

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 DECEMBER 2022

Investor Conference Call At 9.00am AEDT on Thursday 2 February 2023

Adelaide, Australia, 30th January 2023: 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 2022 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Mobile DR sales of \$1.23M for the Quarter from direct sales and distributor channels – growing pipeline**
 - **FDA certification of Rover with Vieworks detector - \$1M annual commitment from Medlink commenced**
 - **Next generation Rover Plus listed on ARTG - now available for sale in Australia**
 - **RSNA 108th Scientific Assembly & Annual Meeting in Chicago**
- **IED X-ray camera, Argus final design units successfully built – validation testing of systems underway**
 - **Customer demonstrations for Argus on track for Q2 2023 – commercial launch mid 2023**
- **Varex increases strategic investment in Micro-X to 9.9% shareholding following FIRB approval**
 - **Imaging industry expert, Andrew Hartmann, joins the Micro-X Board**
- **Operating cash receipts of \$6.6M and \$4.0M financing receipts for the Quarter**
- **Cash balance at 31 December 2022 increases to \$11.4M**

Commercialisation & Development Activities

During the Quarter, Micro-X made considerable progress in its long term strategic investment and technology collaboration with Varex Imaging Corporation (**Varex**) (NASDAQ: VREX). Under the equity subscription agreement Varex has invested a total of \$7.5M over two tranches, now holding a 9.9% substantial shareholding in Micro-X, and Varex Senior Vice President Andrew Hartmann, joined the Micro-X Board in December 2022.

Operationally, the teams at Micro-X and Varex have been advancing their technology licensing collaboration. Already, this collaboration with the largest independent manufacturer of x-ray components, renowned for its technology leadership, has created new interest in Micro-X. This has led to an increased level of engagement across the global imaging industry as well as from investors and research analysts both locally and in the United States, where the true opportunity of the Micro-X cold cathode technology is starting to become better understood and valued.

All Micro-X's four business units demonstrated improving commercial progress as well as development achievements across the Quarter and as usual these are reported below in the order of commercial maturity.

Mobile DR Business Unit

The Mobile DR business unit achieved \$1.23m of sales of during the Quarter driven largely by an increased closure rate as the sales pipeline matures and is a positive sign for our renewed “go to market” strategy.

A key element of growth in the pipeline of Rover sales in coming quarters will be the addition of the Vieworks variant of the Micro-X Rover, now available for sale in the US market. In December 2022, Micro-X completed the FDA regulatory process for this Micro-X Rover variant incorporating the Vieworks detector and software. Vieworks is a global

manufacturer of x-ray imaging detectors, based in South Korea and is also the parent entity of Medlink. Medlink has a minimum purchase commitment of \$1M of Micro-X Rovers for each of the next three years following this FDA clearance.

Medlink, who is the second-largest independent and nationwide distributor of digital radiology equipment in the US, has already placed its first order for \$0.25M of Micro-X Rover systems for delivery ex Seattle. They are now actively marketing the Rover to their network of over 100 sub-distributors across the US with preliminary ground work commencing at the RSNA conference in late November. Both Micro-X and Medlink are expecting this will be a large and growing base of Rover sales moving forward.

Also expanding its potential market opportunity, Micro-X has received confirmation from the TGA that the Rover Plus has been listed on the Australian Register of Therapeutic Goods or ARTG, enabling Micro-X to now sell all variants of the product for medical imaging in Australia. Micro-X intends to maintain a direct sales model in its home market to deliver better margins and higher margin pricing.

Micro-X again attended the Radiological Society of North America's Scientific Assembly and Annual Meeting in Chicago as an exhibitor. Meetings were held with all major radiology systems companies and many potential new distribution arrangements are being pursued.

In the European and EMEA markets while the MDR application for the Rover is still being progressed, the Micro-X sales team has focussed on those countries which instead accept FDA registration. The Arab Health 2023 conference in Dubai in early February will be another opportunity for the sales team to showcase the technology and drive interest and adoption.

Micro-X is preparing further information requested by its notified body for its Rover MDR compliance registration and this will be submitted next month. Many companies are experiencing delays to their CE Mark certification schedule and Micro-X is no exception, with EU launch of the Micro-X Rover is now anticipated in Q2 2023.

From a promotional and humanitarian perspective, the use of Micro-X Rover units in hospitals in Ukraine close to the fighting has continued to draw attention and praise. This has resulted in several news articles and a television feature story on Sky News. More Rover units now being prepared in anticipation of further need in the region.

The supply chain issues faced by the manufacturing team over the last two and half years are also starting to ease. Throughout 2021 and 2022, the Company pre-emptively built up inventory levels, especially long lead time items, to minimise disruptions from supply chain issues. These orders have led to historically high levels of inventory on hand at the end of the Quarter, which has a short term negative impact on cashflow until this inventory is sold. Moving forward, inventory levels will be reduced to a normalised level more closely matching the expected manufacturing requirements over a 6 to 9 month period.

X-Ray Camera Business Unit

During the Quarter, the engineering team for the Argus x-ray camera, developed and successfully introduced several new production processes to enable repeatable production of dielectric encapsulation of high voltage components for the Argus system, critical for the production of the miniature high voltage generator needed for Argus. This is a significant achievement in removing technical risk of producing this high-voltage sub-system, which is unique in such a compact form. There are four Argus systems being tested in Tonsley as part of a validation and repeatability process, showing the custom designed Argus tube and high powered generator are consistent in production, operating at the high voltages necessary to produce the required imaging quality.

The sales team is planning customer demonstrations of the Argus in the coming months following successful completion of validation of the manufacturing process. This planned customer feedback will confirm readiness for Argus units to be supplied for customer testing internationally in approximately the second quarter of 2023. There are in excess of two dozen high quality potential customers seeking to participate in these early trials, and early commercial sales of the Argus are expected in mid 2023.

Checkpoints Business Unit

The Checkpoints business unit continues to make excellent progress with its two development projects for the Miniature CT Baggage Scanner and the Passenger Self-Screening Checkpoint. Both projects remain on time and on budget and the DHS is enthusiastic about the project achievements.

Micro-X continued to work closely with the US Department of Homeland Security, including hosting a walk-through of a full-scale design model of the checkpoint. This quarter, Micro-X and the Department of Homeland Security signed an extension of the baggage scanner and checkpoint agreements.

Both the initial, and additionally ordered, prototypes will be delivered this financial year.

CT Business Unit

The Brain CT team also continued to progress well with the development work under its contract with the Australian Stroke Alliance and this project also remains on time and on budget. During the Quarter, the development team completed the build of a test bench capable of capturing phantom or cadaver images that can be reconstructed using Micro-X's CT reconstruction framework developed in Seattle, including use of the first dynamic curved detector received from FujiFilm. Integration work continues with the test bench in preparation for a milestone review with ASA next Quarter. In addition, extensive research has been progressed with the Johns Hopkins iStar labs team, including scientific papers on Adaptive Kernel-Based Scatter Correction for Multi-Source Stationary CT with Non-Circular Geometry accepted for oral presentation in February 2023 at SPIE Medical Imaging in San Diego.

Monash University Health Collab. has completed a detailed usability and workflow study, which is now being used to develop the concept design for integration of the scanner in road and air ambulances.

Micro-X has progressed the design of the novel mini tube required for the scanner and plans to release parts for procurement shortly. Meanwhile procurement of long lead production equipment has been completed with some parts already being received to reduce risk of delay from global supply chains.

Corporate Activities

The key financing activity for the Quarter was the completion of the second tranche of equity investment by Varex resulting in the allotment, in total, of 50.7M shares for a consideration of \$7.5M, resulting in Varex becoming a substantial holder with 9.9%. An additional \$1.5M cash was received in the September quarter as the first Varex payment under the Licence Agreement.

The Company's Annual General Meeting was held on 14 November 2022 and as this was held in a hybrid format, a number of shareholders attended in person and received a guided tour of the Micro-X facility in Tonsley, Adelaide.

Financial Summary & Cashflows

Quarterly Cashflows

During the Quarter, the Company:

- built, shipped, and invoiced \$1.2M of Mobile DR units and associated parts;
- received \$1.3M in customer receipts from sales, a further \$0.9M from its contracts with DHS and ASA, \$0.5M from the Advanced Manufacturing Growth Centre and a further \$3.9M from the Federal Government R&D tax rebate;

- had cash outflows from Operations of \$9.3M, resulting in net operating cash outflows of \$2.7M. These outflows included payments to Directors of \$0.14M relating to the salary of the Managing Director and fees for Non-Executive Directors;
- had cash outflows of \$0.1M from Investing Activities, for buying additional capital equipment;
- had cash inflows of \$4.0M from Financing Activities, being the second Varex tranche of investment offset by \$0.2M outflows representing the principal component of operating lease repayments as calculated under AASB 1016; and
- had overall net cash inflows of \$0.97M and a cash balance of \$11.4M at 31 December 2022.

As noted above, there has been a considerable increase in inventory during the last year to manage supply chain issues, with approximately \$7.7M of inventory, including long lead items and completed Mobile DR units, held at 31 December 2022. While this has impacted the cash on hand, the Company believes all inventory will be able to be sold in the coming quarters and converted to cash. As these supply chain issues have been easing, inventory levels will be reduced to more normal levels in 2023, further improving the cash position.

Future Outlook

Looking ahead there are a number of priorities for the Company in building value in coming quarters.

Most importantly, completing the validation testing of the new Argus production processes is critical to enable release of units for customer demonstrations followed by the commercial launch. The Argus represents a near term and significant commercial opportunity to deliver sales and cashflows as there is strong customer interest and an effective product launch is critical to maximising the sales uptake.

Secondly, we plan to continue to drive the increasing momentum in Rover sales in North America, building a larger sales funnel by strong engagement with our second major US distributor, Medlink. Achieving CE mark for Rover during 2Q 2023 will supplement sales with many distribution channels in Europe anxious to commence marketing and sales as soon as possible.

Continuing to achieve project milestones in our development contracts with DHS and ASA as well as in our technology transfer project with Varex will also be important to keep our medium term growth on target.

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

"We are pleased to see traction in Mobile DR sales growing somewhat, especially as many of the recent orders were the result of the pipeline built in the previous quarter. Having Medlink now fully committed to selling their variant of the Rover will also provide strong impetus for the New Year. We appreciate investors are watching this progress and we share their frustration that sales are lumpy each quarter.

The final stages of our Argus system validation will be the major value creator for this year, as we have the potential to start demonstrations and secure sales with a large number of highly engaged customers once we are satisfied that the system will pass their rigorous standards. We are also highly hopeful of a successful outcome of the Land 154 Defence procurement which could completely transform our pipeline for this product in 2023."

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 Thursday, 2nd February 2023 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/10028403-fdu87c.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: 10028403. 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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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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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 2022

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	1,319	1,599
1.2 Payments for		
(a) research and development	(1,526)	(3,083)
(b) product manufacturing and operating costs	(2,577)	(3,634)
(c) advertising and marketing	(142)	(293)
(d) leased assets	(32)	(63)
(e) staff costs	(3,840)	(7,459)
(f) administration and corporate costs	(1,097)	(1,828)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Engineering Consulting, Government grants and tax incentives		
(a) ASA CT Brain Scanner	655	2,255
(b) DHS Checkpoints Contracts	295	1,339
(c) Varex Technology Transfer	-	1,449
(d) Research & Development Tax Incentive	3,885	3,885
(e) Other	466	466
1.8 Other		
(a) AASB 16 Lease interest payments	(64)	(130)
(b) GST		
1.9 Net cash from / (used in) operating activities	(2,658)	(5,497)

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	(91)	(444)
	(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	(91)	(444)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,959	7,455
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	(77)	(77)
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	(162)	(320)
3.10	Net cash from / (used in) financing activities	3,720	7,058

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	10,449	10,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,658)	(5,497)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(91)	(444)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,720	7,058
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	11,420	11,420

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	11,192	10,221
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)	11,420	10,449

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	(138)
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)	(2,658)
8.2	Cash and cash equivalents at quarter end (item 4.6)	11,420
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	11,420
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.3
	<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: 30th January 2023

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.