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Welcome to the second edition of our investor newsletter. I am writing this upon my return from the Radiological Society of North America (RSNA) annual meeting. This is one of the most important industry conferences we attend, with over 50,000 attendees flocking to Chicago. I'm pleased to report that we attracted over three times as many leads as last year, four papers highlighted the use of Volpara's breast imaging software tools and we launched the enhanced *VolparaEnterprise*™ 2.0.

The strong interest in Volpara at a conference of this size and stature highlights the increasing awareness within the industry of the need to improve quality of breast screening. We're seeing two main drivers for this: the growing awareness and evidence of breast density as a risk factor in developing and masking breast cancer; and the increased focus—by the FDA, payers, clinics and clinicians—on quality, not just quantity, of imaging.

Volpara is very well positioned as a leader in both areas. *VolparaDensity*™, our software to measure breast density, has the highest level of clinical validation in the market. It is also the only commercial breast density tool

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reported to be included in the Tyrer-Cuzick breast cancer risk model—a tool used by payers and clinicians worldwide to assess a patient's risk of developing breast cancer and guide the most appropriate screening method for that person. This is a major validation of our technology and will be a major driver for increased awareness of breast density and ultimately increased sales of Volpara technology.

Closer to home, we have launched a patient awareness campaign, designed to spread the word for Australian women to be informed of their breast density. More on this later in the newsletter.

Volpara was also the only commercial provider to present at the FDA-hosted National Mammography Quality Assurance Advisory Committee (NMQAAC) in September 2016. Shortly after this meeting, the FDA launched its required EQUIP (Enhancing Quality Using the Inspection Program) initiative, which will see greater emphasis placed on quality control procedures across the 8744 breast screening clinics in the United States starting 1 January 2017. *VolparaEnterprise* provides clinics with the data and information they need in order to comply with the EQUIP requirements.

Sales Pipeline and Half-Year Financial Results

So, what does this all mean for us? The external environment is very favourable for Volpara right now, and during a period where we were focused on an ASX listing, launch of a new product and pricing model, the addition of new sales staff and the switch from capital sales to Software as a Service (SaaS), we still reported an increase in revenue for the six months ending 30 September 2016.

Prior to RSNA, we've been steadily growing the user base, with Women's & Breast Imaging (Perth), Breast Imaging Specialists (Los Gatos, California) and Stanford University all signing up for *VolparaEnterprise* and multiple trials starting or moving towards completion. RSNA has certainly let us deepen and strengthen our sales pipeline which, even before the meeting, was standing at some 170 active accounts, about 30% of which had pricing proposals. Those proposals are now predominantly SaaS rather than the capital sales model we previously employed.

We were very pleased to welcome a number of new institutional investors to the register in the recent private placement which raised A\$7 million. Combined with the entitlement offer, the total capital expected to be raised is A\$10.7 million (before costs), which will provide the capital necessary to enable us to continue to build out our global sales force, focus on product development and enhance our suite of solutions, and support the continued rollout of *VolparaEnterprise*.

There are more details on our recent capital raising in this newsletter, but I would like to thank all of our new and existing shareholders for their support of Volpara. We wish you all a very safe and happy holiday season and look forward to a productive and prosperous 2017.



Volpara and Microsoft collaborate on intelligent data analytics



Volpara recently announced a significant new partnership, a collaboration with Microsoft Corporation to apply intelligent data analytics to the early detection of breast cancer. This partnership informs the approach we are taking with *VolparaEnterprise* 2.0, the next generation of our cloud-based breast imaging analytics platform, which we unveiled last week at RSNA (see next page). The occasion for the announcement was Microsoft Developer Day in Auckland, which

saw Volpara CEO Dr Ralph Highnam meet with Microsoft CEO Satya Nadella during his first visit to New Zealand.

Built on Microsoft's Azure cloud-based platform, *VolparaEnterprise* 2.0 enables breast imaging centres to analyse clinical, quality and business data to optimise productivity, quality assurance and patient care. As a member of Microsoft's Power BI Embedded accelerator program, Volpara relies on Azure for its trusted global cloud and powerful data platform for business intelligence services.

Gabe Rijpma, Senior Director of Health and Social Services Asia at Microsoft, said: "Innovative applications in healthcare data operations such as Volpara's demonstrate the power of analytics to positively impact public health at an individual level. We're pleased to join Volpara in its quest to provide the rigorous analytics that bolster mammography's ability to detect breast cancer early and save women's lives."

Volpara's capital raising

On the basis of our success in launching *VolparaEnterprise* and increasing our US sales and marketing efforts, we have initiated a two-stage capital-raising program with Morgans Corporate Limited. On 22 November 2016, Volpara successfully completed a placement of 11.6 million shares at A\$0.60 per share to raise A\$7 million via Australian and New Zealand institutes. Along with a fully underwritten non-renounceable pro rata 1:20 entitlement offer at A\$0.60 per share, the capital raising will deliver approximately A\$10.7 million. The entitlement offer for shareholders opened on 30 November.

At 30 September 2016, Volpara had a closing cash position of A\$6.4 million. Volpara will use the proceeds from the capital raising to accelerate the business development and sales of our products in two major ways: (1) growing the global sales team and increasing focus on product development; and (2) supplementing working capital to support the rollout of *VolparaEnterprise* software through our SaaS subscription-based model.

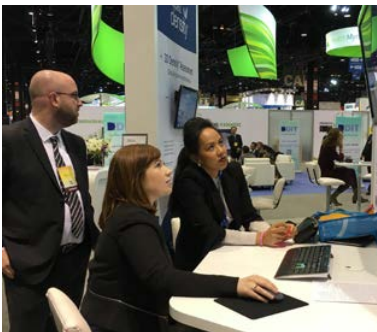
Key date: 15 December 2016.
Entitlement offer closes for shareholders.

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Volpara unveils *VolparaEnterprise* 2.0 at RSNA 2016

Last week Volpara returned to the RSNA annual meeting. Held each year at the end of November in Chicago, RSNA is the world's largest radiology meeting. Volpara's global sales team was present, as were five members of our senior management team and board of directors: CEO Dr Ralph Highnam, Professor Sir Michael Brady, CTO David Murray, CCO Mark Koeniguer and CMO Julian Marshall.



This year Volpara featured the launch of *VolparaEnterprise* 2.0 in an expanded booth. The new product was met with an enthusiastic reception by breast imaging managers and their teams, who eagerly anticipate the opportunity to provide objective feedback to technologists on their ability to position the breast correctly during mammography and compress the breast so as to optimise clinical performance and help make the examination more comfortable.

Over the course of the five-day exhibition, Volpara captured more than three times the number of sales leads than garnered at last year's meeting. That is a gratifying but expected result, given both *VolparaEnterprise*'s expanded features and the FDA's recent introduction of the EQUIP questions into the annual inspection process for US mammography facilities.



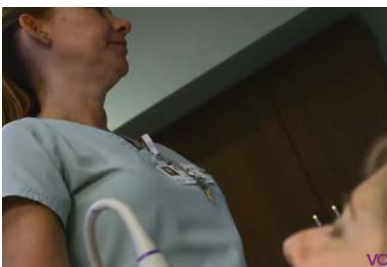
Volpara media

Recently, Volpara CEO Ralph Highnam was interviewed by Finance New Networks' Clive Tompkins. They discussed Volpara's half-year results, implications of the FDA's upcoming EQUIP initiative for US breast imaging centres, and the part *VolparaDensity* will play in the latest version of the Tyrer-Cuzick Breast Cancer Risk Assessment Tool.



One of Volpara's customers, Boca Raton Regional Hospital, was featured in an educational video that aired on US public television in October. The video, introduced by actor James Earl Jones on his *Behind the Scenes* show, was also displayed at the Volpara booth at the RSNA conference in Chicago.

"Adding *VolparaEnterprise* software has enabled us to implement new quality processes that will help ensure that every woman's mammogram is the best that we can offer."—Kathy Schilling, MD, Medical Director of Boca Raton Regional Hospital's Christine E. Lynn women's Health & Wellness Institute



Volpara launches #BreastKeptSecret educational campaign



Global recognition of breast density as a risk for breast cancer continues to grow. Moreover, a majority of women in Australia want to be informed of their breast density.

According to a recent online survey of over 500 Australian women, "64% of women said they would want to find out their breast density—this was significantly higher in Victoria (73%)". The survey, conducted by AMR, was commissioned by #BreastKeptSecret, the educational campaign launched by Volpara in October, Breast Awareness Month.

#BreastKeptSecret aims to encourage conversation and drive awareness around the importance of breast density. The campaign, which includes an educational website as well as social media channels on Facebook and Twitter, was developed by Kylea Tink, former CEO of the McGrath Foundation, of Kylea Tink & Associates.

Volpara's educational campaign comes as several groups in Australia, including the academic alliance INFORMD (INformation FORum on Mammographic Density), have drawn increased media attention to the risks associated with high breast density.

Volpara a winner at New Zealand Innovation Awards

Volpara was recently named the winner in the Innovation in Health & Science category at the New Zealand Innovation Awards 2016. Volpara also earned a "highly commended" in the Innovation in Technology Solutions category.

"Congratulations to the Volpara team for their vision and commitment to applying technology to save women's lives. This is a very strong entry and potentially game changing in health with huge growth potential. It's fantastic to read about the impact of your product and service, both in terms of commercial returns and in

terms of saving lives. There's a lot that is impressive about what you have achieved so far—the IP portfolio, the market traction, the clever design."—The NZ Innovation Council



Latest research

The last quarter has been a very active one for Volpara research.

Elizabeth Wende Breast Care in New York has released the first peer-reviewed article that relates any automated volumetric density to the risk of missing cancer. Volpara density showed an almost perfect linear relationship with increased risk of missing cancer—one that was more precise than exhibited by visual assessment of density. Furthermore, Volpara's ability to provide a continuous measure of density revealed high variation in risk among women who would simply be classified as "dense" by visual assessment. It led the authors to conclude that Volpara "can be used to define more appropriate cut-offs for women who may benefit from adjunct screening and aid in discussions with women about the risk of cancers not detected at screening".

Another exciting development is the announcement in *Diagnostic Imaging Europe* of the eighth version of the Tyrer-Cuzick breast cancer risk prediction model, which now incorporates breast density as a risk factor. Density can be input in one of three formats—automated, objective, Volpara density; or subjectively assessed visual in either Breast Imaging Reporting and Data System (BI-RADS) or Visual Analogue Scale (VAS) format. Tyrer-Cuzick is widely accepted by clinical advisory bodies and US payers and can aid in decisions regarding who might benefit from genetics testing and/or annual screening breast MRI, both significant revenue opportunities for Volpara's customers.

Volpara density has already been confirmed in multiple studies to predict breast cancer risk. This quarter saw independent researchers from Stanford University, the Mayo Clinic and the University of Arkansas confirming this. First, Stanford showed that women in the top quarter of Volpara density had a two-fold greater risk of having breast cancer compared to the "average woman", with Volpara having near-equivalent predictive ability to one of Stanford's leading radiologists. Results from the Mayo Clinic presented at RSNA showed that Volpara is superior to the automated density tools Quantra and LIBRA for predicting breast cancer risk. At the same meeting, researchers from the University of Arkansas showed that women in the top quarter of Volpara density have a 120% increased risk of breast cancer.

Monitoring breast density changes over time is another clinical use of Volpara. As described in our last research update, Holland et al. have established Volpara to be a more reliable measure of temporal assessment than visually assessed BI-RADS. Though it remains to be seen if Volpara is accurate enough to judge small changes in density in response to drug intervention, it is notable that researchers from Sweden's Karolinska Institute have selected Volpara as the tool of choice for measuring breast density in the ongoing KARISMA intervention trial, as presented this week at the San Antonio Breast Cancer Symposium. This trial aims to select an effective dose of tamoxifen (as marked by breast density reduction) with an optimal side effect profile. Thus, changes in breast density measured by Volpara may serve as a valuable marker of therapy response.

Volpara measures not only density but also compression pressure during mammography—a critical element for optimising image quality and radiation dose, but one that can be painful for women when applied in excess. Correct calculation of compression is highly dependent on accurate measurement of the contact area between the breast and the compression paddle. Last week at RSNA, researchers from the Netherlands showed that Volpara's breast contact area estimates have near-perfect correlation to retrospective manual segmentation, considered a gold standard for measuring contact area. Another presentation at the same conference described the results of using Volpara to measure compression pressure in the Dutch screening program. The best cancer detection rate and positive predictive value was to be found at intermediate values of breast compression; compression pressures that were very high or very low were both associated with significantly impaired screening performance. In conjunction, these results show that Volpara produces high-quality measurements of breast compression that can be used to guide optimal cancer detection in women.