

Friday 29 January 2016

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 31 December 2015.

The company held cash at end of quarter of \$18.4m after successfully closing its IPO financing. Development expenditures of \$4.2m incurred during the quarter were substantially offset by \$3.1m of funds received under the FY15 AusIndustry R&D Tax Incentive Program resulting in a net operating cash outflow for the quarter of approximately \$1.2m.

Development expenditures incurred during the quarter largely consisted of payments made to Hydrix Services (\$2.6m) who provide the company's outsourced engineering development team whilst other material expenditures were attributed to X-ray tube development costs with XinRay Systems (\$0.6m) and capital equipment relating to production and tooling requirements (\$0.7m).

The company anticipates that development expenditures for the current quarter will track at an equivalent level to that incurred during the December quarter, with the relative composition of expenditures remaining similar, however there is expected to be a shifting emphasis toward production readiness activities from core development work for its ultra-lightweight hospital mobile medical X-ray imaging system.

Aside from IPO-related costs of \$1.4m other material uses of cash during the quarter included a strategic equity investment in XinRay Systems Inc, of \$1.2m. As previously announced to the ASX on 20 January, and subsequent to the end of the December quarter, Micro-X made a \$5.7m follow-on investment (US\$4.0m) in XinRay increasing its equity position to 30.0%.

Mr Peter Rowland has joined the board of XinRay to oversee the company's interests and further foster close collaboration between the groups. Micro-X holds an option to increase its equity ownership of XinRay to approximately 40.0% by December 2016 with commensurate board representation and if Micro-X exercises this option it will become XinRay's largest single shareholder.

## RSNA 2015 and first prototype unit sales

During 2015 an absolute focus for the company was finalising development work for its lead product to enable it to be shown to key potential customers and end-users at the Radiological Society of North America (RSNA) annual meeting and trade show held in Chicago in late November. Micro-X was greatly encouraged by the exceptionally positive feedback from key potential customers which validated the market appeal of the design and configuration of our lead product.

# MICRO-X

Subsequent to RSNA Micro-X has received initial purchase orders from its commercialisation partner for 2 prototype units and anticipates to make sales of a further 9 pre-production units to its distribution partner in coming months for market development activities.

## **Ruggedised system for deployed military hospital use**

In addition to initial market validation of its lead product, Micro-X was pleased to confirm market interest at RSNA from a number of potential customers for its ruggedised version of the hospital mobile x-ray system for deployed military use.

The company currently anticipates that the Ruggedised unit will enjoy significant market traction for both deployed military hospitals and also disaster relief agencies globally. Since RSNA, the company's commercialisation partner has expressed interest in expanding the proposed distribution collaboration to also include the Ruggedised unit.

Micro-X is under contract to the Australian Department of Defence to demonstrate a prototype system in use in an Australian Defence Force deployed medical facility early in Q3 of CY2016.

## **Mobile Backscatter Imaging System (MBI)**

During January the company received its first program planning milestone payment - \$0.2m - under its Capability Technology Demonstrator contract with the Australian Department of Defence. The contract, which has a total value of \$1.9M, is mostly directed to a backscatter imaging demonstration of simulated Improvised Explosive Device (IED) targets. Design work on the project will commence in the current quarter.

## **Relocation of operations to Tonsley, South Australia**

Micro-X has recently commenced its project relocation from Melbourne to Tonsley where it is establishing its operations including assembly for its products in a facility which will be certified to ISO13485. Co-located alongside Micro-X at Tonsley, Hydrix will be establishing a South Australian operation during the current quarter with 2 key Hydrix employees, including the program lead, having already relocated from Melbourne. Micro-X Managing Director, Peter Rowland commented, "Having the ability to offer Hydrix co-location within our Tonsley site is of great benefit to cementing our long-term design and development partnership with Hydrix. The Hydrix engineers will be able to support the transition of all of our products to manufacturing on-site and Hydrix also expects to win new South Australian customers in the medical devices technology area."

Micro-X remains on track to commence commercial pilot production at the Tonsley facility to confirm all the manufacturing processes in Q2 of CY2016. Peter Rowland added, "With the bulk of the development work for the mobile medical X-ray imaging systems now behind us our current work plan is focused on finalising tooling releases. Preliminary validation and verification testing for regulatory approvals has already started and reliability test rigs are under construction. Design of the assembly process including manufacturing instructions and assembly aids is underway. Agreements with the supply chain are in place and planning for production ramp-up is underway with our key suppliers. Micro-X's manufacturing team has been recruited from the South Australian automotive industry and is implementing world's best practices in production processes, planning and management from that industry.

"Our first product exposure to global customers at RSNA Chicago has re-affirmed our plans for production readiness and the importance of the need to be able to ramp-up manufacturing in a measured and scalable manner to meet the likely significant market demand. Over the next 3-6 months, completion of our



comprehensive testing plan will be a key determinant of our success. We look forward to keeping the wider market informed on a regular basis as we progressively achieve our planned milestones to full production."

---

For further information please contact:

Mr Peter Rowland  
Managing Director, Micro-X Limited  
Telephone: +61 418 844 981  
[prowland@micro-x.com](mailto:prowland@micro-x.com)  
[www.micro-x.com](http://www.micro-x.com)

**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 admitted on the basis of commitments

Name of entity

MICRO-X LIMITED

ABN

21 153 273 735

Quarter ended ("current quarter")

31 December 2015

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for (a) staff costs	(142)	(183)
(b) advertising and marketing	-	-
(c) research and development	(4,162)	(6,929)
(d) leased assets	-	-
(e) other working capital	(231)	(356)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes – R&D Tax Incentive Received	3,104	3,104
1.7 Other: GST from ATO	265	400
<b>Net operating cash flows</b>	<b>(1,153)</b>	<b>(3,943)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,153)	(3,943)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	(1,166)	(1,391)
(c) intellectual property	-	-
(d) physical non-current assets	-	(5)
(e) other non-current assets	-	
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	(1,166)	(1,396)
<b>1.14 Total operating and investing cash flows</b>	(2,319)	(5,339)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	20,000	22,850
1.16 Payments for capital raising costs	(1,368)	(1,742)
1.17 Proceeds from borrowings (convertible notes)	-	-
Proceeds from borrowings (other)	-	-
1.18 Repayment of borrowings – bank loan	-	-
Repayment of borrowings – shareholder loans	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	18,632	21,108
<b>Net increase (decrease) in cash held</b>	16,313	15,769
1.21 Cash at beginning of quarter/year to date	2,048	2,592
1.21.a Cash acquired on acquisitions	-	
1.22 Exchange rate adjustments to item 1.21.a	-	
<b>1.23 Cash at end of quarter</b>	18,361	18,361

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	82
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees and salaries paid to directors during the quarter.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter, the Company issued a total of 75,575,350 fully paid ordinary shares following completion of a share split on a 1:950 basis. The Company also issued 3,834,375 fully paid ordinary shares at a deemed issue price of \$0.50 (50 cents) per share pursuant to the exercise of its option to purchase 7.3% of XinRay shares under the Xintek Agreement.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

---

**Reconciliation of cash**

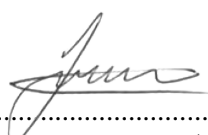
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	18,361	2,048
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)		18,361	2,048

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-
5.2	Place of incorporation or registration	-
5.3	Consideration for acquisition or disposal	-
5.4	Total net assets	-
5.5	Nature of business	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: .....29 January 2016.....  
 (Company secretary)

Print name: .....Justin Mouchacca.....

**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 wanting to

---

+ See chapter 19 for defined terms.

disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

---

+ See chapter 19 for defined terms.