

Wednesday 27th April 2016

ASX Announcement – MICRO-X LIMITED (ASX: MX1)

QUARTERLY CASH FLOW & BUSINESS UPDATE

Micro-X Limited ('**Micro-X**') is pleased to provide an update to accompany the attached Appendix 4C Quarterly Cash Flow report for the period ended 31st March 2016.

The company held cash at end of quarter of \$7.9M. Development expenditures of \$4.2M were incurred during the quarter and \$0.3M in cash revenue was received from Carestream Health (for prototype deliveries) and from the Department of Defence for milestone progress payments.

Development expenditures incurred during the quarter largely consisted mostly of payments made to Hydrix Services who provide the company's outsourced engineering development team, to XinRay Systems in respect of x-ray tube design and to CPI Canada for development tasks associated with the high-voltage power supply for the tube. Other development expenditure was for capital equipment relating to production and for tooling design.

The company anticipates that development expenditures for the current quarter will be similar but, with reducing engineering effort required on the medical x-ray imager as emphasis transfers to the compliance testing program, an increasing proportion of engineering design effort will be applied to the funded Department of Defence CTD contract for the military mobile medical and backscatter imaging demonstrators. Cash receipts in the coming two quarters are expected to be strong from a combination of revenue from further planned contract milestone progress payments from the Department of Defence and additional sales of prototype mobile x-ray systems to Carestream Health to be used in market development activities. Additionally the AusIndustry R&D Tax Incentive payment in respect of the significant development expenditures made in FY16 and a loan facility from the South Australian Government will help offset expenditures on preparation for production.

On 20 January Micro-X made a \$5.7m follow-on investment (US\$4.0m) in XinRay increasing its equity position to 30.0%. Mr Peter Rowland attends monthly board meetings at XinRay to oversee the company's development and maximise coordination and collaboration with Micro-X activities.

Micro-X completed its project move to temporary premises on its tenancy site at Tonsley in Adelaide during the quarter and the first three Hydrix engineering staff with their families relocated to join the new Hydrix SA Operations, sharing the office accommodation on the site and fully integrated with the Micro-X team. The premises there are set up to validate the manufacturing assembly processes and materiel flow layout and the first prototype to be assembled there was completed during the quarter. Construction of Micro-X's permanent, bespoke office and assembly building has started on the north end of same tenancy area and is scheduled to complete mid-year.

As anticipated, significant engineering development effort this quarter has been focused on Design for Manufacturing and considerable work has been undertaken with our supply chain partners, including XinRay Systems, on optimizing the component design and the manufacturing processes to simplify supply logistics and reduce the cost of parts. Minor improvements in the cart design have also been able to be incorporated. The program of final release of drawings for tooling of carbon-fibre and plastic injection moulded parts is well advanced.

MICRO-X

However the dominant focus throughout the first half of CY2016 is on the Nano testing program. During the quarter a further two alpha-prototypes were built and these are now fully committed to an initial alpha-unit testing program to provide early identification of any potential problem areas. This early testing aims to prevent any major problems emerging later during the formal beta-unit regulatory verification and validation test program which might disrupt the schedule. Preparations for the regulatory submissions will grow to become the most significant activity in coming months for the Nano program. So far we have performed initial testing for shock, vibration, temperature, humidity, electromagnetic susceptibility and electromagnetic emissions compatibility with only minor issues emerging in vibration and electrostatic discharge tests which required design rectification work.

A reliability test and growth program has been developed and 23 test fixtures have been designed which will operate 24/7 to exercise component parts functions (such as joint flexures) in an accelerated life test to prove the design life and validate the overall product reliability expectancy. The fixtures have been designed and contracts are being let for their manufacture. A dedicated enclosed area has been set up at Tonsley to house the fixtures and these tests will commence in the coming quarter as the test fixtures are commissioned.

Micro-X has increased its staffing at Tonsley to manage and conduct all this test and supply-chain activity and these new staff members will transition to purely production activities later in the year. At 31st March Micro-X had 6 full-time employees. More production and supply chain recruitment is planned for the coming quarter and the position of Chief Financial Officer has been advertised.

In our contract with the Department of Defence for a Capability and Technology Demonstration of a Mobile Backscatter Imager and a ruggedised version of the hospital mobile x-ray system for deployed military use the first three project milestones have been achieved and invoiced. A preliminary Design Review will be held with Defence staff from the project office, Counter-IED Task Force and Joint Health Command in May. A highly innovative implementation concept for the backscatter imager has been developed which holds promise for other long-term product opportunities and patent applications are in preparation.

For further information please contact:

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About Micro-X: Micro-X Limited ("MX1") is an Australian Securities Exchange listed company developing and commercialising a range of highly innovative products based on proprietary carbon nanotube emitter technologies exclusively licensed and sourced from XinRay Systems Inc., a US based technology developer. These technologies enable the miniaturisation of a number of X-ray applications relevant to large global markets.

The Company has three initial products in its development pipeline – a mobile medical x-ray imager for hospitals, a version for deployed military use and a mobile security back-scatter imager. It is establishing manufacturing for these products in an ISO13485 certified facility in Tonsley, South Australia.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

MICRO-X LIMITED

ABN

21 153 273 735

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.1	Receipts from customers	299	299
1.2	Payments for (a) staff costs	(267)	(309)
	(b) advertising and marketing	-	-
	(c) research and development	(4,234)	(11,223)
	(d) leased assets	-	-
	(e) other working capital	(328)	(764)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	33	53
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes – R&D Tax Incentive Received	-	3,104
1.7	Other: GST from ATO	350	750
Net operating cash flows		(4,147)	(8,090)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,147)	(8,090)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	(5,732)	(7,124)
(c) intellectual property	(31)	(31)
(d) physical non-current assets	(52)	(56)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(5,815)	(7,211)
1.14 Total operating and investing cash flows	(9,962)	(15,301)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	22,918
1.16 Payments for capital raising costs	(481)	(2,291)
1.17 Proceeds from borrowings (convertible notes)	-	-
Proceeds from borrowings (other)	-	-
1.18 Repayment of borrowings – bank loan	-	-
Repayment of borrowings – shareholder loans	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	(481)	20,627
Net increase (decrease) in cash held	(10,443)	5,326
1.21 Cash at beginning of quarter/year to date	18,361	2,592
1.21.a Cash acquired on acquisitions	-	-
1.22 Exchange rate adjustments to item 1.21.a	-	-
1.23 Cash at end of quarter	7,918	7,918

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	267
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees and salaries paid to directors during the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

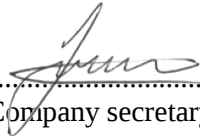
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	7,918	18,361
4.2	Deposits at call		-
4.3	Bank overdraft		-
4.4	Other (provide details)		-
Total: cash at end of quarter (item 1.23)		7,918	18,361

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-
5.2	Place of incorporation or registration	-
5.3	Consideration for acquisition or disposal	-
5.4	Total net assets	-
5.5	Nature of business	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 27.04.2016
(Company secretary)

Print name: Justin Mouchacca

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

+ See chapter 19 for defined terms.

2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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