

Monday 31st July 2017

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 30th June 2017.

The company held cash at the end of quarter of \$5.6M representing a net increase of \$3.9M over the quarter. Cash receipts during the quarter included \$241K from project revenue under the company's current Australian Department of Defence contract.

In the June quarter, Micro-X completed a \$10M capital raise through a combination of a \$5.2M placement and \$4.8M entitlement offer. The company also received the remaining \$200K of a \$3M loan from the South Australian Government.

Payments of \$4.8M during the quarter related mostly to accrued creditors for research and development, for activities and equipment relating to the finalisation of pre-production builds for Nano.

Micro-X expects to receive a payment of up to \$6 million under the Australian Government's Research and Development Tax Incentive Program during the September quarter for activities conducted during the 2017 financial year.

CARESTREAM DRX-Revolution Nano Mobile X-ray System Commercialisation

The key milestone during the quarter was the receipt by our distribution partner, Carestream Health Inc., of notification from the US Food and Drug Administration (FDA) that the DRX-Revolution Nano's 510(k) application had been approved. Approval was received in only 76 days.

Carestream has continued to show the Nano in key markets by featuring it prominently on its exhibition stands in Sao Paulo, Brazil and Leipzig, Germany in May and in Manchester, UK and Anaheim, California in June. The market interest in the product continues to surpass expectations and emphasises the critical importance of planning for initial production volumes.

Our exhaustive Reliability Growth Program, which started last December, has been successfully completed and the incorporation of improvements from this program into the product design is complete.

Reliability Demonstration Testing and component life testing continues and this forms the last stage of the product verification program required for the Declaration of Conformity and CE Marking submission.

We are in the final stages of resolving some production and quality issues in our supply chain associated with the transition to volume production processes. These issues have hampered our schedule in building up the capability to deliver in volume. Micro-X is aware of the maxim that a great product can be



easily spoiled by a poor market launch and is committed to achieving an exceptional standard of production readiness. The company has this week initiated a high-intensity build of a batch of production units to validate successful resolution of all these supply chain processes.

Defence Products

Micro-X completed the construction milestone for both the Mobile Backscatter Imager ("MBI") and the Mobile Medical Imager ("Rover") demonstrations under our current contract with the Department of Defence. The set-to-work and testing of the equipment is underway and the imaging demonstrations will be performed in October.

Micro-X was invited to present the Rover and the MBI programs to the Office of the Secretary of Defense in Washington DC. There was strong interest from the Foreign Comparative Test Department and US Military staff have requested an invitation to attend the Imaging Demonstration which will be performed for the Australian Defence Force.

Micro-X also hosted a visit at Tonsley from a large overseas delegation of Counter-IED and Home Made Explosives experts from the US Military, FBI, and Department of Homeland Security. There was strong interest shown in our new explosives imaging technology currently in development.

Staff and Facilities

Micro-X continues to build up its in-house engineering design capability and has recruited Anthony Skeats as Engineering Manager to lead this function. Two mechanical engineers have also joined the team and recruitment of senior Software and Electronics engineers is underway. Headcount now stands at 19.

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 backscatter imager. It is establishing manufacturing for these products in an ISO13485 certified facility in Tonsley, South Australia.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Micro-X Ltd

ABN

21 153 273 735

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		243	612
1.2 Payments for			
(a) research and development		(4,838)	(16,556)
(b) product manufacturing and operating costs		-	-
(c) advertising and marketing		-	-
(d) leased assets		-	-
(e) staff costs		(604)	(1,869)
(f) administration and corporate costs		(386)	(1,696)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		6	25
1.5 Interest and other costs of finance paid		(28)	(124)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives (Research & Development Tax Incentive Refund)		-	8,219
1.8 Other (GST Refunds)		38	934
1.9 Net cash from / (used in) operating activities		(5,567)	(10,454)
2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(9)	(259)
(b) businesses (see item 10)		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
	(c) investments	-	-
	(d) intellectual property	(3)	(117)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(12)	(375)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	9,976	9,976
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(743)	(743)
3.5	Proceeds from borrowings	200	3,000
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	9,433	12,233

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,719	4,169
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,567)	(10,454)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(375)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,433	12,233

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	5,573	5,573

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	5,573	5,600
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,573	5,600

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

132

-

Payments to directors in the quarter related to accrued directors' fees. Fees also include salary to the Managing Director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,000	3,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

During Q1 2017, the company entered into a loan commitment with the South Australian Government Financing Authority, amounting to \$3.0 million with an agreed interest rate of 5.75% per annum paid monthly in arrears.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	2,960
9.2 Product manufacturing and operating costs	681
9.3 Advertising and marketing	-
9.4 Leased assets	54
9.5 Staff costs	837
9.6 Administration and corporate costs	249
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	4,781

The estimated research and development outflows for the September 2017 quarter relate largely to accrued creditors. The estimated expenditure on research and development for the DRX Revolution Nano for the next quarter is \$948K.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here:

Company secretary

Date: 31 July 2017

Print name: Georgina Carpendale

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.