

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 DECEMBER 2021

Adelaide, Australia, 27th January 2022: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for health and security markets globally, filed its Appendix 4C – Quarterly Cashflow Report and Activities Update for the quarter ended 31 December 2021 to the ASX platform earlier today.

The Company has identified a typographical error in the Heading of the third column on pages 6, 7 and 8 of the Appendix 4C “**Year to Date (12 months)**”. This should have read “**Year to Date (6 months)**”. The corrected December 2021 Quarterly is **attached**.

This ASX Announcement is authorised by Kingsley Hall, Company Secretary.

– ENDS –

About Micro-X

Micro-X Limited (the **Company**) is an ASX listed hi-tech company developing and commercialising a range of innovative products for global health and security markets, based on proprietary cold cathode, carbon nanotube (CNT) emitter technology. The electronic control of emitters with this technology enables x-ray products with significant reduction in size, weight, and power requirements, enabling greater mobility and ease of use in existing x-ray markets and a range of new and unique security and defence applications. Micro-X has a fully vertically integrated design and production facility in Adelaide, Australia. A growing technical and commercial team based in Seattle is rapidly expanding Micro-X's US business.

Micro-X's product portfolio is built in four, high margin, product lines in health and security. The first commercial mobile digital radiology products are currently sold for diagnostic imaging in global healthcare, military, and veterinary applications. An X-ray Camera for security imaging of Improvised Explosive Devices is in advanced development. The US Department of Homeland Security has selected Micro-X to design a next-generation Airport Checkpoint Portal with self-service x-ray. A miniature brain CT imager for pre-hospital stroke diagnosis in ambulances, is being developed with funding from the Australian Government's Medical Research Future Fund.

For more information visit: www.micro-x.com

CONTACTS

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Adelaide, Australia, 27th January 2022: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for health and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Activities Update for the quarter ended 31 December 2021 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Mobile DR focussed on major growth in adding new distribution to drive future sales**
 - Micro-X debuted at the RSNA 107th Scientific Assembly and Annual Meeting in Chicago, the world's largest global radiology trade show, with exceptionally positive feedback and interest
 - Over 20 new distributor and dealer contracts in North America and EMEA being progressed
 - Next generation Rover regulatory testing on track for global commercial launch in February 2022
 - Customer receipts of \$0.46 million for the Quarter – expected to grow with expanded network
- **IED X-ray camera 'Argus' well advanced for first customer demonstrations and sales in 2022**
 - Growing sales pipeline following Argus on show at major US bomb technician meeting in Florida - 7 requests for demonstrations as soon as available from Federal and state law enforcement and military
 - Responses submitted to RFIs for Australian and UK military counter-IED acquisition programs
 - Concept demonstration prototypes planned for April 2022 for customer and external validation trials
- **Micro-X was proud to host and showcase Prime Minister, Hon. Scott Morrison at its Tonsley facility**
- **Proactive \$2 million additional investment in inventory of long lead time items, including completed Mobile DR units shipped to Seattle, to combat global supply chain issues**
- **Cash balance of \$19.94 million at 31 December 2021**

Commercialisation & Development Activities

Mobile DR Business Unit – Successful RSNA exhibition and building network to deliver sales

During the Quarter, Micro-X was pleased to make its debut as an exhibitor under its own branding at the Radiological Society of North America's 107th Scientific Assembly and Annual Meeting in Chicago, and to be selected to give formal presentations on its technology. This leading radiology industry conference was an important global launch of Micro-X's brand as an innovative supplier of game-changing radiology products. It was apposite that the theme for RSNA 2021 was 'Redefining Radiology' and Micro-X's showcasing of its innovative technology and its current and future products quickly became known as a booth which all delegates to the conference wished to visit.

Apart from the brand launch, Micro-X's key objective at RSNA was to meet and recruit a large number of new distributors to drive sales volumes of the Mobile DR product range. To this end the team of nine Micro-X sales and management executives held productive meetings with every major multi-national x-ray and detector company, a dozen large x-ray systems integrators and over 60 independent distributors from the Americas, Europe, and the Middle East. Additionally, the team also gave a large number of product demonstrations with clinicians and potential customers to raise awareness of the practical benefits of such lightweight imaging solutions in day-to-day radiography. In an unprecedented move in the industry, Micro-X unveiled a lifetime warranty on its medical imaging x-ray tubes to emphasise its confidence in the

technical maturity of the new cold-cathode technology, further differentiating the quality, simplicity, reliability and reduced cost-of-ownership of Micro-X's products compared with many conventional mobile x-ray solutions.

The reception at all meetings and from delegates who visited the booth exceeded expectations with many repeat visitors and overwhelmingly positive feedback from radiology and industry experts. Following the conference, the sales team is currently progressing over 20 new distributor arrangements with some contracts already executed and others in negotiation. The RSNA meeting was an important success in positioning Micro-X to build a deeper and more effective international sales network for the Mobile DR range. To ensure minimal delays in meeting anticipated sales orders generated and to reduce freight costs, Micro-X has shipped a substantial number of Mobile DR units to its Seattle distribution centre.

The Micro-X Mobile DR range will soon be enhanced by the launch of the second generation Rover. This is planned to be available for customers during the March quarter pending completion of internal testing and self-certification processes. The next generation mobile DR products will deliver significant extensions of imaging capability with a four-fold increase in x-ray output making it highly suitable for the specialised imaging needs in Emergency Departments, Operating Theatres, and other trauma imaging. The introduction of the in-house designed and manufactured high voltage generator, currently the most expensive component in the Rover, will also deliver strong margin improvement.

Micro-X is also progressing its CE Marking for Rover with its application for accreditation under the new Medical Device Regulations in Europe. This is taking longer than expected due to the high workload with Notified Bodies as medical device manufacturers all over the world are seeking the new accreditation simultaneously. The CE Marking is expected to complete in the March 2022 quarter and this will open up further sales and distribution opportunities in Europe, currently unavailable to us.

X-Ray Camera Business Unit – Pre-commercialisation activities and growing pipeline for 2022 sales

A major focus for the Company is this year's commercial launch of Micro-X's second product line, Argus, the IED X-ray camera, with its much higher selling price and margins. Development of the Argus product is in its final stages with market entry and product launch activities in planning to support customer demonstrations in the June quarter followed by scale up of production and sales.

The technical development work on the IED X-ray camera continued during the Quarter and, despite some supply-chain challenges, is on track for system integration and first imaging this quarter. Concept Demonstration Prototypes are planned to be available for customer demonstrations during the June Quarter with pre-production unit builds commencing in mid-2022. As part of Argus' commercialisation strategy, the Company has begun to pre-emptively build up inventory to support production scale-up so that its sales expectations can be protected from any future supply chain issues.

During the Quarter, Micro-X successfully showcased Argus at the US Bomb Technicians Association's (USBTA) Annual Critical Skills Challenge and Outdoor Technology Trade Show in Florida on 30th November and 1st December 2021. The USBTA is a key industry organisation for training active bomb technicians and for evaluation of emerging and cutting-edge technologies in bomb disposal. The event was well attended by military and police counter IED organisations with the Argus attracting enormous interest from the US Federal Government and State Police bomb squad technicians. A Senior Federal Agency Bomb Technician said to the Micro-X sales team that *"This product is what we have been looking for, and waiting for, for years"*.

This is the third major international security conference at which Micro-X has showcased this game-changing new technology to build product awareness in the industry and amongst potential customers ahead of the product launch. The USBTA conference alone has generated seven formal requests by Federal Law Enforcement agencies, Military Explosive Ordnance Disposal teams and State Police forces for product demonstrations as soon as the first units are available.

Micro-X has also been invited to provide responses to Requests for Information issued by Australian DoD and UK MoD procurement agencies to inform their respective planned acquisitions of future technology for EOD and counter-IED operations.

Checkpoints Business Unit – ‘Missing link’ in aviation security and strong interest received

This Quarter the Checkpoints development team, based in Seattle, achieved a number of project milestones in their two contracts with the US Department of Homeland Security (DHS) which delivered \$0.4M in receipts.

Commercially, a key highlight for the Checkpoints Business Unit was the successful attendance at the Future Travel Experience (FTE) Conference in Las Vegas between 7th and 9th December 2021. The conference is a major draw for airline and airport managers world-wide and involved over 100 speakers and 55 exhibitors. The Micro-X Miniature CT baggage scanner was on display at the conference and many delegates referred to it as the ‘missing link’ in passenger-friendly security in airports as it provides an optimal solution to the most challenging and invasive point in the passenger’s journey. The DHS contracts with Micro-X Inc. were of great interest to attendees with representatives from a number of airlines and other airports indicating a desire to introduce this technology to transform their passenger experience as soon as possible.

CT Business Unit – Space model of Brain CT Scanner displayed to high acclaim

Development activities on the scanner proceeded as planned during the Quarter. The TV news images of the Micro-X Brain CT in a RFDS aircraft at September’s signing of the development funding Project Agreement with the Australian Stroke Alliance have created extraordinary global interest. The Micro-X team showcased the videos and the space model of the future Brain CT Scanner at its RSNA booth. The concept of a CT scanner so small it could fly captured the imagination of many and the exhibit drew crowds of interested delegates each day, impressed by the miniaturisation capability of Micro-X’s carbon nanotube technology.

Corporate Activities

The Company’s Annual General Meeting was held on 19 November 2021 where Managing Director and CEO, Peter Rowland provided an overview of the Company with its newly implemented organisational structure in business units for each product line.

Micro-X was honoured to receive a request from the Prime Minister, The Hon Scott Morrison, to visit its Tonsley facility in South Australia to view first-hand its globally successful technology and products as an example of the Australian Government’s Modern Manufacturing Strategy. The Prime Minister’s speech following the tour of the company recognised the Federal Government’s funding of the Brain CT scanner and its potential to save lives by revolutionising the way stroke is diagnosed and treated in the future.

Financial Summary & Cashflows

During the Quarter, the Company:

- built, shipped, and invoiced \$0.7 million of Mobile DR units and associated parts;
- received \$0.5 million in customer receipts from sales, \$0.4 million from its contracts with DHS and a further \$2.1 million from the Federal Government R&D tax rebate;
- had cash outflows from Operations of \$8.18 million, resulting in net operating cash outflows of \$5.26 million. These outflows included a major \$2 million investment to ramp up inventory of completed Mobile DR units and also long lead time items to overcome supply chain challenges as a result of COVID related issues currently impacting global logistics
- payments to Directors were \$0.14 million, relating to the salary of the Managing Director and fees for Non-Executive Directors;
- had cash outflows of \$0.29 million from Investing Activities, for buying additional equipment;

- had cash outflows of \$0.17 million from Financing Activities, representing the principal component of operating lease repayments as calculated under AASB 1016;
- had overall net cash outflows of \$5.71 million and a cash balance of \$19.94 million as at 31 December 2021.

The ramp up in inventory this Quarter will see reduced expenditure on Mobile DR inventory in the coming quarters, especially if supply chain issues stabilise.

Future Outlook

The positive feedback received from attending several highly regarded industry conferences in the US this Quarter was another strong customer endorsement for the Company's innovative technology and product range. Looking forward, the Company's focus will be completing agreements with a number of the new distributors and dealerships engaged from the RSNA meeting and commencing their training and initial stocking for their territories. Completion of the certification for the Rover Mark II in the March 2022 quarter along with European approval for the Rover will also play a vital role in the ramp up of sales volumes throughout 2022.

The second key objective for the first half of 2022 is to complete the technical development of the Argus IED X-ray camera and build pre-launch sales activities to support a successful commercial launch in the second half of the year. The key technical milestones will be the first testing of the new 160kV x-ray tubes in the coming months, ahead of a full systems integration and imaging tests of Concept Demonstration Prototypes in early second quarter 2022. From there a number of these prototypes will be built to enable multiple customers to commence their own trials and for a third party independent validation of the product performance and features.

The third key objective will be to progress the technical development of the Miniature Baggage CT Scanner, which is just over one year away from achievement of a prototype for the DHS.

Micro-X's Managing Director, Peter Rowland, commented:

"We were overwhelmed by the level of interest and positive feedback our products received from the marketplace across two short weeks in December in the US, as it seems many more people have come to recognise the impact our technology and products are making and will make across the healthcare, defence and security industries. At the RSNA Annual Meeting Micro-X made a huge impact and I was proud to hear firsthand the acclaim from so many clinical and radiology industry leaders for what the Micro-X team has achieved. We are all excited for what is to come in 2022, particularly the commercial launch of the world's first IED X-ray camera, Argus, with its much higher selling price and margins. But our immediate priority in 2022 is on converting the strong level of interest we have received into sales momentum and sales revenues."

This ASX Announcement is authorised by the Board of Micro-X.

Investor Conference Call

The Company will hold a conference call at **9.00am AEDT on Tuesday 1st February 2022** to discuss the Company's activities and financial results for the Quarter and the business outlook. Micro-X's Managing Director, Peter Rowland, and CFO Kingsley Hall will host the call as usual and there will be an opportunity for participants to ask questions. We have been advised by our conference facility provider that due to heavy call volumes at this time, participants are encouraged to use the link below to pre-register and obtain a unique PIN to access the call.

To pre-register for the call, please follow the link below. A unique PIN will be provided for use when dialling into the call, which will bypass the operator and provide immediate access to the event. A recording of the call will be available on the Investor Centre section of the Company's website for 60 days after the call.

<https://s1.c-conf.com/diamondpass/10019272-fh5mal1.html>

If participants choose to dial into the call directly, please allow additional time and dial in 10 to 15 minutes prior to the call time and enter the **Conference ID: 10019272**. Dial in numbers are as follows:

Australian Toll Free: **1800 809 971**
New Zealand callers: 0800 453 055
Other callers: +61 2 9007 3187

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Micro-X Ltd

ABN

21 153 273 735

Quarter ended ("current quarter")

31 December 2021

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	455	1,182
1.2 Payments for		
(a) research and development	(805)	(1,345)
(b) product manufacturing and operating costs	(3,036)	(4,425)
(c) advertising and marketing	(288)	(430)
(d) leased assets	(25)	(43)
(e) staff costs	(3,132)	(5,981)
(f) administration and corporate costs	(824)	(1,487)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives		
(a) ASA MRFF Grant	-	520
(b) DHS Checkpoint Program	386	386
(c) Research & Development Tax Incentive	2,079	2,079
(d) Other	-	161
1.8 Other		
(a) AASB 16 Lease interest payments	(73)	(146)
(b) GST	0	197
1.9 Net cash from / (used in) operating activities	(5,263)	(9,331)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(286)	(546)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	(286)	(546)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	(a) AASB 16 lease principal repayments	(167)	(312)
3.10	Net cash from / (used in) financing activities	(167)	(312)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	25,660	30,133
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,263)	(9,331)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(286)	(546)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(167)	(312)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19,944	19,944

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	19,716	25,432
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	228	228
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,944	25,660

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(136)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,263)
8.2	Cash and cash equivalents at quarter end (item 4.6)	19,944
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	19,944
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.8
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 27 January 2022

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.