

Friday 18th November 2016

ASX Announcement – MICRO-X LIMITED (ASX: MX1)

2016 AGM Chairman's Address

Ladies and Gentlemen,

My name is Patrick O'Brien and as Chairman of Micro-X Limited I welcome you to the company's 2016 Annual General Meeting.

I will spend a few minutes sharing my thoughts on the progress of the company over the financial year, including an update on our more recent activities and expectations for key milestones in the coming months.

Following this address there will be an opportunity to ask any questions you may have for me or our Managing Director, Peter Rowland, before we proceed with the formal business of the meeting.

Then, after the close of the meeting, you are all invited to join Peter on a tour of the Micro-X facility, conveniently located 100 metres directly to the south of here.

We achieved a major milestone for the company during the financial year when we listed on the Australian Securities Exchange just before Christmas. We are delighted to welcome shareholders that support our vision to develop Micro-X into a global company that leads the world in light-weight X-Ray innovation.

In the Review of Operations in the Annual Report we set out a detailed overview of milestones achieved in each month of the financial year as we progressed the development of three ground-breaking products that form the first building blocks towards our longer-term ambition.

From my perspective, I think this progress can be grouped into four categories:

First, in relation to **people**, at the time of listing Micro-X had just two full-time employees, supported by outsourced product development capability from Hydrix. As we progress towards commercial sales of our lead product – the DRX Revolution Nano – we have built out our capability to ensure we have the skills needed to deliver on our plans for the business. Today, we have 15 full-time staff here in Tonsley with strong capability across Manufacturing, Supply Chain, Final Assembly, Quality Management, Product Support and Finance. We are also adding engineering capability that positions us to do more of the R&D for future product development 'in-house'.

Around half of our people have joined Micro-X from GM Holden here in Adelaide. While all Australians will be sorry to see the end of car manufacturing industry in this country, Micro-X has been a huge beneficiary. The management culture and practices at Holden are world-class with a focus on cost, quality and reliability.

While the team has only come together quite recently, the Board couldn't be prouder of the work they have done to overcome various obstacles and prepare for the commercial launch of the Nano.

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The move into our **permanent facility** in August 2016 is the second important marker of our progress this year. Shifting the location of an assembly facility once a medical device has received regulatory approvals is a big headache, so it's critical that we get these decisions right the first time. Tonsley is proving to be a great location, with a community of high-technology businesses and ample space to support Micro-X's future expansion.

Turning now to **stakeholder relationships** – and for a young company we have forged some important connections. We appreciate the support of the South Australian Government in facilitating the move to Tonsley while the Australian Department of Defence is providing funding for the development of the Rover – the product we used to describe as the “Ruggedised Nano” – and the Mobile Backscatter Imager (“MBI”). More significantly, we're also grateful for the Department of Defence's ongoing input into ensuring these products are designed to meet the needs of our target customers.

Our relationship with Carestream Health has also matured during the year. Signing the Development and Supply agreements with Carestream in Rochester NY on 26 August 2016 was a symbolic milestone but much more important is the increased sense of partnership that has developed between our companies as we finalised the design of the Nano and move towards commercial launch.

As a newly listed company, we also need to develop our relationships with financial markets stakeholders. We've been working hard on this over the last couple of months as key commercial milestones have come more clearly into focus and, while we have early traction, this will be an ongoing focus over the medium term.

Most importantly, we have progressed our lead **product** to the point where the timetable to commercial launch is now clear. We provided regular updates in relation to the development of the Nano as we moved towards design freeze. This occurred in August and was followed by a comprehensive testing regime to support regulatory approvals of the product.

Particularly important was the satisfactory completion of Nano testing in October to the ISO0601 standard for mechanical, electrical and radiation safety. The last steps of our verification testing program for Nano will be completed next Wednesday, 23 November and documentation for lodgement of the 510 (K) application finalised in the days following.

Carestream recently issued a press release confirming that the Nano will be on display at their exhibition stand at the 101st Scientific Meeting of the Radiological Society of North America in Chicago which commences on Sunday, 27 November.

We anticipate receipt of the first purchase orders for production units of the Nano from Carestream early in the new year with first customer shipments to follow in the Northern Spring following Carestream's completion of its usual 'trade trials'.

We have high hopes for the Nano. At present, around 2,500 fully featured mobile digital X-Ray machines are sold globally each year, along with as many as 8,000 mobile analogue X-Ray machines. With its significant weight advantage, user-friendly design and a price point materially lower than any other fully-featured mobile digital X-Ray, we expect the Nano to draw sales from both of these market segments.

There's no better brand in digital mobile X-Ray than Carestream and this provides a high level of confidence that the product will be well and rapidly accepted by the market.

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While it may take a few years to fully exploit the market opportunity, we have configured our manufacturing capability to be able to deliver at a rate of 4 Nano units a day on a single shift.

Looking out a little further, we expect to make the first commercial sales of the Rover before the end of 2017 and that this product will continue our partnership with Carestream.

Once the Nano, the Rover and the MBI are all delivering on their sales potential, we are optimistic that Micro-X will generate annual sales of more than \$100 million from these three products alone. By that time, we anticipate a pipeline of additional products will be in development.

In closing, your Board is committed to growing a company which supplies our customers with highly innovative and value-creating products underpinned by engineering and manufacturing excellence. Under Peter's leadership, we are focused on embedding a culture, skills and focus that are consistent with this objective.

I am confident we are well-placed to take advantage of the opportunities before us as we build a company of enduring value.

About Micro-X: Micro-X Limited ("MX1") is an Australian Securities Exchange listed company developing and commercialising a range of highly innovative products based on proprietary carbon nanotube emitter technologies exclusively licensed and sourced from XinRay Systems Inc., a US based technology developer. These technologies enable the miniaturisation of a number of X-ray applications relevant to large global markets.