



Micro-X Limited,
1284 South Road, Tonsley,
Clovelly Park, South Australia, 5042

ABN: 21 153 273 735

Tuesday 31st January 2017

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

QUARTERLY CASH FLOW & BUSINESS UPDATE

Micro-X Limited ('**Micro-X**') is pleased to provide an update to accompany the attached Appendix 4C Quarterly Cash Flow report for the period ended 31st December 2016.

The company held cash at the end of quarter of \$5.6M representing a net increase of \$2.7M over the quarter. Cash receipts during the quarter included \$220k from project revenue under the company's current Australian Department of Defence contract and \$8.2M from the 2016 AusIndustry R&D Tax Incentive.

Development expenditures during the quarter were \$4.9M, in line with expectations, and mostly for activities and equipment related to pre-production builds of the Nano, Micro-X's ultra-lightweight hospital mobile X-ray imaging system. Other major expenditure categories related to accelerated life testing, a reliability growth program and payments made to Hydrix Services for verification and validation testing activities as well as preparing the quality documentation needed for regulatory submissions. Payments made to XinRay related to the establishment of production infrastructure for the proprietary CNT X-ray tubes exclusively supplied to Micro-X for the Nano.

Nano Commercialisation

The main development activity of the quarter was completion of compliance testing activities, the documentation of which took longer than anticipated due to the complexity and number of reports required from international third party agencies.

The entire documentation pack for the FDA 510(k) submission is now in the hands of Carestream's Regulatory Team, which is undertaking final checks for consistency and completeness and lodgment with FDA is expected shortly.

During December Carestream performed an extensive radiographer blind comparison study of cadaver images taken with Carestream's market-leading Revolution mobile X-Ray unit and Nano at The University of Rochester Medical Center. The results confirmed diagnostic quality of the Nano x-ray images and the imaging comparisons were very favourable. The study will be included in the 510(k) submission.

With the successful completion of the extensive program of design verification and validation and safety testing, the focus of activity at Tonsley has shifted to system reliability growth and demonstration. Due to the novelty of the design of the Nano, Micro-X has set a high target for reliability proving to ensure that any systemic flaws in design or construction which might give rise to post-installation service calls are identified and corrected prior to First Customer Shipments. Three Nano units are currently in system reliability test, each continually repeating a circuit of typical cart activities simulating operational use. This test program is planned to expand to seven units, each working 24/7 in a three-shift operation to achieve in excess of 250,000 operational cycles by end-March.

MICRO-X

A further 16 pre-production units are scheduled to be built in coming weeks to meet the needs of this program and to satisfy Carestream's needs for pre-launch marketing, promotional and in-house training.

The Nano's first public showing on the Carestream Health exhibition stand at the 102nd Scientific Meeting of the Radiological Society of North America in Chicago in November was enormously successful and drew intense interest from delegates from all over the world. Carestream ordered an additional pre-production Nano to be used for exhibition at the Arab Health Trade Show in Dubai in February and the European Congress of Radiology in Vienna in March. Micro-X staff have been requested to attend both shows to assist with promotional activities.

A large team from Carestream made visits to the new XinRay x-ray tube production facility in Raleigh, NC and Micro-X's assembly facility at Tonsley in January in order to conduct a production readiness review of facilities, processes and staff and to witness the reliability growth testing programs. The reviews were successful and Carestream expressed confidence in Micro-X's transition to production.

With very positive market acceptance of the product, Carestream now has the Nano launch as a high-priority project and is trying to complete preparations for production release to occur rapidly after regulatory clearances are in place and the Trade Trials and Reliability Proving tests are completed.

Micro-X anticipates receipt of the first purchase commitments for customer-deliverable units of the Nano during the current quarter. Given the very positive feedback from delegates at RSNA, Micro-X is currently planning with Carestream for surge-production scenarios in response to an anticipated increase in tender activity in the US market during this year. Reductions in reimbursement in the US from 2017 for non-digital x-ray imaging procedures is expected to encourage many hospitals to accelerate replacement of older mobile x-ray fleets with new DR units. The team is confident that production processes are robust and scalable in order to meet market demand.

Department of Defence Projects

A Nano/Rover cart was successfully trialed by 2nd General Health Battalion of the Australian Army at its 'Giant Viper' medical deployment exercise in November at Enoggera Barracks in Queensland. Feedback from radiographers and Joint Health Command staff was highly positive and the Rover's suitability for this operating environment was well demonstrated.

An out-of-the-box failure of a critical high voltage power supply purchased from a US equipment supplier has caused a delay in preparations for the Mobile Backscatter Imager ('MBI') imaging demonstration while it is returned to the US for repair. The imaging demonstration program has been halted pending the unit's return.

Staff and Facilities

Micro-X underwent its Stage Two ISO13485 audit in recent weeks and was complimented by the BSI auditor on the level of compliance achieved for a first-time audit. The small number of non-compliances found during the audit are expected to be corrected in time for a final review at the end of February. The auditor judged that the criticality of these were not of a significance that a return site visit would be required and instead a documentation review will be conducted remotely. The review is expected to lead to BSI's recommendation for accreditation.

There was no change in staff numbers during the quarter.



For further information please contact:

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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.

The Company has three initial products in its development pipeline – a mobile medical x-ray imager for hospitals, a version for deployed military use and a mobile security back-scatter imager. It is establishing manufacturing for these products in an ISO13485 certified facility in Tonsley, South Australia.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Micro-X Limited

ABN

21 153 273 735

Quarter ended ("current quarter")

December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	220	220
1.2 Payments for		
(a) research and development	(4,960)	(8,388)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(393)	(749)
(f) administration and corporate costs	(284)	(971)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	11
1.5 Interest and other costs of finance paid	(40)	(56)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (Research & Development Tax Incentive Refund)	8,219	8,219
1.8 Other (GST Refunds)	68	623
1.9 Net cash from / (used in) operating activities	2,837	(1,091)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(103)	(231)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) investments	-	-
	(d) intellectual property	(33)	(47)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(136)	(278)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	2,800
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	2,800

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,899	4,169
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,837	(1,091)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(136)	(278)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,800

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,600	5,600

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	5,600	2,899
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,600	2,899

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

99

-

Payments to Directors in relation to directors' fees and salaries for the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,000	2,800
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During the previous quarter, the company entered a loan commitment with the South Australian Government Financing Authority, amounting to \$3.0 million with an agreed interest rate of 5.75% per annum paid monthly in arrears.

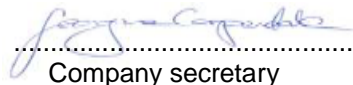
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(1,070)
9.2 Product manufacturing and operating costs	(2,082)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(1,001)
9.6 Administration and corporate costs	(130)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(4,283)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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Company secretary

Date: 31 January 2017

Print name: Georgina Carpendale

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.