movement in the share-based payment reserve</b> |                  |                  |
| Balance at the beginning of the year               | 3,460,544        | 2,424,011        |
| Share-based payments expense during the year       | 3,590,797        | 1,036,533        |
| <b>Balance at the end of the year</b>              | <b>7,051,341</b> | <b>3,460,544</b> |

The share-based payment reserve is comprised of the value of the employee and director share plans that were granted 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:

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | \$               | \$               |
| Recognised in employee and directors' benefits expense             | 2,781,787        | 822,071          |
| Recognised in the cost of capitalised development costs            | 118,085          | 214,462          |
| Recognised in legal, professional and consultant expenses          | 690,925          | -                |
| <b>Total expense arising from share-based payment transactions</b> | <b>3,590,797</b> | <b>1,036,533</b> |

##### 9.2 Other equity

|  | 2020           |
|--|----------------|
|  | \$             |
| Value of conversion rights - convertible notes | <b>796,787</b> |
| <b>Conversion rights of convertible notes</b>  |                |

The amount shown for other equity securities is the value of the conversion rights relating to convertible note with a coupon rate of 10%, details of which are shown in Note 7.

## Appendix 4E (continued)

### Abbreviated notes to the consolidated financial statements (continued)

**For the year ended 30 June 2020**

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#### **10. Events after the reporting period**

4DMedical Limited listed on the Australian Securities Exchange (ASX) on 7 August 2020 raising \$50 million of new capital. In addition, the convertible notes with a face value of \$17.41 million and accrued interest of \$0.87 million converted to equity at the Initial Public Offering.

There have been no other 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.