

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 30 SEPTEMBER 2023

Investor Conference Call at 9.00am AEDT on 31 October 2023

Adelaide, Australia, 27 October 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 30 September 2023 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights

- **Strong improvement in Mobile DR sales and orders - \$2.9m this Quarter – includes \$1.5m of Rovers for Australian Government and supports strategy to convert inventory into cashflow**
- **First payment received under \$21m DHS/TSA contract extension**
- **Baggage scanner prototype will be delivered shortly – underpinning DHS/TSA testing**
- **Argus distributor and customer demonstrations commencing November 2023**
- **CE Mark approval for Rover and Rover Plus received in October 2023– opens commercial sales opportunities in the EU**
- **Strategy refresh and updated operational plan released**
- **Cash balance at end of September 2023 of \$1.3m – additional cash of \$7.2m received in October 2023**

New Strategy and Commercial Focus

In August 2023, Micro-X released a Strategy Refresh following a detailed Operational Review of the Company by newly appointed Chief Executive Officer Kingsley Hall and the senior leadership team. The Strategy Refresh identified the key pillars that will underpin Micro-X's future success and the strategic initiatives and priorities to drive a renewed commercial focus, return on investment and a roadmap to creating a profitable business.

This Quarter a number of these strategic initiatives began to materialise results for Micro-X. The streamlined Mobile DR sales team secured a major increase in orders which also meant a large proportion of the existing \$6m of inventory was converted into cash. The Company's funded development program was significantly improved with up to \$21m of non-dilutive funding now contracted from the DHS, to develop the self-check portal from the current design stage through to live airport testing. Internally, the Company has been streamlined and overheads trimmed to reduce the cost base moving forward. On top of this, the development team continued to make progress towards the final commercial version of the Argus x-ray camera, and the CT Scanner achieved the next ASA project milestone with payment received in early October.

Micro-X finished the September Quarter with \$1.3m in cash and received significant cash receipts of \$7.2m in October. This included cash of \$6.2m for the FY2023 R&D Tax Incentive, \$0.4m for project milestones and \$0.6m in customer receipts for Rover and Nano sales during the September Quarter. The December Quarter cashflow will also include the \$1.5m in customer receivables for the Australian Government Rover order, delivered and invoiced in October. This order used existing inventory, meaning there was nominal cash spent on costs of goods.

Products

Mobile digital radiology – Rover Plus and Rover x-ray systems

Following the Operational Review last Quarter, the streamlined Mobile DR sales teams made significant strides in converting inventory into cashflow with a considerable improvement in sales and orders as new sales strategies are implemented. During the Quarter, the Company delivered the first Rover Plus unit for the Australian Defence Force's deployable hospital programme. This was followed by another order from the Australian Government for \$1.5m of Rover systems in September, which were built and delivered within three weeks using existing inventory. This government order was part of a \$20m funding package for military assistance to Ukraine, announced by the Prime Minister, Hon Anthony Albanese MP in Washington on 25 October 2023. Micro-X was one of only four vendors selected, all of whom are leading Australian defence technology suppliers.

Overall Mobile DR sales and orders for this Quarter were \$2.9m, which compares favourably to total product revenues in the 2023 financial year of \$3.8m. With the majority of the components having been on hand, this continued reduction of inventory represents a major contribution to cashflow with only limited expenditure required for finishing parts on these September Quarter orders.

The Micro-X commercial team has also completed a number of outward marketing initiatives as part of continued focus to deepen relationships with existing distributors in hospital and primary healthcare and build product recognition in elite sports. Micro-X and MXR Imaging attended the American Healthcare Radiology Administrators 2023 Annual Meeting and Exposition where industry professionals had the opportunity to view a live demonstration of the Rover. The Rover's applicability for sports medicine was on show when the US sales team presented at the Major League Baseball Little League Classic in Pennsylvania.

In a major commercial milestone following the end of the Quarter, Micro-X was granted CE marking for both the Micro-X Rover and Rover Plus mobile x-ray systems. This now enables Micro-X to commence selling both systems commercially for use in medical imaging in the European Economic Area, in accordance with the European Commission Regulation No. 2017/745, commonly known as the Medical Device Regulation or MDR. This market forms one of the largest healthcare markets globally with a population of nearly 500 million.

Micro-X has an existing sales team and network of distributors and dealerships in Europe where it is targeting sales in the near term. These efforts will be further underpinned by the existing inventory of systems available for sale. Most importantly, the Micro-X Rover is now able to be marketed in all key global markets – United States, Europe and Australia and other countries which recognise these regulatory certifications.

Security & Bomb detection - Argus X-ray Camera

This Quarter, the Argus X-ray Camera continued final pre-launch refinements to the software integration and external casing of the system, while validation and electrical testing has been ongoing also. The full commercialisation of Argus remains the highest short-term priority with a strong customer value proposition.

In October, the team completed a series of internal trials and tests on the Argus and following this, the Argus has been shipped to the US based sales team, ahead of planned customer demonstrations.

In addition, go to market activities have accelerated with the recent appointment of a dedicated Business Development executive for Argus, as the pipeline of target customers continues to grow. The Argus team attended several conferences in the US including the Eastern National Robot Rodeo and the Technology Partner Expo hosted by the International Association of Bomb Technicians and Investigators. In collaboration with the Department of Homeland Security (DHS) and the United Kingdom Defence Science and Technology Lab (UK-Dstl), the National Robot Rodeo is a weeklong event for military and bomb squads to evaluate new and emerging robotic capabilities in real world operating environments.

During September, Micro-X was awarded two prestigious Good Design Award Gold Winner accolades for product design and engineering design in recognition of outstanding design and innovation for the Argus X-ray Camera.

Funded Development Programmes

Checkpoints & Baggage Scanner

In July, Micro-X executed the extension of the passenger self-screening checkpoint contract with an initial commitment from the DHS/TSA for US\$4.9m (A\$7.3m) and up to US\$14m (A\$21m) across all stages of the contract. This contract extension continues Micro-X's role as prime contractor responsible for implementing the entire self-screening checkpoint for the DHS/TSA. Importantly, this contract is intended to fund the project through testing in specialist TSA laboratories and then in a US airport.

The Micro-X baggage scanner, also funded by the DHS/TSA, is a key component and enabler of the checkpoint and the first fully functional prototypes of these units are on track to be delivered to the DHS in the near term for them to commence testing.

Brain CT

The Brain CT team continued to make good progress completing milestone 5 under the \$8m ASA project agreement, relating to an independent Design Review of the planned CT scanner and software, triggering an additional milestone payment of \$1.3m.

During the Quarter Micro-X signed MOUs with the Norwegian Air Ambulance Foundation and Meytec GmbH, both being European emergency services organisations. This represents a key undertaking as part of the Strategy Refresh as the Company continues to identify partnerships that will assist in the commercialisation of this channel.

Quarterly cashflows

During the Quarter, several cost reduction initiatives began to take effect as Micro-X takes a more prudent approach to managing cash outflows and driving returns on all investments. As described in detail in the Appendix 4C, the key cash inflows and outflows were as follows:

	A\$000	September 23 Qtr	Notes
Operational cash inflows:			
Product sales - customers		1,225	Sales of Rover and Nano units and associated spare parts and components
Project work – ASA, DHS, Varex		2,029	The forecast for FY24 Project payments is \$13m, subject to milestones
		<u>3,254</u>	
Operational cash outflows		(6,843)	Unfunded research and development costs have decreased with completion of the high power generator and the Argus work
Net cash used in Operations		(3,589)	Cost reductions and contracted inflows will reduce this for future quarters

Includes payments to Directors of \$0.35m relating to the final payment of salary and statutory entitlements to the previous Managing Director and fees for Non-Executive Directors.

The Company ended 30 September 2023 with \$1.3m of cash on hand, following overall cash outflows for the Quarter of \$3.9m. The Company has received \$7.2m in cash subsequent to the Quarter ending.

The Company also has \$8.9m of cash inflows committed for the December 2023 and March 2024 quarters, before any new product sales:

- Australian Government order of \$1.5m Rover units – delivered and invoiced in October 2023
- Delivery of final units to SAAB under JP2060 totalling \$1.1m
- Contracted project milestone payments of \$6.3m – ASA, DHS and Varex milestones.

Micro-X's Chief Executive Officer, Kingsley Hall commented:

"Following the release of our Strategy Refresh in August, we have been able to reshape the business and sharpen our commercial focus as we enter a crucial time in Micro-X's history. We continue to identify and execute partnerships that will provide non-dilutive funding and derisk our development and commercialisation goals and were thrilled to execute the contract extension with the DHS for up to \$21m which funds the entire self-screening module portal project through to live testing in a US airport. This adds to our current commercial and funding partnerships with Varex and the ASA.

Our sales progress was also better with two separate deliveries of Rover units now made to the Australian Government and a total of \$2.9m of sales and orders this Quarter. This represented a welcome boost to our cashflow as the units were supplied from inventory on hand and we also received \$6.2m in cash from the R&D rebate. As we are now able to sell the Rover into Europe, we will aim to further boost sales with our current inventory, in coming quarters.

We remain focused on delivering Argus and continue to build on our go to market activities which include live Argus demonstrations to potential customers."

Quarterly Investor Call

The Company's Chief Executive, Kingsley Hall will host a Quarterly Investor Call at 9.00am AEDT on 31 October 2023, to discuss the Company's activities and results and the business outlook. A recording of the call will be available on the Investor Centre section of the Company's website for 60 days after the call.

Details to Pre-Register:

<https://s1.c-conf.com/diamondpass/10034693-w1ukrf.html>

Participants are encouraged to use the link above to pre-register and obtain a unique PIN to access the call. A unique PIN will be provided for dialling into the call, which will provide immediate access to the event.

Direct Dial Details:

Conference ID: 10034693

Australian Toll Free: 1800 267 430

New Zealand callers: 0800 122 137

Other callers: +61 2 9008 9006

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

– 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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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")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,225	1,225
1.2 Payments for		
(a) research and development	(1,509)	(1,509)
(b) product manufacturing and operating costs	(927)	(927)
(c) advertising and marketing	(58)	(58)
(d) leased assets	(39)	(39)
(e) staff costs	(3,509)	(3,509)
(f) administration and corporate costs	(746)	(746)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
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	1,300	1,300
(b) DHS Checkpoints Contracts	489	489
(c) Varex Technology Transfer	-	-
(d) Research & Development Tax Incentive	-	-
(e) Other	240	240
1.8 Other		
(a) AASB 16 Lease interest payments	(58)	(58)
1.9 Net cash from / (used in) operating activities	(3,589)	(3,589)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(145)	(145)
(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	(145)	(145)

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	(176)	(176)
3.10 Net cash from / (used in) financing activities	(176)	(176)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	5,223	5,223
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,589)	(3,589)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(145)	(145)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(176)	(176)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,313	1,313

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	1,082	4,995
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	231	228
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,313	5,223

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	(350)
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)	(3,589)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,313
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,313
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.36
<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?	
<p>Answer: NO</p> <p>The Company has received \$7.2M cash in October, including a \$6.2M Research and Development tax Rebate.</p> <p>In addition, the Company has approximately \$9M in receipts due across the next two quarters, subject to the delivery of contracted project milestones and purchase orders, not including new product sales orders.</p>	

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: **YES**

The Board, in consultation with its external financial advisers, has a standing agenda item each month to consider and review various methods to continue to fund the business. This includes consideration of additional contracts for funded development; collaboration and partnering arrangements; and traditional and non traditional equity transactions.

These development funding, partnering and capital markets activities are incomplete and it is not possible to comment on the likelihood of success, however they are being actively managed.

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: **YES**

The Company remains funded into calendar 2024 without reducing any planned commercial or development activities. This is based on current cash reserves including the \$7.2M received in October 2023; plus the timely collection of current receivables (including \$1.5M Rover order to Australian Government) and contracted income from previously announced development programmes (with DHA, ASA and Varex) and agreements.

In addition, the Company expects to receive additional cash inflows from conservative sales forecasts which will utilise existing inventory, which will lower the cash outflows for costs of good sold on these sales.

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.

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 October 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.