

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 MARCH 2021

Investor call at 9.00am AEST, Wednesday 14th April 2021 to discuss Results and Business Outlook

Adelaide, Australia, 13 April 2021: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for healthcare and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Update for the quarter ended 31 March 2021 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Mobile DR revenues - \$0.75M Nano units – similar to Dec 20 Quarter**
- **Mobile DR - strong progress with new potential OEM distribution partners and Rover dealership pipeline**
- **Continuing development progress on IED X-Ray Camera**
- **Contract preparations with DHS well advanced for Airport Checkpoint Self -Service programmes**
- **Development funding for Micro-X's fourth product line secured – up to \$8.0M from MRFF grant**
- **Cash receipts \$1.0M from customers and \$2.1M for R&D rebate and government assistance**
- **Strong balance sheet following \$34.0M capital raising including new institutional investors**
- **Closing cash balance of \$38.5M – funding runway into 2023**

Following a period of tremendous commercial and operational activity, during this Quarter Micro-X achieved the key steps to lay the foundation for the Company's long term growth. The final component of Micro-X's 'four pillars' product line strategy to commercialise its technology platform was secured this Quarter with the successful award of up to \$8 million for the Brain Tomo project. The oversubscribed share placement and share purchase plan which raised approximately \$34 million, has provided a strong balance sheet and future funding runway.

Commercialisation & Development Activities

The activities and achievements this Quarter for each of Micro-X's four product lines, are summarised below:

1. **Mobile DR**

This Quarter, the medical bedside imaging product line generated sales of \$0.75 million through the Company's current non-exclusive OEM distributor. These sales were made up of a number of orders to European countries and the USA, which were all built and shipped during the Quarter thanks to the rapid turn-around capability the Company established last year. These sales levels were similar to the December 2020 quarter.

In addition, Micro-X is progressing discussions as well as integration and assessment activities with a number of potential global partners as OEM distributors for the Mobile DR range. A number of dealerships in the USA for the Micro-X branded 'Rover' product are also being progressed.

As might be expected, with the early stages of commercialisation for the Rover being limited by regulatory delays, there were no sales during this Quarter, following the first batch of Rover sales via the WHO in 2020. There are however Rover product demonstration and evaluation trials at a number of US Military bases which have been rescheduled to commence in late April or early May 2021 following relaxation of COVID-19 restrictions. A Rover product specialist has now relocated to the US to lead this process and boost Rover sales activities in both military and non-military applications.

Micro-X has also appointed a Marketing Agent for the Rover, a company which is a specialist reseller and distributor in the US Veterans Affairs network of hospitals and medical centres. This appointment aims to significantly extend Micro-X's reach within this significant US market covering 1,225 health care facilities, including 170 medical centres and 1,074 outpatient sites of care. The US Veteran Affairs network is the largest integrated health care group in the US and serves over 9 million enrolled military veterans each year. The Agent's role will include promoting the Rover and providing qualified customer introductions and support for on-ground sales activities.

New Markets for Mobile DR

To expand market access, last year Micro-X commenced a process with BSI, its Notified Body, to secure accreditation to the EU's new Medical Device Regulations. This process has been quite lengthy as every global medical device manufacturer has simultaneously required accreditation under this new regulatory regime in the EU. Micro-X's application progressed to a full audit which was performed in March 2021 and which also included the biennial ISO 13485 recertification. A review of the Technical File for the Rover product is scheduled for April which is a prerequisite to achieving CE Marking for this product to enable the Rover to be sold throughout the European Union. Micro-X's application to the Australian Therapeutic Goods Administration (TGA) for inclusion of the Rover on the Australian Register of Therapeutic Goods is still in progress and a site audit by the TGA has been scheduled in April as part of this process.

The launch of Rover into the veterinary market in the last quarter of FY2021 remains on target, following completion of a number of engineering activities including integration of a digital detector and specialised software for veterinary exams. Several voice-of-customer user trials have been conducted with veterinary hospitals with positive feedback received and suggestions being incorporated.

Mobile DR development work – High Power Generator

This Quarter the engineering development team achieved the first bench-top X-ray images from the higher powered Rover MkII x-ray tube, powered by Micro-X's first prototype high voltage generator module. The plan to integrate and operate the high powered generator and tube into a Mk II Rover cart remains on track for the June 2021 quarter with a target product launch in September 2021.

2. IED X-Ray Camera

This Quarter, Micro-X made the strategic decision to end the Thales collaboration and instead fully in-source development and production of the x-ray tube for its proprietary, counter-terrorism X-Ray Camera which images Improvised Explosive Devices using backscatter techniques. The new Micro-X design architecture for this product has greatly reduced the scope and cost of this development project with first customer demonstrations using a prototype now expected by the end of CY2021, ahead of a commercial launch in mid 2022. A patent application for this new imaging architecture is being prosecuted. Product design is well advanced and Micro-X's new Product Manager, a former Explosive Ordnance Disposal technician himself, has further refined the product's external shape following consultations with local EOD teams.

3. Airport Self-Service Security Checkpoint

This Quarter, the Company's US subsidiary, Micro-X, Inc. progressed pre-contract administrative activities with the US Government's Department of Homeland Security (DHS) in relation to two DHS contracts totalling up to US\$4m for the Self-Service Airport Passenger Security Checkpoint programme. Office premises have been secured for these activities in Seattle, US and early R&D work has begun on design workflow modules. The recruitment of additional technical staff and the Product Line Manager to lead commercial activities in Seattle has also progressed. These DHS Projects are expected to commence in coming weeks and subject to achieving milestones, will run for up to 36 months.

In the UK, Micro-X's contract in the Future Aviation Security Solutions Programme (FASS) for the UK Government's Department for Transport (DfT) was successfully completed this Quarter. This involved demonstrating three-dimensional imaging with backscatter and transmission integrated into a 3-D image with threat detection highlights. The outcomes were well received by the DfT and further discussion is planned regarding opportunities to complement the work for Micro-X Inc.'s projects for the DHS in the United States.

4. **Brain Tomography for Stroke Diagnosis**

As announced on 26 February 2021, the Australian Stroke Alliance (**ASA**) of which Micro-X is a technology partner, was awarded \$40 million from the Federal Government's Medical Research Future Fund (**MRFF**) 'Frontier Health Program' for its 'Stroke Golden Hour' project proposal to transform pre-hospital stroke care in road and air ambulances. Micro-X has been allocated \$8 million for funding its technical work in the first three years of the project and formal contract negotiations with the ASA are now underway. The collaboration with the ASA will assist to position Micro-X for mature pilot systems that can be formally verified and submitted for future regulatory approvals and fast track commercialisation.

Micro-X was selected to join the Australian Stroke Alliance due to its unique cold-cathode x-ray technology which offered the potential to miniaturise diagnostic brain CT imaging to allow a motion-less CT scanner to become small enough and affordable enough to enable widespread pre-hospital stroke diagnosis and treatment in ambulances. Micro-X also plans to build on its established relationships and subcontract with Fujifilm in Japan and the Johns Hopkins University in Baltimore in the development of its 'ring-scanner' which will be the first of its kind, to cater to an estimated \$25 billion market as mobile, point-of-care, stroke diagnosis becomes the new global standard of care in stroke management.

Corporate Activities

Capital Raising – Placement and Share Purchase Plan

During the Quarter, a \$34 million capital raising was completed at \$0.34 per share, consisting of \$30.5 million by way of a Placement on 5 February 2021 and an oversubscribed Share Purchase Plan of \$3.5 million which closed on 17 February 2021. The capital raising will enable Micro-X to fund the expansion of its US footprint including the Airport Self Service Security Checkpoint project, expand its sales and marketing capabilities to accelerate Mobile DR sales, advance its IED x-ray camera development, repay the convertible loan from Thales and strengthen its balance sheet with funding runway into 2023.

With the exception of payment of costs of the offer and repayment of the Thales convertible note, both detailed below, the expenditure program detailed in the capital raising's "Use of Funds" table has not yet commenced. Both of the repayment to Thales and payment of costs of the offer were consistent with the Use of Funds table.

Thales Settlement Agreement

On 16 March 2021, Micro-X executed a Settlement and Release Agreement with Thales to end their planned collaboration in respect of x-ray tube technology. In accordance with the terms of the Agreement, Micro-X has repaid the \$5 million convertible loan to Thales using funds raised from the capital raising which will terminate all agreements between the parties and remove all security interests over Micro-X in favour of Thales.

Financial

Financial Results & Cash balance

During the Quarter, the Company:

- built, shipped and invoiced \$0.75 million of Mobile DR units and associated parts;
- received \$1.0 million in customer receipts from sales of the *Nano*. The Company also received \$0.20 million in COVID related Government assistance and \$1.95m from the R&D rebate scheme;
- had cash outflows from Operations of \$4.20 million, resulting in net operating cash outflows of \$1.11 million. These outflows included payments to related parties of \$0.125 million, relating to the salary of the Managing Director and fees for Non Executive Directors;
- had cash outflows of \$0.19 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 cash inflows of \$26.96 million from Financing Activities, resulting from its successful capital raise of \$34.0 million, less \$1.87 million costs of the raise and the \$5.19 million repayment of its convertible note to Thales, inclusive of accrued interest;
- had overall net cash inflows of \$25.67 million and a cash balance of \$38.51 million as at 31 March 2021.

Looking ahead, Micro-X is well funded to execute its commercial and development objectives, with a funding runway into 2023.

Future Outlook

This Quarter has focused on consolidating the Company's position both operationally and financially and moving forward, the focus will be on execution and delivery. In the coming months a key element of its activities will be carefully growing internal resources and capacity to manage the workflow across multiple large development projects and commercialisation activities.

From a commercialisation perspective, Micro-X will seek to drive Mobile DR sales of both the Nano and Rover with a near term strategy of obtaining CE Mark and TGA approval to enable Rover to be sold in the EU and Australia. Another key goal is the completion of trials of the Rover with the US military to build towards a potential first US military contract this year. The funds from the recent capital raising will also start to be deployed to add sales and marketing resources, although this will be managed to ensure over resourcing does not occur ahead of actual sales. Other activities will include work to grow the veterinary market applications for the Rover due to its attractive price point and user centric design.

Looking ahead, the Company is set to showcase its robot-carried IED x-ray camera concept and early insights of the technology at the Army Robotics Exposition in Brisbane on 20 April 2021. The exposition will provide Defence and EOD personnel a first viewing of this new product and its capabilities to provide new techniques and protocols for EOD technicians to safely perform rapid assessment of potential IED weapons.

Peter Rowland, Managing Director said:

"The funding raised and milestones achieved this last Quarter have brought us closer to our goal of having four established high margin product lines within 5 years. There is a buzz of excitement around our whole team as we move ahead on all programmes at a rate beyond what we previously thought possible. We know there is an immense amount of work ahead of us to execute our plans and maintain our first mover advantage in our proprietary x-ray technologies. Above all, we are committed to being highly focused and diligent in delivering the goals we have set for ourselves."

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Wednesday 14th April 2021** 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 participants 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/10013528-sk965s.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: 10013528**. Dial in numbers are as follows:

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

– 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 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

Micro-X Limited	Investor Enquiries
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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")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	963	4,475
1.2 Payments for		
(a) research and development	(561)	(1,393)
(b) product manufacturing and operating costs	(871)	(5,231)
(c) advertising and marketing	-	-
(d) leased assets	(416)	(880)
(e) staff costs	(2,042)	(5,810)
(f) administration and corporate costs	(312)	(1,413)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	(98)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	2,128	3,329
1.8 Other (GST)	2	857
1.9 Net cash from / (used in) operating activities	(1,108)	(6,160)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(125)	(519)
(d) investments	-	-
(e) intellectual property	(62)	(93)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(187)	(612)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	34,000	34,000
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	(1,847)	(1,847)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(5,191)	(5,191)
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	26,962	26,962

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,846	18,323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,108)	(6,160)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(187)	(612)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	26,962	26,962
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	38,513	38,513

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	38,287	12,620
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	226	226
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	38,513	12,846

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	-
<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	3,000	3,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,000	3,000
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.		
<p>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. Micro-X has received a 12 month extension on the maturity of the loan to 31 December 2021 with the agreed interest rate remaining at 7.75%.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,108)
8.2 Cash and cash equivalents at quarter end (item 4.6)	38,513
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	38,513
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	34
<p><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></p> <p>* NOTE: Net cash from operating activities in Item 1.9 includes a one off receipt of \$1.95m from the R&D rebate scheme. If this is excluded from the calculation, adjusted Net cash in operating activities at Item 8.1 is (\$3.058m) and the adjusted Estimated quarters of funding available in Item 8.5 is 12 quarters.</p>	
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:</p> <p>N/A</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:
N/A

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:
N/A

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: 13 April 2021

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Authorised by: By the Board

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(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.