

Thursday 31st January 2019

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 2018.

The company held cash at the end of quarter of \$4.3M having recorded a net operating cash outflow for the quarter of \$3.1M. Cash receipts during the quarter were from sales of the DRX Revolution Nano to Carestream.

During the quarter Micro-X received \$1.2M of the \$2.4M that it was awarded in the previous quarter under the Advanced Manufacturing Growth Fund Grant by the Australian Government, Department of Industry, Innovation and Science to support Micro-X's investment in plant and equipment in a new state of the art manufacturing site in the Tonsley Innovation District.

Micro-X also received \$3.0M during the quarter from the placement of 30,000 Unsecured Mandatorily Convertible Notes in the previous quarter.

At the end of the quarter Micro-X completed a successful private placement of 7.4M Ordinary Shares to raise \$2.0M at an issue price of \$0.27 per Share (**'the Issue'**). Under the terms of the Issue investors will also receive call options on a 1 for 2 basis – 3.7M options in total. Of the \$2.0M raised, \$1.9M cash cleared Micro-X's bank account in the quarter.

Carestream DRX-Revolution Nano Mobile X-ray System Commercialisation

Micro-X's commercialisation of the Carestream DRX Revolution Nano achieved its most exciting milestone during the quarter as commercial sales to hospitals commenced in the USA. The Nano was featured strongly on the Carestream exhibition stand at the annual Radiological Society of North America Scientific Meeting in Chicago in November and there was strong procurement interest from visitors from all over the world. Early indications of unit sales volumes in the USA are very promising and in accordance with our expectations. To protect the confidentiality of Carestream's competitive position in the marketplace, Micro-X will not make public disclosure of unit sales volumes going forward.

Following achievement of the CE Mark accreditation first deliveries to Europe were made at the end of the year and first clinical use has now commenced there. The CE Mark has enabled a listing on the Australian Register of Therapeutic Goods for Australian sales activity to commence and other regulatory approval processes have commenced in Korea and Singapore.

Strategic Partnering

The development of the 'Grand Alliance' which we had hoped to conclude during the quarter was slowed by a change of scope and simplification of the arrangement which was mutually agreed with our preferred partner. The key tenets of technology and product collaborations backed by a significant investment remain as originally planned and preparations are on track for an expected closing later in the current quarter.

Future Aviation Security Solutions in UK

The presentation in London of Micro-X's Phase One deliverables under its Future Airport Security Solutions contract with the UK Government's Department for Transport was very well received and this has led to subsequent dialogue in October with the security authorities at Heathrow airport who identified a development pathway for the technology to much broader applications in airport security.

Corporate Development

Micro-X was invited to present its technology and roadmap of future health imaging products to the US joint services Defense Health Agency at Fort Detrick near Washington DC. This visit confirmed the Department of Defense's interest in new lightweight, deployable diagnostic imaging technology and Micro-X understands R&D funding in this area may become available in CY19.

Micro-X conducted a very successful proof-of-concept imaging trial of its Brain Tomographic Imager at the Royal Melbourne Hospital. The trial showed that image quality to enable stroke diagnosis was possible from a small, lightweight, x-ray unit which could be easily fitted in ambulances. Following the trial success, Micro-X is collaborating with the Melbourne Brain Centre in an application for funding under the current Frontier Health Program as part of the Australian Government's Medical Research Future Fund.

Micro-X's expansion of its in-house engineering capability has been boosted with a graduate intern program in Biomedical Engineering. Undergraduate engineers in this discipline on 20 week placements have also shown to be a valuable addition to the team as engineering of the company's next generation of products gets under way.

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 Ltd

ABN

21 153 273 735

Quarter ended ("current quarter")

31 December 2018

| 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 | 278 | 709 |
| 1.2 Payments for | | |
| (a) research and development | (2,336) | (3,812) |
| (b) product manufacturing and operating costs | (345) | (1,003) |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | (1,242) | (2,433) |
| (f) administration and corporate costs | (891) | (1,617) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 3 | 6 |
| 1.5 Interest and other costs of finance paid | (44) | (149) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 1,372 | 5,240 |
| 1.8 Other (GST Refunds) | 105 | 173 |
| 1.9 Net cash from / (used in) operating activities | (3,100) | (2,886) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (15) | (58) |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| (d) intellectual property | (29) | (29) |
| (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 | (44) | (87) |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | 1,867 | 1,867 |
| 3.2 Proceeds from issue of convertible notes | 3,000 | 3,025 |
| 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 | - | - |
| 3.6 Repayment of borrowings | - | (1,600) |
| 3.7 Transaction costs related to loans and borrowings | (39) | (39) |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | 4,828 | 3,253 |

| | | |
|---|---------|---------|
| 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 | 2,658 | 4,062 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (3,100) | (2,886) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (44) | (87) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | 4,828 | 3,253 |

| 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 | 4,342 | 4,342 |

| 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 | 4,293 | 2,609 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (Term Deposit) | 49 | 49 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,342 | 2,658 |

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 |
|------------------------------------|
|------------------------------------|

| |
|-------|
| (107) |
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| - |
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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 |
|------------------------------------|
|------------------------------------|

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| - |
|---|

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| - |
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| 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 | 3,000 |
| 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. | | |


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|--|--|

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|--------------|
| 9.1 Research and development | 2,496 |
| 9.2 Product manufacturing and operating costs | 300 |
| 9.3 Advertising and marketing | - |
| 9.4 Leased assets | 66 |
| 9.5 Staff costs | 567 |
| 9.6 Administration and corporate costs | 205 |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | 3,634 |

| 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:  Date:31/01/19.....
(Director/Company secretary)

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.