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

2017 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 2017 Annual General Meeting.

In just a few minutes I will ask our CEO Peter Rowland to provide an overview of progress made over the last 12 months in relation to the three products in the company's development pipeline and related matters. But first I will provide some thoughts on key issues from the Board's perspective.

The company's major endeavour is the commercialisation of our carbon-nanotube technology. While we have a pipeline of products in development, of greatest near-term significance is the commercialisation of the DRX Revolution Nano, our ultra-lightweight mobile X-ray unit.

A key milestone was achieved in June 2017 when our distribution partner Carestream Health Inc. received notification from the US Food and Drug Administration that the 510(k) application for the product had been approved. It would be hard to overstate the significance of this approval to our company, and it is a credit to all involved.

With FDA approval secured, we hoped to progress rapidly with the commercial launch of the Nano. Against this backdrop, it was disappointing that Peter and his team had to address unforeseen obstacles as they worked to resolve quality and production issues in the supply chain associated with the transition to volume production processes.

While these issues have been the source of considerable frustration, and caused a delay in our ability to scale up to deliver Nanos in volume, the commitment shown by our supply chain partners and Carestream to work collaboratively to identify and resolve issues has been first rate. I'm pleased to say that Micro-X and Carestream are confident that these have all been resolved and we are now moving at speed towards the commercial launch of the Nano. Early this month we announced that Carestream had formally accepted the 'First From Production' carts at an event attended by Charlie Hicks, General Manager of Global X-ray Solutions at Carestream and witnessed by The Hon. Jay Weatherill, Premier of South Australia. Late last week Carestream showcased the Nano as a Carestream product on its website for the first time.

We have started to deliver against pre-launch orders of around \$600K from Carestream, to be fulfilled over the next couple of months. As per our OEM agreement, these sales support our distribution partner in its final internal processes prior to a full commercial launch. As you will hear from Peter in a few minutes, Carestream has presented the Nano at trade shows across the globe over the last year, and the response has been consistently encouraging.

The other revolutionary product in the Micro-X development pipeline is the MBI, or Mobile Backscatter Imaging device. While the development of this product has not met the timeline envisaged at the time of the Micro-X IPO due to our engineering team's focus on the Nano and a highly engaged voice of customer process, your Board is increasingly excited about the potential of this product.

Just yesterday, we demonstrated the core imaging performance in front of our Australian Defence Force ("ADF") customer. We are now working towards providing them a working prototype within the next 12 months. The remarkable clarity of the images surpassed the expectations of the ADF.

Arising out of the MBI development process, Micro-X has discovered and lodged patents for an exciting new imaging modality to enable three-dimensional imaging from a single viewpoint. In his presentation, Peter will speak publicly for the first time about this technology, including its enormous commercial potential.

This new imaging modality is attracting strong interest from a range of stakeholders, including the Lawrence Livermore National Laboratory in the United States. We have recently signed an agreement with Lawrence Livermore for collaboration and the development of joint applications for Department of Homeland Security funding.

Wherever possible we will be seeking grant funding to develop defence-related applications of Micro-X's core technology.

Alongside the work that has been done to progress the development and commercialisation of Micro-X's product pipeline, the Board has overseen a careful approach to building out the company's internal capability.

When I addressed the company's first AGM as a listed company 12 months ago, I noted that we had increased our team from just two full-time employees at the time of listing, supported by outsourced product development capability from Hydrix, to 15 full-time staff in Tonsley. During the course of the last 12 months we have continued to add engineering capability so that more of the R&D for future product development can be conducted in-house with better domain knowledge retention. We were particularly delighted to have Anthony Skeats join us as Engineering Manager in August. Anthony was previously the General Manager of Hydrix South Australia and has led the Nano engineering development program from the very beginning.

In August we also entered into an agreement with XinRay, our partner for carbon nano tube x-ray technology, for Micro-X to directly manage tube manufacture in North Carolina with a view to improving manufacturing processes and supply chain management. It's pleasing to report that strong initial progress has been made, and a Micro-X employee will remain located in Raleigh for the next several months as we continue to reduce costs, improve productivity and reduce manufacturing cycle times.

The final topic that I wish to discuss today is our commitment to having the right expertise around the Board table to both ensure sound governance for your company and provide stewardship of Micro-X's business.

On this front, we were pleased to welcome two new Board members during the year – Yasmin King joined us in December, bringing a strong background in compliance and corporate regulation as well as experience gained acting as lead negotiator for State and Federal Government procurement contracts.

Just last month Jim McDowell joined the Board, bringing more than 30 years of experience in international defence and aerospace sectors across the UK, the USA, Korea, Singapore, Hong Kong and Australia. Jim's background and more recent work, including his appointment in 2014 by the Australian Federal Government to the team to conduct the First Principles Review of the Australian Department of Defence, will be of great value as we expand Micro-X's interests in security and defence x-ray imaging modalities.

Later this afternoon you will have the opportunity to vote on the election of these two new directors to the company's Board, and to ask any questions that you may have in relation to their appointment.

In closing, your Board continues to be 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 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.