MICRO-X

Micro-X Limited, ABN 21 153 273 735

QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 30 JUNE 2020

Investor call at 9.00am AEST, Friday 24th July 2020 to discuss Results and Business Outlook

Adelaide, Australia, 22 July 2020: 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 Update for the quarter ended 30 June 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **FDA 510(k) Clearance of the Rover received in July 2020 - commercially available in the United States**
- **$2.1m of Nano units built and shipped to customers during the Quarter**
- **Significant increase in Nano production and inventory to meet further COVID-19 demand**
- **Removed backlog of Nano orders – now able to meet < 4 week delivery times**
- **Nano Orders of $0.2m for July to date**
- **Submission for $14.6m of funding to develop Stroke Diagnostic Imaging technology**
- **$15m Capital raise completed – including new institutional investors**
- **Closing cash balance of $18.3m, expected to fund the company into 2022**

Commercialisation & Sales

Carestream DRX Revolution Nano

This Quarter, Micro-X increased manufacturing capacity and reduced delivery timeframes of its Nano, two of the key initiatives from the recent capital raising to meet and fulfil orders as a result of COVID-19 related demand.

During the Quarter, approximately $2.1 million of Nano units were shipped globally to countries in Europe, North America, and Asia as well as domestically. This is the largest production level that Micro-X has ever delivered and involved a combination of additional inventory, additional capital equipment for tube manufacturing and increased manufacturing shifts. In accordance with payment terms, at the end of the Quarter there were $1.65 million of cash receipts and an additional $1.8 million of receivables from Nano sales, due to be received in the September 2020 quarter.

As outlined in the capital raising, Micro-X invested $1.4 million to buy and hold further spare parts and inventory to enable shortened response delivery times of the Nano. Micro-X now holds sufficient inventories of sub-assemblies and partially completed Nano units to produce 5 units a week. Micro-X also invested $0.4 million in capital equipment for end-of-line testing for the in-house production of the high voltage X-ray tube used in both the Nano and Rover products. This will help reduce supply chain risk on components used and reduce the cost of production.

More importantly there is no longer a backlog of orders and new orders are able to be fulfilled rapidly as received.

Rover mobile X-ray for the Military

The other key milestone this Quarter was the progress to obtaining US FDA 510(k) clearance for the Rover X-ray for the Military (received on 18 July 2020). This FDA approval occurred approximately five weeks after dossier was lodged with the FDA on 10 June 2020, compared to the established 90 calendar day review guidance provided by the FDA. The Rover is a Class II medical device and Micro-X will be the listed manufacturer of the device.

This FDA clearance represents a significant step forward in Micro-X's commercialisation plan of its second product as it enables commercial launch to begin in the United States. With the world's largest defence budget, the United States represents the single largest market for the Rover and Micro-X has been engaged in active discussions with the US Army Medical Materiel Agency regarding Rover for some time.

Rover's commercialisation is planned to be conducted through the Company's direct sales channel in the coming Quarters which will allow for greater control of the sales process and increased revenues and margins by not using distributors. The direct sales model will focus initially on the United States, Australia, the United Kingdom and other NATO countries with an addressable market size exceeding $170 million.

Other Operational & Development Activities

Manufacturing and Quality

Throughout the successful ramp up in production in a short time frame, the high levels of quality for the Nano have been maintained, as demonstrated by low levels of customer service calls.

Stroke Diagnosis – "Frontier Health"

During the quarter the Company finalised its deliverables for Phase One of the "Golden Hour" mobile stroke diagnosis program to the Australian Stroke Alliance (ASA) consortium and also submitted to ASA its proposal for Stage Two of the Federal Government's Medical Research Future Fund 'Frontier Health Program'. Micro-X's part of ASA's proposal was for funding of $14.6 million for the development and testing of lightweight, mobile stroke diagnostic imaging technology targeted at early stroke diagnosis in land or air ambulances. Micro-X will act as a technology provider in the ASA research consortium led by the Melbourne Brain Centre of the Royal Melbourne Hospital. 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.

Mobile Backscatter Imager

The Company has continued to progress the Mobile Backscatter Imager project. This work has recently focused on testing of a new imaging concept and architecture which has the potential to greatly simplify the development and reduce cost and complexity of the final product.

UK Airport Security Contract

The follow-on 'Future Aviation Security Solutions' contract received last year for Enhanced Threat Detection commenced in February 2020 and is proceeding on schedule. The deliverables for the first phase have been made and the experimental test fixture is under development.

Financial and Corporate

Capital Raising – Placement and Entitlement Offer

During the Quarter, a $15 million capital raising was completed at $0.14 per share, consisting of $8.75 million by way of a Placement on 17 April 2020 and a fully underwritten Entitlement Offer of $6.25 million (on a 1 for 5.6 share basis) which completed in May 2020. The capital raising will enable the Company to fund key growth strategies, including the ramping up of Nano production in response to COVID-19 driven demand, accelerating the commercialisation of the Rover product for the military market and accelerating the high power generator project which will improve Nano and Rover margins. The capital raising has also introduced new institutional investors to the register, several of whom are now substantial holders.

Subsequent to the capital raise, Micro-X has invested $2.8 million in inventory to both meet existing orders and build up

inventory on hand ($1.4 million as noted earlier) to ensure it can meet future orders within 4 weeks. In addition, Micro-X invested $0.4 million in upscaling its in house production facility to meet this delivery timeframe.

The Rover commercialisation program and in-house generator projects which were also outlined at the time of the capital raise have commenced.

Financial Results & Cash

During the Quarter, the ramping up of Nano manufacturing led to approximately $1.4 million in additional one-off operating expenditures and $0.4 million of one-off capital expenditures, which will not be repeated in coming Quarters as inventory levels are now able to be maintained.

Also this Quarter, Nano units totalling $2.1 million were completed, shipped and invoiced. In accordance with the payment terms $1.8 million remains receivable at 30 June 2020 and will be received in the September quarter.

On this basis, during the Quarter the Company:

- received $0.9 million in purchase orders for the Carestream *DRX Revolution Nano*;
- had cash outflows from Operations of $5.52 million which were offset by customer receipts of $1.65 million and grant income of $0.48 million, resulting in net operating cash outflows of $3.39 million. This includes $1.4 million of one-off investment in raw materials and inventory which is non-recurring. This also includes payments to related parties of $0.12 million, relating to the salary of the Managing Director and fees for Non-Executive directors;
- had cash outflows of $0.38 million from Investing, primarily related to the purchase of capital equipment to increase tube manufacturing capacity for the Tonsley manufacturing activities;
- had cash inflows of $15.00 million from financing, from the Placement and Entitlement Offer, before costs of the capital raising;
- had overall net cash inflows of $10.20 million and a cash balance of $18.32 million as at 30 June 2020. As noted above, $1.8 million of receivables from completed Nano units invoiced this Quarter will be received in the next quarter with the costs of manufacturing borne in the current Quarter.

Looking ahead, forecast cash outflows for the September 2020 Quarter will decrease as one-off inventory and capex investment will not be required and there will also be cash inflows from Nano sales in addition to this. The Company is taking active measures to maintain Nano production whilst carefully balancing its cash runway.

Future Outlook

As COVID-19 continues to have an impact on a global scale and some regions are experiencing a second wave as countries begin to relax restrictions, Micro-X continues to focus on delivering Nano sales and is confident that offering shorter delivery timeframes maximises the opportunity for further sales.

From a development perspective the Company expects to conduct customer demonstration image quality testing of its Mobile Backscatter Imager (MBI) by the end of 2020 with a new imaging technique that will significantly reduce development risk of the MBI product.

The second half of the year will also see a strong focus on executing sales for the Rover in the US a high margin and new market opportunity without an incumbent competing product. The Company will be ramping up sales and marketing activities already in place in the United States, Australia and the United Kingdom. A product specialist sales role has been filled and recruitment of a sales and marketing leader is well advanced, each of which are aimed to lead these efforts.

Subject to the Australian Stroke Alliance being chosen to receive a grant for Stage Two of the Federal Department of Health's Medical Research Future Fund 'Frontier Health' research project, the Company looks forward to starting development work in its partnership with the Melbourne Brain Centre and with its partners Johns Hopkins and Fujifilm to develop and build patient imaging prototype systems that will be used in patient imaging trials to validate diagnostic capabilities.

Peter Rowland, Managing Director said:

"The funding raised this Quarter has allowed us to ramp up production of Nano and reduce the order backlog and delivery times, making us more competitive to win Nano orders. This is our highest priority."

"I am thrilled to say that we now have our second product, the Rover, commercially available and we want to engage actively with our customers through their evaluation and acquisition processes."

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Friday 24th July 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/10008734-invite.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: 10008734**. 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 the global health and security markets, based on proprietary cold cathode, carbon nanotube 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. The Company has its core R&D, engineering and production capability at its facility in Adelaide, Australia.

The Company's first product, the *Carestream DRX Revolution Nano*, is an ultra-lightweight digital medical X-ray system for the rapidly expanding mobile x-ray market in hospitals and healthcare. The *Carestream DRX Revolution Nano* holds 510(k) and CE Mark certifications and is sold commercially in a number of global markets by the Company's exclusive distributor, Carestream Health, Inc. The Company has a portfolio of innovative products in development, aimed at customer solutions where there is little or no competition. This includes the Mobile Backscatter Imager or MBI which will image Improvised Explosive Devices for airport security, defence and counter-terrorism applications. The MBI is being jointly developed in partnership with Thales, a global supplier of defence and security technology systems, who are providing technical support and $10 million of funding.

CONTACTS

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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	**Quarter ended ("current quarter")**
21 153 273 735	30 June 2020

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	1,651	2,569
1.2	Payments for		
	(a) research and development	(582)	(2,598)
	(b) product manufacturing and operating costs	(3,097)	(4,681)
	(c) advertising and marketing	-	-
	(d) leased assets	(17)	(157)
	(e) staff costs	(1,168)	(5,606)
	(f) administration and corporate costs	(481)	(2,901)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	7
1.5	Interest and other costs of finance paid	(58)	(388)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	480	3,663
1.8	Other (GST)	(119)	370
1.9	**Net cash from / (used in) operating activities**	**(3,391)**	**(9,722)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(375)	(2,156)
	(d) investments	-	-
	(e) intellectual property	(4)	(67)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	5
	(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**	**(379)**	**(2,218)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	15,001	31,501
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	(1,027)	(2,023)
3.5	Proceeds from borrowings	-	5,000
3.6	Repayment of borrowings	-	(3,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(2,811)*
3.10	**Net cash from / (used in) financing activities**	**13,974**	**28,667**

*Redemption of Tranche 1 convertible notes.

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,120	1,603
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,391)	(9,722)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(379)	(2,218)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	13,974	28,667
4.5	Effect of movement in exchange rates on cash held	(1)	(7)
4.6	**Cash and cash equivalents at end of period**	**18,323**	**18,323**

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	18,100	7,897
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	223	223
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**18,323**	**8,120**

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	(115)
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

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)	(3,391)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	18,323
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	18,323
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** Note: Net cash used in operating activities (Item 1.9) is not representative of future periods as it includes approximately $1.4M of inventory purchases consistent with the Company's stated objective at its April capital raise to increase inventory in order to be able to deliver future orders on a timely basis.	5

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

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 July 2020
.....

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.