

Monday 31st October 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 30th September 2016.

The company held cash at end of quarter of \$2.9M. Development expenditures of \$3.4M were incurred during the quarter.

In the current quarter Micro-X expects \$8.4M in cash receipts from its 2016 AusIndustry R&D Tax Incentive, and project revenue under its current Australian Department of Defence contract.

Development expenditures incurred during the quarter consisted of preparation activities and equipment for pre-production builds of Nano as well as payments made to XinRay (\$695K) and Hydrix Services (\$1.1M). The Hydrix expenditure largely related to verification and validation testing activities as well as preparing the quality documentation needed for regulatory approvals. The XinRay expenditure related to the productionisation of proprietary CNT X-ray tubes exclusively supplied to Micro-X for the Nano.

Development engineering expenditures for the September quarter were, as budgeted, significantly lower than previous quarters in FY2016 following the design freeze on Nano as the focus moved onto the regulatory testing program and the building of the portfolio of quality documentation required for regulatory submissions.

The Company has drawn down \$2.8M of the loan facility from the South Australian Government.

Micro-X lodged its annual tax return with the ATO on 14th August and this included its Notice of Registration confirming that the Micro-X's R&D activities submitted for assessment under the program were eligible Research and Development under the AusIndustry Incentive program. The company is progressing this closely with ATO officials who advise us the \$8.2M incentive is expected to be paid within the coming days.

Nano Development

The main development activity of the quarter has been compliance testing activities following the design freeze on the Nano and the move into a regulated design regime.

Micro-X's Managing Director executed the Development and Supply agreements with Carestream Health management in Rochester NY on 26th August. Micro-X has responded to a RFQ from Carestream for 10 pre-production Nanos and expects a purchase order shortly. These units are for marketing, product support training, and customer trade trials.

The last of eight internal pre-production units are currently in final assembly in Tonsley for the verification, validation and reliability growth testing program.

MICRO-X

Imaging verification tests on X-Ray phantoms have been carried out with the 'Nano', using the 'Revolution' as the predicate device, by Carestream in Rochester. Formal radiologist assessment of the images in a reader study is expected to confirm the substantial equivalence required for the US FDA 510(k) submission.

Intertek, the independent test agency, undertook Nano compliance testing at Tonsley during October to the required ISO60601 standard for mechanical, electrical and radiation safety and the Nano has passed this important design milestone.

The remainder of the testing program is expected to be completed in coming weeks to allow all necessary documentation to be available for Carestream to lodge the 510(k) application with FDA by late-November.

Plans are well-advanced for the Nano to be launched on the Carestream Health exhibition stand at the 101st Scientific Meeting of the Radiological Society of North America in Chicago on 27th November. Micro-X staff have been requested to attend to assist with promotional activities.

With these milestones achieved, Micro-X anticipates the receipt of the first purchase orders for production units of the Nano from Carestream in January 2017. The first customer shipments will follow Carestream's Trade Trials in March 2017.

Department of Defence Projects

A Critical Design Review of the development of the Mobile Backscatter Imager ('MBI') was held with Defence staff from the project office and Counter-IED Task Force in September and the Milestone was passed. The multi-beam x-ray tube, power supplies and detectors have been received at Tonsley and the set-to-work preparations for the imaging demonstration are in progress.

The 2nd General Health Battalion of the Australian Army will hold its 'Giant Viper' exercise in the week of 20th November and this hospital deployment will be used to assess the Rover's suitability for this operating environment.

Staff and Facilities

Micro-X moved into its new facility in Tonsley in August and pre-production activities there are now well established.

Micro-X passed its Stage One ISO13485 audit and the Stage Two audit to achieve full accreditation is scheduled for January 2017.

Micro-X continues its planned increase in staffing at Tonsley with additional staffing in Supply Chain and Quality Management and a management accountant. Permanent staff now number 15.

For further information please contact:

Mr Peter Rowland
Managing Director, Micro-X Limited
Telephone: +61 418 844 981
prowland@micro-x.com
www.micro-x.com

MICRO-X

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 subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Micro-X Limited

ABN

21 153 273 735

Quarter ended ("current quarter")

30 September 2016

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	-	-
1.2 Payments for		
(a) research and development	(3,428)	(3,428)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(356)	(356)
(f) administration and corporate costs	(687)	(687)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(16)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refunds)	556	556
1.9 Net cash from / (used in) operating activities	(3,927)	(3,927)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(128)	(128)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(15)	(15)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(143)	(143)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	2,800	2,800
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	2,800	2,800

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,169	4,169
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,927)	(3,927)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(143)	(143)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,800	2,800

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,899	2,899

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	2,899	4,169
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,899	4,169

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
98
-

Payments to Directors in relation to directors' fees and salaries for the quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

None.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,000	2,800
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During the quarter the Company entered into a Loan commitment with the South Australian Government Financing Authority amounting to \$3.0 million with an agreed interest rate of 5.75% per annum paid monthly in arrears.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(2,800)
9.2 Product manufacturing and operating costs	(314)
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	(564)
9.6 Administration and corporate costs	(136)
9.7 Other (provide details if material)	(142)
9.8 Total estimated cash outflows	(3,956)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 

Company secretary

Date: 31 October 2016

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.