

Micro-X Limited
Appendix 4D
Half-year report

1. Company details

Name of Company:	Micro-X Limited
ABN:	21 153 273 735
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	291.7% to	282,010
Loss from ordinary activities after tax attributable to the owners of Micro-X Limited	up	87.3% to	(5,579,211)
Loss for the half-year attributable to the owners of Micro-X Limited	up	87.3% to	(5,579,211)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Company after providing for income tax amounted to \$5,579,211 (31 December 2014: \$2,978,278).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	17.62	(56.09)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

The relevant interest XinRay Systems Inc. was 13% at 31 December 2015. The Company holds a 30% interest as at the date of this report.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Micro-X Limited for the half-year ended 31 December 2015 is attached.

12. Signed by Patrick O'Brien (Non-executive Chairman)

Signed



Date: 29 February 2016

Micro-X Limited

ABN 21 153 273 735

Half-Year Financial Report - 31 December 2015

Micro-X Limited
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31 December 2015

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Micro-X Limited
Corporate directory
31 December 2015

Directors	Peter Robin Rowland (Managing Director) Patrick Gerard O'Brien (Non-Executive Chairman) Richard Nicholas Hannebery (Executive Director) David Peter Neil Symons (Non-Executive Director) Alexander Bennett Gosling (Non-Executive Director)
Company secretary	Justin Mouchacca
Registered office	1 Dalmore Drive Scoresby, VIC 3179 Phone: 1300 386 019
Principal place of business	1 Dalmore Drive Scoresby, VIC 3179
Share register	Computershare Investors Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford, VIC 3067
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30, 525 Collins Street Melbourne, VIC 3000 Phone: (03) 8320 2222
Stock exchange listing	Micro-X Limited shares are listed on the Australian Securities Exchange (ASX code: MX1)
Website	www.micro-x.com

**Micro-X Limited
Directors' report
31 December 2015**

The Directors present their report, together with the financial statements, of Micro-X Limited (formerly known as Micro-X Pty Ltd) ('the Company') for the period ended 31 December 2015.

Directors

The following persons were Directors of Micro-X Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Robin Rowland (Managing Director)

Patrick Gerard O'Brien (Non-Executive Chairman) - appointed 6 August 2015

Richard Nicholas Hannebery (Executive Director)

David Peter Neil Symons (Non-Executive Director) - appointed 27 August 2015

Alexander Bennett Gosling (Non-Executive Director) - appointed 27 August 2015

Principal activities

Micro-X's principal activities are the design, development and manufacture of ultra-lightweight carbon nano-tube based X-ray products for the global healthcare and counter IED (Improvised Explosive Device) imaging security markets.

No significant changes in the nature of these activities occurred during the year.

Review of operations

The loss for the Company after providing for income tax amounted to \$5,579,211 (31 December 2014: \$2,978,278).

Significant contributors to the loss for the half-year period included \$8,059,288 expenditure on research and development and \$2,859,214 in relation to finance costs of Class A, B and C converting preferred shares. Finance costs relate to notional interest accrued on the converting preferred shares outstanding during the period. These finance expenses were non-cash items payable in the event of redemption and were written into equity upon conversion of Class A, B and C converting preferred shares into fully paid ordinary shares upon the initial public offering.

During the half-year the Company was working towards its initial public offering on the Australian Securities Exchange (ASX). It was successfully admitted to the official list of the ASX on Monday 21 December 2015 and its securities commenced trading on Tuesday 22 December 2015. Under its initial public offering the Company successfully raised the maximum subscription monies of \$20 million. Costs incurred in relation to this initial public offering have been split between the statement of profit and loss and against equity on the statement of financial position.

During the half-year the Company also:

- agreed in principle to a \$3 million loan from the South Australian government to assist the Company's transition to manufacturing in a new facility in Tonsley, South Australia and to support its local SA supply chain to achieve ISO13485 medical device accreditation;
- contracted with the Department of Defence in September 2015 to perform a \$1.9 million Capability and Technology Development program for a ruggedised version of its Nano mobile medical x-ray system as well as a Mobile Backscatter Imager (MBI) for improvised explosive devices; and
- receipted \$3.1 million from the R&D tax incentive for expenditure incurred during the year ending 30 June 2015 and started accruing for the R&D tax incentive for the half year ending 31 December 2015 as it is reliably measurable.

RSNA 2015 and first prototype unit sales

During the half-year period 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 100th Radiological Society of North America (RSNA) annual scientific 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 highly differentiated design and configuration of our lead product.

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.

Review of operations (cont'd)

Ruggedised system for deployed military hospital use

In addition to initial market validation of its lead product, Micro-X is pleased to confirm market interest at RSNA from a number of potential customers for its ruggedised version of the mobile medical 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 and anticipates that first commercial sales may be made directly by Micro-X to the Australian Department of Defence during FY2017.

Mobile Backscatter Imaging System (MBI)

During January 2016 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 \$1.9 million, is mostly directed to a backscatter imaging demonstration of ADF-provided simulated IEDs (Improvised Explosive Devices). Design work on this 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 production assembly of its products in a facility which will be certified to ISO13485.

Micro-X remains on track to commence pilot production at Tonsley to confirm all the manufacturing processes in Q2 of CY2016. The Company has established a temporary facility (alongside the site of its new, purpose-designed facility) to enable prototype and pilot production and to support validation and verification testing for ISO13485 regulatory approvals. The schedule for the permanent facility, recently confirmed by Renewal SA, allows for full production commissioning during July and August. Micro-X will commission the Tonsley facility sized to support a production rate of 4 units per day (based on a single working shift) which is the targeted peak rate estimated by its commercialisation partner to be required within 18 months of first customer shipments.

The Company's first product exposure to global customers at RSNA Chicago re-affirmed Micro-X's 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. The Company and its supply chain has the flexibility to add additional shifts at its Tonsley facility should market demand substantially exceed current projected volumes post product launch.

The bulk of the development work for the mobile medical X-ray imaging system is now behind us and the current work plan is focused on finalising tooling releases. Preliminary validation and verification testing for regulatory approvals has commenced 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.

The Company is pleased to advise that it has recently executed the Tonsley lease for its purpose-designed facility with Renewal SA and anticipates construction work to commence this week. Micro-X looks forward to executing all relevant loan facility agreements with the South Australian Financing Authority before the end of March. Initial drawdown of the proposed \$3 million loan is currently anticipated during June 2016.

Commercialisation Partner – Key agreements and subsequent commercial launch

The Company has recently been advised by its commercialisation partner that it would like to accelerate finalisation of all outstanding agreements relating to the commercialisation of the hospital mobile x-ray system. The Company does not currently anticipate any material commercial changes in the final executed documentation from what was agreed in principle prior to the Company's initial public offering.

Review of operations (cont'd)

The Company currently anticipates that it will build units for the purposes of its commercialisation partner's trade trials in Q3 CY2016 with a formal market launch of the hospital mobile x-ray system in late Q3/early Q4 CY2016 following the issue of Declaration of Conformity and US FDA 510(k) regulatory approval.

The Company's commercialisation partner has also expressed a strong interest to discuss collaboration and distribution arrangements for the ruggedised version of the hospital mobile x-ray system for deployed military use.

Significant changes in the state of affairs

During the previous financial year, the Company issued 9,900 Class A converting preferred shares, 33,500 Class B converting preferred shares and 13,153 Class C converting preferred shares. These preference shares were converted into fully paid ordinary shares during the period.

Following the conversion of the above, the Company completed a share split on a 1:950 basis. Following the share split the Company had 75,495,797 fully paid ordinary shares on issue.

The Company issued 3,834,375 fully paid ordinary shares to increase its shareholding to 13.3% of XinRay Systems Inc. under the Xintek Agreement.

On 17 December 2015, the Company issued 40,000,000 new fully paid shares following successful raising of \$20 million, through its initial public offering prospectus.

There were no other significant changes in the state of affairs of the Company during the financial half-year.

Events after the reporting period

The Company made a follow-on investment of US\$4 million (A\$5.7 million) in XinRay Systems Inc. during January to increase its equity interest in XinRay to 30.0%. As part of the investment Mr Peter Rowland has been appointed to the board of XinRay which now has three board members.

The Company executed the Tonsley lease on 26 February 2016 for its purpose-designed facility with Renewal SA. The lease is approximately \$168,000 per annum over 10 years with a 10 year option and 3.5% annual rent escalation.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Patrick O'Brien
Non-Executive Chairman

29 February 2016

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Auditor's Independence Declaration To The Directors of Micro-X Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Micro-X Limited for the half-year ended 29 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 29 February 2016

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Micro-X Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Revenue		282,010	72,000
R&D tax incentive refunds		6,056,581	-
Interest received		20,583	5,330
Expenses			
Research & Development		(8,059,288)	(2,250,419)
Finance cost		(2,859,214)	(572,677)
Other expenses		(474,537)	(38,689)
Employment expenses		(253,303)	(86,678)
Depreciation and amortisation expense		(2,593)	(936)
Listing fees		(110,823)	-
Share based payments		(178,627)	(106,209)
Loss before income tax expense		(5,579,211)	(2,978,278)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Micro-X Limited		(5,579,211)	(2,978,278)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Micro-X Limited		<u>(5,579,211)</u>	<u>(2,978,278)</u>
		Cents	Cents
Basic earnings per share	14	(19.02)	(13.62)
Diluted earnings per share	14	(19.02)	(13.62)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Micro-X Limited
Statement of financial position
As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
Assets			
Current assets			
Cash and cash equivalents		18,360,865	2,592,448
Trade & other receivables	4	3,886,628	3,253,278
Other assets - prepayments		35,776	-
Total current assets		<u>22,283,269</u>	<u>5,845,726</u>
Non-current assets			
Property, plant and equipment		44,281	11,685
Intangibles	5	2,006,045	1,980,000
Investments in associates	6	3,309,012	-
Total non-current assets		<u>5,359,338</u>	<u>1,991,685</u>
Total assets		<u>27,662,607</u>	<u>7,837,411</u>
Liabilities			
Current liabilities			
Trade and other payables		4,600,426	2,700,225
Borrowings	7	-	15,413,463
Total current liabilities		<u>4,600,426</u>	<u>18,113,688</u>
Total liabilities		<u>4,600,426</u>	<u>18,113,688</u>
Net assets/(liabilities)		<u>23,042,181</u>	<u>(10,276,277)</u>
Equity			
Issued capital	8	38,720,342	1,300
Share based payment reserve	9	443,711	265,084
Accumulated losses		(16,121,872)	(10,542,661)
Total equity		<u>23,042,181</u>	<u>(10,276,277)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Micro-X Limited
Statement of changes in equity
For the half-year ended 31 December 2015

	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	1,300	-	(378,768)	(377,468)
Loss after income tax expense for the half-year	-	-	(2,978,278)	(2,978,278)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,978,278)	(2,978,278)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 15)	-	106,209	-	106,209
Balance at 31 December 2014	<u>1,300</u>	<u>106,209</u>	<u>(3,357,046)</u>	<u>(3,249,537)</u>
	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	1,300	265,084	(10,542,661)	(10,276,277)
Loss after income tax expense for the half-year	-	-	(5,579,211)	(5,579,211)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,579,211)	(5,579,211)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares through IPO	20,000,000	-	-	20,000,000
Conversion of converting preferred shares - Series A, B and C	18,272,677	-	-	18,272,677
Purchase of XinRay Systems Inc. investment	1,917,187	-	-	1,917,187
Capital raising costs	(1,470,822)	-	-	(1,470,822)
Share based payments (note 15)	-	178,627	-	178,627
Balance at 31 December 2015	<u>38,720,342</u>	<u>443,711</u>	<u>(16,121,872)</u>	<u>23,042,181</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Micro-X Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	31 December 2015	31 December 2014
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		-	72,000
Payments to suppliers and employees (inclusive of GST)		(7,748,822)	(1,440,281)
Interest received		20,583	5,330
GST refunds received		400,302	28,976
R&D incentive tax refunds		3,103,792	-
Interest paid		-	(388,224)
Net cash used in operating activities		<u>(4,224,145)</u>	<u>(1,722,199)</u>
Cash flows from investing activities			
Payments for investments in associates		(1,391,825)	-
Payments for fixed assets		(35,189)	(14,012)
Payment for intangibles		(26,045)	-
Net cash used in investing activities		<u>(1,453,059)</u>	<u>(14,012)</u>
Cash flows from financing activities			
Proceeds from issue of shares	8	20,000,000	-
Capital raising costs		(1,470,822)	-
Proceeds from the issue of converting preferred shares		2,916,443	3,501,000
Proceeds from borrowings		-	220,000
Net cash from financing activities		<u>21,445,621</u>	<u>3,721,000</u>
Net increase in cash and cash equivalents		15,768,417	1,984,789
Cash and cash equivalents at the beginning of the financial half-year		<u>2,592,448</u>	<u>41,074</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>18,360,865</u></u>	<u><u>2,025,863</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Micro-X Limited
Notes to the financial statements
31 December 2015

Note 1. General information

The financial statements cover Micro-X Limited as an individual entity. The financial statements are presented in Australian dollars, which is Micro-X Limited's functional and presentation currency.

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 February 2016.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but which are not subsidiaries. The Company assesses its potential voting rights that are currently exercisable or convertible when assessing if it has significant influence.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company. Unrealised gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Revenue

Government subsidies

Subsidies from the government including R&D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R&D incentive is readily measurable. As such the Company recognised the R&D tax incentive on a cash basis in prior periods. This period as the estimate is reliably measurable the R&D tax incentive is measured on an accruals basis.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

The Company is organised into one operating segment being the design, development and manufacture of ultra-lightweight carbon nano-tube based X-ray products for the global healthcare and counter IED (Improvised Explosive Device) imaging security markets. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Micro-X Limited
Notes to the financial statements
31 December 2015

Note 4. Current assets - Trade & Other Receivables

	31 December	30 June 2015
	2015	\$
	\$	
Trade receivables	302,010	-
Series C Converting Preferred Shares proceeds outstanding	-	2,916,443
R&D tax incentive refund	2,952,789	-
GST receivable	631,829	336,835
	<u>3,886,628</u>	<u>3,253,278</u>

Note 5. Non-current assets - Intangibles

	31 December	30 June 2015
	2015	\$
	\$	
Capitalised development costs	1,980,000	1,980,000
Patents and trademarks - at cost	26,045	-
	<u>2,006,045</u>	<u>1,980,000</u>

Note 6. Non-current assets - Investments in associates

	31 December	30 June 2015
	2015	\$
	\$	
XinRay Systems Inc. investment	<u>3,309,012</u>	<u>-</u>

At 31 December 2015, the Company has approximately 13% equity holding in XinRay Systems Inc. ('XinRay'), a Company incorporated in Delaware, United States.

Note 7. Current liabilities - Borrowings

	31 December	30 June 2015
	2015	\$
	\$	
Series A Converting Preferred Shares (9,900 shares)	-	2,481,238
Series B Converting Preferred Shares (33,500 shares)	-	8,234,085
Series C Converting Preferred Shares (11,153 shares)	-	4,698,140
	<u>-</u>	<u>15,413,463</u>

Note 7. Current liabilities - Borrowings (continued)

During the previous financial year, the Company:

- placed 9,900 Series A Converting Preferred Shares at an issue price of \$200 per Converting Preferred Share ('Shares') with Carestream Health Inc. as part of the Commercialisation Agreement executed on 11 November 2014 for development support to date, including technical and market related input throughout the development process for the DRX Revolution Nano. Further, as part of the collaboration, Carestream will provide access and integration of its market-leading imaging software systems. These were entitled to accrue interest at a rate of 40% per annum in the event of redemption.
- placed 30,000 Series B Converting Preferred Shares at an issue price of \$200 per Converting Preferred Share ('Shares') with sophisticated investors. A further 3,500 Series B Converting Preferred Shares were issued at an issue price of \$150 per Converting Preferred Shares ('Shares') in lieu of the redemption of \$445,000 of loans. These were entitled to accrue interest at a rate of 40% per annum in the event of redemption.
- placed 13,153 Series C Converting Preferred Shares at an issue price of \$380 per Converting Preferred Share ('Shares') with sophisticated investors. These were entitled to accrue interest at a rate of 30% per annum in the event of redemption.

All three Series could be easily converted to fully paid ordinary shares at the election of the holder. Each share converted to one ordinary share on the close of an initial public offering, a sale of all shares in the Company, an asset sale or a Company sale.

The Shares also have several protective features being to prevent dilution and provide price protection. These features meet the definition of a derivative, however, management have assessed that these derivatives have negligible value.

During the current period the converting preferred shares were converted into fully paid ordinary shares as part of the Company's initial public offering and prior to listing on ASX.

Note 8. Equity - Issued capital

	31 December 2015 Shares	30 June 2015 Shares	31 December 2015 \$	30 June 2015 \$
Ordinary shares - fully paid	<u>119,409,725</u>	<u>23,000</u>	<u>38,720,342</u>	<u>1,300</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	23,000		1,300
Conversion of Series A, B and C to ordinary shares	17 December 2015	56,553	-	18,272,677
Share Split 1:950	17 December 2015	75,495,797	-	-
Issue of shares at initial public offering	17 December 2015	40,000,000	\$0.50	20,000,000
Purchase of XinRay Systems Inc. investment	17 December 2015	3,834,375	\$0.50	1,917,187
Capital raising cost		-	-	(1,470,822)
Balance	31 December 2015	<u>119,409,725</u>		<u>38,720,342</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 9. Equity - Share based payment reserves

	31 December 2015 \$	30 June 2015 \$
Share-based payments reserve	<u>443,711</u>	<u>265,084</u>

Share-based payments reserve

Under the employee share option plan, issued as part of the initial public offering (IPO), the Company awarded its executives, non-executive directors, employees and consultants share options. The features of these options are outlined in Note 15.

Given that the executives, non-executive directors, employees and consultants have begun to deliver services, the value of these share options have been estimated using a Black-Scholes model and expensed over the vesting period.

Note 10. Contingent liabilities

The Company had no contingent liabilities at 31 December 2015 and 30 June 2015.

Note 11. Commitments

As disclosed in the Company's Prospectus dated 25 November 2015, following the successful capital raising of more than \$18 million, the Company was committed to subscribe for an additional number of common shares in XinRay Systems Inc. for a total consideration of US\$4 million. The additional subscription for common shares was completed subsequent to 31 December 2015. This investment, at an issue price per XinRay common share of US\$145.15, increased the Company's aggregate equity interest in XinRay to approximately 30%.

The Company holds an option to purchase an additional 10% of XinRay for approximately US\$246.75 per common share.

Note 12. Events after the reporting period

The Company made a follow-on investment of US\$4 million (A\$5.7 million) in XinRay Systems Inc. during January to increase its equity interest in XinRay to 30.0%. As part of the investment Mr Peter Rowland has been appointed to the board of XinRay which now has three board members.

The Company executed the Tonsley lease on 26 February 2016 for its purpose-designed facility with Renewal SA. The lease is approximately \$168,000 per annum over 10 years with a 10 year option and 3.5% annual rent escalation.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 13. Non-cash investing and financing activities

The Company 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 common shares under the Share Subscription Agreement.

Note 14. Earnings per share

	31 December 2015 \$	31 December 2014 \$
Loss after income tax attributable to the owners of Micro-X Limited	<u>(5,579,211)</u>	<u>(2,978,278)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>29,334,034</u>	<u>21,873,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>29,334,034</u>	<u>21,873,000</u>
	Cents	Cents
Basic earnings per share	(19.02)	(13.62)
Diluted earnings per share	(19.02)	(13.62)

Note 15. Share-based payments

Share based payments relate to share Option Awards as outlined in the Company's Prospectus dated 25 November 2015. Set out below are the options outstanding at the end of the financial half-year:

31 December 2015

	Issued date	Expiry date	Exercise price	Balance at the start of the half-year	Issued	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
Executive options*	17/12/2015	31/12/2019	\$0.575	-	1,393,112	-	-	1,393,112
Executive options*	17/12/2015	31/12/2019	\$0.625	-	2,786,228	-	-	2,786,228
Other award options	17/12/2015	31/12/2019	\$0.575	-	2,050,000	-	-	2,050,000
Other award options	17/12/2015	31/12/2019	\$0.625	-	4,100,000	-	-	4,100,000
				-	<u>10,329,340</u>	-	-	<u>10,329,340</u>

* These options were agreed to on 1 September 2014 as part of the executive agreements with Peter Rowland and Richard Hannebery. As these executives commenced to deliver services, these have been expensed since 1 September 2014, although measured at the grant date.

Micro-X Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Patrick O'Brien
Non-Executive Chairman

29 February 2016

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Independent Auditor's Review Report To the Members of Micro-X Limited

We have reviewed the accompanying half-year financial report of Micro-X Limited ("Company"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Micro-X Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Micro-X Limited financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Micro-X Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Micro-X Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 29 February 2016