

**Tuesday 30<sup>th</sup> April 2019**

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

### **QUARTERLY CASH FLOW & BUSINESS UPDATE**

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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 31<sup>st</sup> December 2018. The company held cash at the end of quarter of \$1.5M.

#### **CARESTREAM DRX-Revolution Nano Mobile X-ray System Commercialisation**

Micro-X's commercialisation of the Carestream DRX Revolution Nano continued during the quarter following achievement of the CE Mark accreditation in Europe as sales activities ramped up and installations in hospitals commenced in Europe. Although the first quarter of each calendar year is normally quiet for all medical device sales into hospitals, early indications of unit sales interest and purchase orders in both the USA and Europe are still very promising and in accordance with our expectations for the first full year.

Cash receipts during the quarter were from sales of the DRX Revolution Nano to Carestream.

#### **Strategic Partnering with Thales Group**

Micro-X signed contracts during the quarter to bring into effect its new alliance with Thales Group, the world-leading aerospace, defence, transportation and security technology company headquartered in Paris, France.

The centrepiece of the alliance is a teaming agreement whereby Thales will licence Micro-X's technology in three-dimensional x-ray imaging which will become part of a new high-speed airport checkpoint security system providing a quantum leap in throughput and threat detection. Thales will contract Micro-X's engineering capability to design and develop the core imaging subsystem which may be built at Micro-X's facility in Adelaide. Thales will integrate these subsystems into new checkpoint screening solutions. The potential revenue impact of this project to Micro-X can be estimated closer to the product launch date

The unique product solution planned for this airport checkpoint system is based on the dual backscatter/transmission technology which Micro-X developed and demonstrated under contract to the UK Government's Department for Transport as part of the Future Aviation Security Solutions program. Thales is already a major global supplier of technology solutions in air transportation including aircraft avionics, air traffic control and airport security systems.

A collaboration on the global sales and support of Micro-X's counter-terrorism Mobile Backscatter Imager for assessment of Improvised Explosive Devices (IEDs) forms the second part of the alliance. Design and development is already underway in Adelaide following very positive end-user feedback in the USA and Australia about the operational concept and the imaging performance demonstration conducted for the Australian Defence Force's Counter-IED Task Force. Micro-X is already well-positioned in preparation for direct sales to the Five Eyes alliance countries (USA, UK, Canada, Australia & NZ). Under this collaboration

Thales, an established global supplier of defence and security technology systems, will sell the MBI product on an OEM basis, manufactured in Adelaide, throughout the rest of the world.

Underpinning the alliance on new products, Micro-X and Thales will join forces on the design and manufacture of a revolutionary new range of ultra-miniature X-ray tubes combining Micro-X's world-leading experience in CNT x-ray sources with Thales' 60 years' experience in X-ray devices. These tubes will be produced by Thales and manufactured in France, and will power both Thales' and Micro-X's future roadmap of innovative x-ray products for medical and security markets.

As part of the Strategic Partnering agreements, Thales will subscribe for a 6-year A\$10M convertible bond. The loan will be convertible at any time during the sixth year of the loan at a 20% discount to the 30-day VWAP at the time of conversion. The bonds will pay an annual interest rate 185 bps above the 6-month Australian BBSW, equating to a rate of approximately 3.7% at present. This deal is subject to approval from the Foreign Investment Review Board ("FIRB"). Upon approval, Micro-X shall receive A\$5M proceeds from the issuance of the bond with the balance being drawn on an as-required basis to support the planned technology and product development program.

### **Research & Development Incentive Secured Loan**

A forward financing facility of \$3.0M secured against Micro-X's projected FY2019 AusIndustry R&D Tax Incentive refund was put in place in April 2019. The first drawdown of \$1.5M was made in April, with the balance to be drawn following the completion of ongoing due diligence. The Board is of the view that this will assist in the management of existing cash reserves while awaiting approval from FIRB.

### **Medical Research Future Fund – Frontier Health Program**

The Frontier Health and Medical Research program of the Medical Research Future Fund creates opportunities for researcher collaborations to explore bold and innovative ideas in the health and medical research sector and/or make discoveries of great potential and global impact. Micro-X collaborated with two groups in submitting applications in February for Stage One funding:

The Melbourne Brain Centre at the Royal Melbourne Hospital for imaging research for Micro-X's Brain Tomographic Imager for mobile stroke diagnosis in ambulances, following a very successful proof-of-concept imaging trial at the Royal Melbourne Hospital.

The Australian Lung Health Initiative is a collaboration between 4Dx Ltd, Micro-X, The University of Adelaide, Monash University, and South Australian Health and Medical Research Institute (SAHMRI) to research and develop ground-breaking four dimensional lung function imaging analysis technology.

At the time of writing, the Australian Lung Health Initiative has been advised that the group will be one of ten projects selected from a large number of applicants to be funded in Phase One. Funding will be \$960k to develop detailed data and planning to apply for up to \$50M for a Frontiers Stage Two application. Applications were assessed by an International Scientific Peer Review Panel to ensure those recommended for funding could deliver a globally relevant health impact.

Announcement of the other successful applicants is expected to be imminent.

## Rover

The Department of Defence has selected a preferred tenderer for the prime contractor/turnkey supply, management and support of a new deployable medical facility for the Australian Army under their procurement project JP2060. Adelaide based SAAB Australia has been provided with further clarification details of Micro-X's proposal to supply the radiology segment for the facility. Signature of the prime contract with the Commonwealth is expected towards the end of CY 2019.

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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 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	670	1,378
1.2 Payments for		
(a) research and development	(542)	(4,355)
(b) product manufacturing and operating costs	(1,271)	(2,274)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(1,041)	(3,474)
(f) administration and corporate costs	(346)	(1,961)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid	(50)	(199)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	5,240
1.8 Other (GST Refunds)	110	283
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,467)</b>	<b>(5,353)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(462)	(520)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property	(32)	(61)
	(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	<b>Net cash from / (used in) investing activities</b>	<b>(494)</b>	<b>(581)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	100	1,967
3.2	Proceeds from issue of convertible notes	-	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)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>100</b>	<b>3,353</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,342	4,062
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,467)	(5,353)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(494)	(581)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	100	3,353

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>1,481</b>	<b>1,481</b>

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	1,432	4,293
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit	49	49
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,481</b>	<b>4,342</b>

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(93)
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	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	1,939
9.2 Product manufacturing and operating costs	776
9.3 Advertising and marketing	-
9.4 Leased assets	87
9.5 Staff costs	1,205
9.6 Administration and corporate costs	301
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>4,308</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	Xinray Systems Inc
10.2 Place of incorporation or registration	-	United States
10.3 Consideration for acquisition or disposal	-	\$2.1M – Non-cash transaction, applied against outstanding payables invoices.
10.4 Total net assets	-	\$1.8M Book Value at date of disposal. Net gain non-cash recognised in books on finalisation of this transaction.
10.5 Nature of business	-	Supplier

### 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: .....  
(Director/Company secretary)

Date: .....30/04/19.....

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.