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MICRO-X

Micro-X Limited, ABN 21 153 273 735

QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 30 SEPTEMBER 2020

Investor call at 9.00am AEST, Tuesday 27th October 2020 to discuss Results and Business Outlook

Adelaide, Australia, 22 October 2020: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for the healthcare and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Update for the quarter ended 30 September 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Customer receipts for the Quarter of $1.9m**
- **First sales of Rover - $1.4m for Pacific island countries facilitated by World Health Organisation**
- **Submission for MRFF funding of Brain Tomography project for ambulance stroke diagnosis**
- **Development work on-track for MBI image testing and in-house high-power generator**
- **Key hires to strengthen strategic sales marketing capabilities**
- **Closing cash balance of $15.5m**

Commercialisation & Sales

Carestream DRX Revolution Nano

During the Quarter, Micro-X's increased production rate of Nano units cleared the backlog of orders from the previous quarters' COVID-19 surge in mobile x-ray demand, with $0.4 million of Nano units and associated spare parts completed, shipped and invoiced. Throughout this increased production period, Micro-X has been able to maintain its high levels of yield and quality. Inventory levels have been increased to be able to quickly respond to new purchasing activity.

There are many ongoing sales activities and discussions with the global distributor for the Nano, to seek additional sales opportunities. Currently, with rapidly escalating COVID-19 case numbers in USA and Europe resembling the situation in March, Micro-X has been advised to maximise preparedness for potential additional Nano orders.

Rover mobile X-ray

Shortly after obtaining US FDA 510(k) clearance for the Rover in July 2020, Micro-X achieved its first sales of its second commercial product, the Rover, with a $1.4 million contract enabled by the World Health Organisation via an in-country agent. These Rover units will be built during October and then shipped to the Governments of a number of Pacific Island nations. Whilst Rover is intended to be primarily marketed to military customers, the Micro-X sales team has been exploring other deployable applications where the rugged and independent operational capabilities of the Rover offer practical customer benefits. Securing this contract demonstrates Micro-X's capability to execute its new direct marketing strategy for the product.

On 2 October 2020, Micro-X applied to the Therapeutic Goods Administration (TGA) for listing of the Rover mobile medical x-ray on the Australian Register of Therapeutic Goods. This TGA approval, once received, is expected to open up additional domestic and indirect export sales opportunities for the Rover.

Following US FDA 510(k) clearance Micro-X has Rover units positioned in the U.S. for planned product demonstrations on U.S. Army bases with the operational U.S. Army units which deploy medical hospital facilities. These demonstrations will be led by a Micro-X sales executive and are the next step towards a sales opportunity with the US Military to fulfill

their unmet need for a full performance digital mobile x-ray imager capable of deployment in their medical facilities. Unfortunately, two of the targeted U.S. Army bases have recently been closed due to an outbreak of COVID-19 and so delays to this demonstration program are occurring.

In October 2020, the Department of Defence announced that Saab Australia had been awarded the prime contract for the Australian Army's Deployable Health Capability program known as JP2060. Saab Australia has advised Micro-X that it has been selected as the provider for the radiology segment of this project. Saab Australia expect to issue a subcontract to Micro-X in coming weeks.

Strategic Sales and Marketing capabilities

During the Quarter, Micro-X strengthened its marketing capabilities with the appointment of Tennille Reed as Strategic Marketing Manager. In addition to supporting the sales activities within the Company, development of additional marketing collateral including updating of the Micro-X website, a corporate video, fact sheets and customer communication channels are now underway. These initiatives are collectively aimed at improving customer engagement and building brand awareness.

Other Operational & Development Activities

Engineering Development

Micro-X's high-power generator project is progressing on schedule with most of the electronics developed and the focus now on the high-voltage insulation design. It is targeted to be operating as a bench top prototype by the end of the December 2020 quarter and powering a new high-power x-ray tube in a Rover unit by the March 2021 quarter, with regulatory testing to follow.

Mobile Backscatter Imager

Initial imaging tests for the Mobile Backscatter Imager project have been progressing despite delays in delivery of a bespoke x-ray detector from the U.K. Using existing detector technology, Micro-X has already been able to achieve promising results which prove the new imaging architecture has the potential to greatly simplify and de-risk the development of MBI and reduce the weight, size and cost of the final product. The new detector is expected to ship from the U.K. shortly and complete system imaging testing to confirm a four-fold increase in system sensitivity in the coming weeks.

Stroke Diagnosis – "Frontier Health"

The Australian Stroke Alliance presented its Stage Two proposal of the 'Frontier Health Program' to the Federal Government's Medical Research Future Fund's evaluation panel on 9 September 2020. Micro-X has been included in the proposal as an imaging technology provider in the ASA research consortium led by the Melbourne Brain Centre of the Royal Melbourne Hospital, for funding for the development and testing of lightweight, mobile stroke diagnostic imaging technology targeted at early stroke diagnosis in land or air ambulance. Johns Hopkins University in the USA and Fujifilm in Japan will support Micro-X in the development a lightweight brain CT scanner small enough and affordable enough to be fitted to every ambulance and allow pre-hospital diagnosis and treatment of stroke.

US Transportation Security Administration

In the Quarter, Micro-X was selected to submit proposals to the U.S. Transportation Security Administration (TSA) in connection with a programme for a new concept of 'self-service' airport security checkpoint. This programme relates to TSA's future vision of replacing conventional CT or projection x-ray luggage imaging on belts at checkpoints with a bank of multiple 'self service' security portals similar to current photometric identity portals but with the addition of millimetre-wave body-scans and x-ray screening with automated threat detection. The TSA is an agency of the U.S. Department of Homeland Security, created as a response to the September 11th attacks, that has responsibility for the security of the traveling public in the United States. The work which Micro-X has been undertaking for the UK Government's Department

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for Transport 'Future Aviation Security Solutions' program has been aimed at a similar self-service concept in checkpoints and places Micro-X in a strong position.

Financial and Corporate

Financial Results & Cash balance

During the Quarter, the Company:

- built, shipped and invoiced $0.40 million of Nano units and associated parts, to be paid in accordance with agreed payment terms;
- received $1.89 million in customer receipts from sales of the *Nano* and a further $0.46 million grant income and $0.58 million in net GST receipts. The Company also received $0.34 million in COVID related Government assistance;
- had cash outflows from Operations of $5.77 million, resulting in net operating cash outflows of $2.50 million;
- had cash outflows of $0.34 million from Investing, primarily related to the purchase of capital equipment to assist with developments and Rover and tube manufacturing capacity for the Tonsley manufacturing activities;
- had overall net cash outflows of $2.8 million and a cash balance of $15.5 million as at 30 September 2020.

Looking ahead, forecast cash inflows will be supported by receipts from the first Rover sales of $1.4 million which will be received in the December Quarter. The Company is taking active measures to maintain Rover production and development activities for upcoming products whilst carefully balancing its cash runway.

Future Outlook

Micro-X's immediate focus remains on the commercialisation efforts for the Rover in multiple markets including executing a sales agreement with Saab Australia for the JP2060 program. The Australian Department of Defence helped fund the development of the Rover and the credibility which attaches to being under contract to supply to the Australian Army will greatly assist sales efforts in the US, UK and with other NATO forces who have experience of deployed coalition operations with Australian Army medical staff. Micro-X is highly focused on conducting successful Rover demonstrations across a number of Army and Navy bases in the U.S., which are the next step towards a procurement process. Although COVID-19 outbreaks have closed some Army bases, videoconference meetings have been set up as an alternative until a hands-on demonstration is possible.

Micro-X anticipates TGA approval in the near term to broaden the Rover's reach in Australia and around the region, with a CE mark submission under the new European Medical Device Regulation also in process. The sales team is also exploring entirely new markets and applications for the Rover to build sales opportunities.

Micro-X continues to prioritise Nano sales particularly as the prospect of a second wave of COVID-19 becomes more apparent globally. The strategy of positioning for imminent availability for potential orders is expected to help maximise this opportunity.

A decision on the TSA tender for airport checkpoints and also the Australian Stroke Alliance's 'Frontier Health' research project for the Brain Tomo, is also expected in the coming months.

Peter Rowland, Managing Director said:

"We have had another very busy Quarter particularly following the Rover gaining its FDA clearance, in addition to the work to secure our first $1.4 million Rover contract. The manufacturing team is busily producing those units for shipment before month's end while the sales team presses ahead with demonstrations for the U.S. military and we finalise the contract for the ADF's JP2060 project. While recent Nano sales have not seen the same high levels as earlier in the year,

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we remain prepared for potential additional demand as the Northern winter exacerbates the COVID-19 pandemic's second wave."

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Tuesday 27th October 2020** to discuss the Company's activities and financial results for the Quarter and the business outlook. Micro-X's Managing Director, Peter Rowland, will host the call and there will be an opportunity for listeners 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/10010534-iU78y5.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: 10010534**. Dial in numbers are as follows:

Australian Toll Free:	**1800 908 299**
New Zealand callers:	0800 452 795
Other callers:	+61 2 9007 8048

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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 two mobile digital medical x-ray systems being sold commercially for diagnostic healthcare applications and Micro-X medical products are now in operation in 14 countries around the world.

Micro-X has a portfolio of innovative products in development, including the MBI for imaging Improvised Explosive Devices in security, defence and counter-terrorism applications; a next-generation self-service X-Ray Airport Checkpoint Portal with an integrated body scanner; and a lightweight brain CT imager for early stroke diagnosis in ambulances. Micro-X has its core R&D, engineering and production capability in Adelaide, Australia with a fully in-sourced CNT tube manufacturing line and approximately 95% Australian locally manufactured content.

CONTACTS

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Micro-X Ltd	
ABN	**Quarter ended ("current quarter")**
21 153 273 735	30 September 2020

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	1,889	1,889
1.2	Payments for		
	(a) research and development	(357)	(357)
	(b) product manufacturing and operating costs	(2,537)	(2,537)
	(c) advertising and marketing	-	-
	(d) leased assets	(123)	(123)
	(e) staff costs	(2,085)	(2,085)
	(f) administration and corporate costs	(616)	(616)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	3
1.5	Interest and other costs of finance paid	(59)	(59)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	803	803
1.8	Other (GST)	579	579
1.9	**Net cash from / (used in) operating activities**	**(2,503)**	**(2,503)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(325)	(325)
	(d) investments	-	-
	(e) intellectual property	(12)	(12)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
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**	**(337)**	**(337)**

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 (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

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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	18,323	18,323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,503)	(2,503)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(337)	(337)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**15,483**	**15,483**

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	15,257	18,100
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	226	223
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**15,483**	**18,323**

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	(125)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	3,000	3,000
7.2	Credit standby arrangements		
7.3	Other (please specify)	10,000	5,000
7.4	**Total financing facilities**	13,000	8,000

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.

There is a South Australian Government Financing Authority secured loan facility agreement with the South Australian Treasurer for a loan commitment of $3.0M with an agreed interest rate of 6.75% for the period 1 January 2019 to 31 December 2019, and 7.75% for the period 1 January 2020 to 31 December 2020. There are ongoing employee target conditions to be met regarding this facility. The maturity date of the loan is 31 December 2020.

The Company has a 6-year $10.0M secured, convertible loan facility with Thales AVS France SAS (**Thales**), with a maturity date of 2 July 2025. The loan may, after 2 July 2024, be converted into Micro-X shares following a request by Thales to do so at which time the Company has the choice to either (i) to repay the Thales loan in cash within 7 days; or (ii) issue Micro-X shares which would be issued at a 20% discount to the 30 day VWAP at time of conversion with a floor price of 25 cents per share. The loan will pay an annual interest rate of 185 bps above the 6-month BBSW, equating to a rate of approximately 2.0% at present. The Company has drawn down $5.0M of the convertible loan to date.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,503)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	15,483
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	15,483
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	6

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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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

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: 22 October 2020
.....

Authorised by: The Board of Micro-X
.....
(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.

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