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QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 30 SEPTEMBER 2021

Adelaide, Australia, 25th October 2021: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for health and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Activities Update for the quarter ended 30 September 2021 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Executing the Plan for Growth:

- **Significant commercial expansion of Mobile DR activities**
  - **Appointed experienced radiology industry General Manager, Charlie Hicks - US based**
  - **Micro-X Rover listed on Australian Register of Therapeutic Goods**
  - **Rover veterinary launched - first sales in Australia achieved in July 2021**
  - **Gen II on-track to December launch – successful integration of tube and high-power generator**
- **IED X-ray camera development on track – building commercial traction at recent industry conferences**
- **Executed approximately $13m of government contracts to fund Micro-X proprietary products**
  - **US Department of Homeland Security - US$4m for Airport Checkpoint Portal programme with the first commercial baggage scanning products anticipated in 2023**
  - **Australian Stroke Alliance - $8.0m for lightweight stroke diagnostic imaging technology with a commercial product launch in 2024 following clinical trials and regulatory approvals**
- **Cash balance of $25.7m - strong Balance Sheet remains debt free**

Commercialisation & Development Activities

This Quarter, Micro-X made strong advances in the commercialisation of each of its four product lines with the highlight being execution of three contracts for up to $13 million of non-dilutive development funding for the Airport Checkpoint and Brain CT programmes. In each case, Micro-X will be paid for all development work under the contracts as milestones are achieved, whilst retaining all intellectual property in the end products which can then be launched exclusively by Micro-X. These contracts, with the US Government's Department of Homeland Security and the Australian Stroke Alliance respectively, enable Micro-X to fast track development of these two breakthrough products far more rapidly that internal funding would have allowed.

With Micro-X's four product lines now on track to full commercialisation and, recognising that each has differing markets, customers and sales channels, a new internal management structure has been implemented based on having a commercial Business Unit with P&L accountability dedicated to each of the four product lines. Each of these divisions, Mobile DR, X-Ray Cameras, Checkpoints and CT are now being led by a General Manager with full operational and financial accountability. These are supported by a fifth internal technology Business Unit acting as an internal subcontractor for the design and manufacturing of the carbon nanotube x-ray tube and high voltage technology common to each product.

Mobile DR Business Unit – expanding product portfolio and leadership

The Company is progressing well with the development of its own sales channels and product range in the Mobile DR division for global healthcare markets and this will accelerate with the appointment of Charlie Hicks as General Manager of this Business Unit. Charlie is a globally recognised leader and expert within the radiology industry, having managed

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new product developments and international commercialisation teams which launched over 30 new products with sales in 140 countries. Based in the US, Charlie will be capitalising on his in-depth industry knowledge and relationships with major US and global radiology companies, distributors and buying networks, to build new alliances and pathways to market

As Micro-X continues to expand its own sales channels with both direct sales teams and new distribution arrangements, sales by the Mobile DR division have increased with $0.8M of orders recognised for the Quarter. The impact of these new recruitments of staff and distributors over the last 3 to 6 months is expected to be felt in the coming months as market awareness and traction builds.

The Mobile DR sales prospects were boosted this Quarter when the Micro-X Rover was listed on the Australian Register of Therapeutic Goods (ARTG) and this quickly enabled the first sales demonstrations to commence in Australia. As Micro-X Rover is wholly manufactured and sold directly in Australia, it delivers higher margins compared to sales of the OEM product, the 'Carestream DRX Revolution Nano', which has been sold in Australia since in April 2019.

The first sales of the Micro-X Rover for the Veterinary market also occurred in July. Following the launch in Australia as a test market, the team is refining its market entry strategy for the US and other global veterinary markets from early 2022.

On the military front Rover had a very successful demonstration to the US Army at Fort Riley, Kansas where it was trialled in a deployed Role 2 medical facility and then put through its paces in a 'Mass Casualties' simulation exercise in that facility the following day. The unit was also trialled in Irwin Medical Center, the on-base Army Hospital at Fort Riley. Although the US Army does not have a planned program for renewal of its fleet of mobile x-ray units Micro-X successfully lobbied and was pleased to see that the National Defense Authorization Act for 2022 from the House Committee on Armed Services contained the following: *"The committee recognizes that forward-deployed military medical facilities require ruggedized diagnostic equipment that provide lifesaving and timely diagnostics in adverse conditions to save lives during the "golden hour," and that recent breakthroughs in X-ray technology have resulted in mobile units with significant reductions in Size, Weight & Power Cost. The committee believes that these new technologies have the potential to improve currently deployed mobile X-ray imaging systems, and urges the Secretary of the Army to consider plans to modernize mobile X-ray units to ensure that the best possible care is available to deployed soldiers".*

As previously flagged, the next generation of Rover products will be launched in December 2021 at the annual meeting of the Radiological Society of North America (RSNA), the largest global radiology tradeshow, where Micro-X will debut as an exhibitor. The Rover Mark II will provide far greater imaging capability, with a fourfold increase in x-ray output, making it highly suitable for the specialised and demanding environments of Emergency Departments, operating theatres and military deployed hospitals. The two key components of the next generation product are the high-power generator which has been in development, in-house, since mid- 2020 and the associated higher capability x-ray tube. Following successful initial testing in July 2021, these new components have now been successfully integrated into a cart and completed a first clinical imaging study on cadavers to support our regulatory applications, scheduled for submission in November 2021.

X-Ray Camera Business Unit – building customer awareness in 'Argus'

Development of the X-ray Camera for rapid assessment of Improvised Explosive Devices (IEDs) continued to progress across a range of engineering disciplines this Quarter and remains on track for live customer demonstrations early in the new year and pre-production commencing mid-2022.

During the Quarter, the sales team introduced the X-Ray Camera under its new product name 'Argus'. In Greek Mythology Argus is a 100-eyed, all-seeing creature whose eyes would never sleep, the reference to 100 eyes being an allegory to the way our new backscatter imaging architecture works. The launch was part of the Australian pavilion co-ordinated by the High Commission in London at the 'Defence and Security Equipment International' exposition, one of the largest defence industry conferences in the world. The two-day event was well attended by the UK Ministry of Defence and there was strong interest and engagement particularly with the British Army personnel involved in planning the acquisition of future capability in x-ray for Explosive Ordnance Disposal (EOD) operations.

Additional activities to build the sales pipeline included exhibiting Micro-X products at the Association of the United States Army Annual Meeting in Washington DC, which is North America's largest Land Forces exposition and professional

development forum. Argus was also exhibited at the Future Forces' Capabilities Conference in Columbus, GA which is one of the largest Global EOD conferences held in the USA..

The original seed funding to develop the 'Argus' x-ray camera concept came from the Australian Department of Defence which has now issued a Request for Information to industry to inform their acquisition strategy for counter-IED x-ray equipment under Phase 4 of a capability acquisition project JP154. Micro-X will provide a formal submission to this request in early November 2021.

Checkpoints Division – executes DHS contract to fund development

A key milestone was achieved this Quarter, when Micro-X's US subsidiary, Micro-X Inc. executed two contracts with the US Department of Homeland Security (**DHS**) Science and Technology Directorate for up to a total of $US4.0M in funding.

Under the first contract of up to US$2.5 million, Micro-X as prime contractor, will lead a consortium of world experts to design a Passenger Self-Screening Airport Checkpoint solution for US airports. The second contract for up to US$1.5 million is to develop a prototype of a miniaturized, X-ray CT baggage scanner prototype for the self-screening portal.

Each contract funds the development costs for the Micro-X team in Adelaide and Seattle with milestone based payments, which commence shortly. Importantly, the final products, once successfully completed, will remain proprietary to Micro-X for sale into any airport globally seeking these enhanced passenger checkpoint security features.

Micro-X believes the wider commercial opportunity for screening bags and luggage is significantly greater than airport security, which is estimated to be a multi-billion dollar opportunity in the US alone. There are numerous other applications for the Micro-X Checkpoints technology in stadiums and at public events, in government and commercial buildings as well as in connection with other public transportation systems. For this reason, Micro-X will be investing in development work to expand the suitability of the Checkpoints product to these other applications.

CT Division - $8m contract signed and media launch with Royal Flying Doctors Service

The key milestone achieved for our CT business was the execution of the $8.0m Project Agreement with the Australian Stroke Alliance (ASA) to fund development of lightweight CT imaging technology targeted at a pre-hospital stroke diagnosis scanner for fitment to air and land ambulances. This will be the lead project in Micro-X's newly formed CT business unit, led by General Manager Anthony Skeats. A team of cross-disciplinary, in-house engineers will work closely in collaborations with Johns Hopkins University, MADA Health Collab, Flinders University, ASA and Fujifilm to design and develop this equipment to be ready for patient trials in less than three years.

The contract was executed at a signing ceremony witnessed by the Federal Finance Minister, The Hon. Simon Birmingham, at the Royal Flying Doctors Service (RFDS) hangar at Adelaide airport. The event showcased the life saving impact the CT scanner can have on stroke victims particularly in remote and regional areas with demonstrations inside a RFDS aircraft and commentary from RFDS doctors and ambulance paramedics. This event attracted wide publicity and was featured on the evening news bulletins of the four major television networks.

Following the execution of the contract, Micro-X received its initial milestone payment of $0.5m under the agreement.,

The CT product will, once completed and tested in clinical trials, remain fully proprietary and exclusive to Micro-X. The life saving early diagnosis and treatment for stroke sufferers made possible by this new product addresses a global trend in pre-hospital stroke management and the improvement in patient health outcomes indicates a potentially large market in ambulances and other point-of-care applications globally.

Corporate Activities

As previously announced, the hiring of a highly experienced radiology industry manager, Charlie Hicks, has enabled the new business unit management structure in the Company to be fully implemented.

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Investor engagement activities were ongoing this Quarter with presentations at Share Café's Hidden Gems webinar, Australian Shareholders Association and the annual Morgans Institutional Investor Conference.

The 2021 Annual Report was released on 27 August 2021 with the upcoming Annual General Meeting to be held on 19 November 2021.

Financial Summary & Cashflows

During the Quarter, the Company:

- built, shipped and invoiced $0.8 million of Mobile DR units and associated parts;
- received $0.7 million in customer receipts from sales;
- received an initial $0.5 million payment from ASA and a further $0.4 million in grant income and GST receipts;
- had cash outflows from Operations of $5.67 million, resulting in net operating cash outflows of $4.07 million. These outflows included payments to Directors of $0.28 million, relating to the salary of the Managing Director and fees for Non Executive Directors;
- had cash outflows of $0.26 million from Investing Activities;
- had cash outflows of $0.14 million from Financing Activities, representing the principal component of operating lease repayments as calculated under AASB 1016;
- had overall net cash outflows of $4.47 million and a cash balance of $25.66 million as at 30 September 2021.

The Quarter saw increased expenditure associated with the procurement of long lead time inventory items to support our expected sales targets in 2022, together with increased staffing costs as additional staff are recruited to fulfil our development milestone responsibilities under both the ASA and DHS Project Agreements.

Future Outlook

This Quarter, the Company has focused on commercialisation and development activities across its four product lines and moving forward, the focus will be on executing on commercialisation strategies and delivering on development milestones. The TGA listing, hiring of Mr Hicks and the engagement of many new distributors for Rover will all contribute significantly to boosting sales and marketing activities in the upcoming quarters. Following the signing of numerous development contracts and with funding of up to $13.0m, the Company expects to accelerate development activities across its Airport Security and Brain CT scanners as part of the agreed milestones that it will need to meet.

Micro-X's Managing Director, Peter Rowland, commented:

"This was a quarter where we focused on laying the infrastructure for future growth of our Mobile DR range and executed the key development funding contracts for our Airport Security Portal and CT Scanners on which we are pleased to now finally begin development work. Importantly, the market feedback from our initial defence customer engagements on the new 'Argus' x-ray camera is extremely positive and indicates the potential for strong commercial success for this product. In addition, our newly implemented business structure will help to focus talent and resources to maximise the potential of each of our four product lines and enable clear commercial accountability as we implement our five-year strategy of rapid sales growth in each."

This ASX Announcement is authorised by the Board of Micro-X.

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Investor Conference Call

The Company will hold a conference call at **9.00am AEDT on Wednesday 27th October 2021** to discuss the Company's activities and financial results for the Quarter and the business outlook. Micro-X's Managing Director, Peter Rowland, and CFO Kingsley Hall will host the call as usual but will this time be joined by Charlie Hicks, the new GM of Mobile DR, 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/10017589-k37stc.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: 10017589**. Dial in numbers are as follows:

Australian Toll Free:	**1800 809 971**
New Zealand callers:	0800 453 055
Other callers:	+61 2 9007 3187

– 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 a fully vertically integrated design and production facility in Adelaide, Australia. A growing technical and commercial team based in Seattle is rapidly expanding Micro-X's US business.

Micro-X's product portfolio is built in four, high margin, product lines in health and security. The first commercial mobile digital radiology products are currently sold for diagnostic imaging in global healthcare, military and veterinary applications. An X-ray Camera for security imaging of Improvised Explosive Devices is in advanced development. The US Department of Homeland Security has selected Micro-X to design a next-generation Airport Checkpoint Portal with self-service x-ray. A miniature brain CT imager for pre-hospital stroke diagnosis in ambulances, is being developed with funding from the Australian Government's Medical Research Future Fund.

For more information visit: **www.micro-x.com**

CONTACTS

Micro-X Limited	Investor Enquiries
Peter Rowland, Managing Director **Kingsley Hall**, CFO & Company Secretary Tel: +61 8 7099 3966 E: admin@micro-x.com	**David Allen / John Granger** Hawkesbury Partners Tel: +61 2 9103 9494 E: dallen@hawkesburypartners.com jgranger@hawkesburypartners.com

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 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	727	727
1.2	Payments for		
	(a) research and development	(540)	(540)
	(b) product manufacturing and operating costs	(1,389)	(1,389)
	(c) advertising and marketing	(142)	(142)
	(d) leased assets	(18)	(18)
	(e) staff costs	(2,849)	(2,849)
	(f) administration and corporate costs	(663)	(663)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives		
	(a) ASA MRFF Grant	520	520
	(b) Other	161	161
1.8	Other		
	(a) AASB 16 Lease interest payments	(73)	(73)
	(b) GST	197	197
1.9	**Net cash from / (used in) operating activities**	**(4,068)**	**(4,068)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(c) property, plant and equipment	(260)	(260)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets		
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**	**(260)**	**(260)**

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		
	(a) AASB 16 Lease principal repayments	(145)	(145)
3.10	**Net cash from / (used in) financing activities**	**(145)**	**(145)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	30,133	30,133
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,068)	(4,068)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(260)	(260)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(145)	(145)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**25,660**	**25,660**

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	25,432	29,906
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	228	227
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**25,660**	**30,133**

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	(281)
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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(4,068)
8.2	Cash and cash equivalents at quarter end (item 4.6)	25,660
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	25,660
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	6

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.

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?

Answer:
N/A

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.

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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: 25 October 2021

Authorised by: By the Board

(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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