

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 DECEMBER 2020

Investor call at 9.00am AEST, Friday 22nd January 2021 to discuss Results and Business Outlook

Adelaide, Australia, 20 January 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 December 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Built, shipped and invoiced \$2.0M of Mobile DR units (Nano and Rover) – with customer receipts for the Quarter of \$1.6m**
- **Micro-X Inc. selected by U.S. Department of Homeland Security for two contracts totalling US\$4m for Self-Service Airport Checkpoint development**
- **Amendment to worldwide distribution agreement with Carestream for *Carestream DRX Revolution Nano* – Micro-X's first product**
- **Major growth in sales and marketing capabilities to expand Rover opportunities**
- **Signed first military contract worth \$1.3m for Rover units to supply Australian Defence Force**
- **Board appointment of David Knox as Chairman and Jim McDowell as Non-Executive Director**
- **Closing cash balance of \$12.8m**

Commercialisation Activities

The Company's commercialisation strategy to create, within five years, four high-margin, high-volume production lines with four highly differentiated products in both medical and security markets was presented at its AGM in November. The Company's activities and achievements for this Quarter as well as the future outlook is reported in respect of each of these four product lines.

1. **Mobile DR**

The Company's medical bedside imaging platform generated sales for the Quarter of \$2.0M from both the Carestream DRX Revolution Nano ('Nano') and the Micro-X Rover. In the last days of December 2020, Micro-X passed a milestone with the 200th production unit of the Mobile DR cart which was amongst the deliveries headed for the airport.

Carestream DRX Revolution Nano

This Quarter saw sporadic but increasing demand for Nano as a result of the second wave of the COVID-19 pandemic sweeping through Europe and North America. Nano sales revenue for the Quarter was \$0.7M. The benefits of the investment made earlier in 2020 in inventory purchases and sub-assembly pre-builds were well illustrated when an urgent \$0.35M order was received on 18th December 2020. Our production staff immediately cancelled holiday plans and worked 12-hour shifts through the weekend so that the entire order was airborne before Christmas Eve.

During the Quarter the distribution agreement with Carestream Health Inc. (the **Distributor**) was amended to become a non-exclusive distribution relationship. Both companies have continued the collaborative spirit of partnership established over many years to sell and support the Carestream branded DRX Revolution Nano and the companies are in discussions about possible future product upgrades. Both companies believe that having multiple paths to market will accelerate

market awareness and acceptance of this new technology. As part of the amendment to the agreement Micro-X will maintain agreed levels of service spares inventory, earmarked for Carestream's installed base.

This amendment allows Micro-X to pursue additional paths to market for its bedside imaging x-ray units and build production volumes of the product either selling directly or via additional distributors and agents. Discussions are well advanced with a number of other major medical radiology companies to establish such new arrangements.

Rover mobile X-ray

Sales of Rover for the Quarter were \$1.3M, from the delivery in October 2020 of an order to Pacific Island Nations funded by the World Health Organisation.

On 17 December 2020, Micro-X was awarded its first military contract totalling \$1.3 million to supply Rover mobile x-ray units for the Australian Defence Force's Deployable Health Capability Program (JP2060 – Phase 3). The Rover units incorporate a digital flat panel imaging detector sourced from Fujifilm which is already in-service with the US Army and which Micro-X has integrated into the Rover platform.

Micro-X hosted Saab Australia at its facilities in Adelaide for a formal contract signing at which SAAB Australia Managing Director Andy Keough, and Senator The Hon David Fawcett (Chair of the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade) attended. While revenue will not be recognised until much later in this project when units are required as Saab's hospital deliverables to Army are assembled, this contract is highly important to cement Micro-X's official status now as a supplier to the Australian Army. This is a critical foundation for our marketing and sales efforts on Rover to the US Armed Forces and also allows government-to-government discussions to occur via the Australian Embassy in Washington DC to provide product and technology testimonials in support of the Australian Army's choice of Rover.

Despite restrictions caused by the COVID-19 pandemic in the USA, Micro-X's Rover sales team has secured two-week product evaluation trials which will include patient imaging in operational US Army Deployable Medical Unit bases at Fort Bragg NC and Fort Riley KS during February 2021. Additionally, a product demonstration and trial has been arranged at the Veteran's Affairs hospital network in Baltimore MD for possible sales of Rover into this network of DoD owned bricks-and-mortar hospitals across the USA. All these trials and sales efforts will be supported by a product specialist from Adelaide with recruitment by Micro-X Inc. of US based sales executives already well advanced to boost Rover sales efforts in both military and non-military applications.

The electrical design of the new x-ray tube and supporting in-house high-voltage generator for the higher powered Rover MkII is substantially complete and preparations for the in-house manufacturing infrastructure are on schedule. Unfortunately, over the recent holiday period delays from two overseas suppliers in delivery of a critical high-voltage insulator and printed circuit board has cost us a schedule slip. We now expect first switch-on and testing of the designs in February 2021 and expect the tube and generator to be operated together and then integrated into a Rover cart during the June 2021 Quarter. Regulatory testing and pre-production will occur in the September 2021 quarter with a target product launch in September in time for the busy last quarter of 2021 and the Micro-X Rover's debut at RSNA.

In August 2020, Micro-X applied to the Therapeutic Goods Administration (**TGA**) for listing on the Australian Register of Therapeutic Goods of the FDA-approved Rover mobile medical X-ray. The Company's application is still under review. Micro-X believes that Rover will be very competitive in the Australian market and is investigating securing a faster approval via CE marking in association with our MDR accreditation.

New Markets for Mobile DR

Micro-X's new marketing and sales team is looking for new applications and markets for Mobile DR which could help build product volumes.

There is a major trend in western healthcare systems for increasing point-of-care service delivery to reduce the workload and costs within acute hospitals. During the Quarter Micro-X has partnered with an Adelaide based company, Ultra Mobile Radiology to use one of our Mobile DR units, the Nano, to deliver door-to-door x-ray imaging services to patients in their homes, retirement villages or aged care facilities. The service is offered on a pay-per-image basis across Adelaide, with

images transmitted instantly by the Nano for radiology reporting by tele-radiology at Dr Jones & Partners Medical Imaging. The images can then be made immediately available to the requesting GPs or specialists both accelerating the diagnostic process and providing a greatly improved patient comfort and convenience, particularly where patients have mobility challenges. Their first patient was imaged in the Adelaide Hills in November and the future workload for the service looks very promising. Data and operational learnings from this first service will be available to Micro-X to assist in sales and marketing of Rovers for other companies looking to establish this service either in Australia or internationally.

An enquiry during the Quarter from the US Army in respect of veterinary x-ray imaging for EOD sniffer dogs has led the Company to evaluate the potential for Rover to be used in small animal veterinary hospitals. The Company has sourced a suitable detector and appropriate clinical imaging software and is close to commencing a workflow and voice-of-customer user trial in a veterinary hospital near Adelaide. There has been significant interest already in discussions with veterinary distributors and the market size and business economics look promising, particularly since there is minimal development cost and regulatory hurdles. The Company plans a small-scale trial in Australia which, if successful, would lead to exploring new distribution partnerships in North America and Europe.

2. Mobile Backscatter Imager – IED X-Ray Camera

After some months' delay in receiving the new detector from the UK supplier for Micro-X's Mobile Backscatter Imager (MBI) the Company was able to conduct image performance testing during the Quarter on the new imaging architecture. The imaging results, which were showcased during the 2020 AGM presentation, were outstanding and verified the mathematical simulations of performance which led Micro-X to explore this new concept for the product. The results demonstrated the 'quick-scan' bomb/no bomb assessment mode could easily identify the presence of energetic material with a ten-second scan. A longer, sixty-second scan, resolved features down to 300 microns in size and electronic components were easily identifiable in the images.

This new architecture is now proven to give a far superior product design; the image resolution is much better and the scanning process is three times faster than the original multi-beam MBI prototype demonstrated under the Australian Department of Defence CTD contract in 2017. The MBI product will be almost half the size and weight of that original product configuration, increasing the addressable market as the Camera will now be able to be lifted and used by much smaller EOD (Explosive Ordnance Disposal) robots.

A critical benefit of this new approach is in significant de-risking of the x-ray tube. The high complexity, and therefore cost, of the original design and fabrication of the larger multi-beam x-ray tube which the original imaging configuration required, has been replaced with a simple, straightforward and low cost X-ray source, with no need to use ground-breaking new materials or beam-forming techniques. This change has materially impacted the scope of work for the X-ray tube collaboration with Thales, and this remains under discussion. This innovation has also further improved the commercial attractiveness of the MBI product with the budgeted manufacturing cost more than halved, as has the product development schedule. We now anticipate having a MBI prototype ready for first customer demonstration by the end of CY2021 and expect production readiness in mid-CY2022. A patent application for this new imaging architecture is underway.

Simultaneously with the ramp-up in detailed design and development activity this year, the Company has also initiated an increase in sales and marketing effort for the MBI to increase market awareness and solicit voice-of-customer input to finalising the equipment's operator interface. We are pleased to announce the appointment of Shaun Graham as a new Product Line Manager for this business stream. Shaun is an ex-Royal Australian Navy Clearance Diver who has extensive experience in Australia and internationally of Explosive Ordnance Disposal both as an EOD Technician and in sales and business development roles in counter-IED equipment including x-ray and other detection technologies. Shaun brings a wealth of experience and international contacts to this role as well as a very personal, hands-on, understanding of the challenges, techniques and protocols in bomb disposal.

3. Airport Self-Service Checkpoint

During the Quarter, the Company's engineering team completed the first milestone under its contract with the UK Government's Department for Transport under the Future Aviation Security Solutions Programme. This contract is focussed on developing the earlier contracted project work for DfT on combined transmission/backscatter imaging into a three dimensional imaging capability.

This project in the UK positioned the Company well for miniaturised hand-luggage x-ray scanning and in November 2020, following a competitive evaluation process, Micro-X's wholly owned subsidiary, Micro-X Inc., based in Seattle Washington, was selected by the US Government's Department of Homeland Security (DHS) for two contracts totalling US\$4m associated with a new concept for a Self-Service Airport Passenger Security Checkpoint. This programme relates to the Transportation Safety Administration's (TSA) future vision of replacing conventional CT and projection x-ray luggage imaging at checkpoints with a bank of multiple 'self service' security portals similar to current photometric identity portals but with the integrated addition of millimetre-wave body-scans and x-ray screening operating with automated threat detection. Under this self-service security concept, it is probable that each current X-ray lane will be replaced by 4 to 6 such self-screening portals indicating a total potential US market size of 8,000-12,000 portals.

The first of the DHS contracts is to develop and produce an operating prototype of the hand-luggage x-ray unit for TSA to evaluate performance. The second is to develop a design for the whole, integrated, passenger self-service portal. This integrated systems design will bring together not only Micro-X's own x-ray unit but also technology solutions from US, German and Australian sources who will be subcontracted by Micro-X to supply the millimetre-wave body screening, document scanning and photometric identity confirmation sub-systems. Micro-X is currently engaged in pre-contract administrative procedures with DHS who anticipate a commencement in April 2021. The projects will complete in 36 months and have the potential to place Micro-X in an enviable position to become the supplier of portals for airports world-wide.

The Company plans to manage the systems integration for this project and establish a centre-of-excellence for security-sensitive threat detection software at its Seattle base. New premises suitable for this expansion have been identified near SeaTac Airport and recruitment of a number of high calibre imaging algorithm and software engineers has commenced. The Company also plans to use this US footprint as a base for its medical Rover sales and customer support activities in North America.

4. Brain Tomography for Stroke Diagnosis

During the Quarter, Micro-X continued some development work on its design for a miniaturised brain imaging CT product which could be small enough and inexpensive enough to enable fitment to any land or air ambulance. The aim is to allow pre-hospital diagnosis of strokes so that treatment can commence in the ambulance within the 'Golden Hour' to minimise long-term disability. The Melbourne Brain Centre, as part of the Royal Melbourne Hospital, is a world-leader in pre-hospital stroke management using their Mobile Stroke Unit (MSU). These MSUs use conventional x-ray technology consisting of an 8-slice helical rotating CT scanner which is able to image bleeds as small as 2-3 millimetres and sets the 'standard of care' for haemorrhagic stroke diagnosis.

Throughout this development process, Micro-X has benchmarked the imaging performance of its stationary, multi beam scanning cone-beam tomography solution against this standard. Recent advances in Micro-X's image reconstruction algorithms, developed in conjunction with intern students from Flinders University Biomedical Engineering Department, were trialled with varying volumes of blood. The imaging tests, conducted during December, demonstrated a capability of resolving 4mm-5mm bleeds indicating the technology is on track to meet the current standard of care. Initial system simulations run by The Johns Hopkins University match these results and indicate that with planned additional system and algorithm optimisations, that imaging bleeds of less than 1 millimetre may be achievable.

Based on these preliminary test results, Micro-X is confident that, in the project proposed for funding in the Australian Stroke Alliance's 'Golden Hour' bid to the MRFF, the planned implementation of a curved detector and further algorithm refinements, will see the diagnostic capability match and possibly even surpass the current standard. Micro-X's Brain Tomography project is the centrepiece of the Australian Stroke Alliance's Frontier Health Stage Two submission to the

evaluation panel of the Federal Government's Medical Research Future Fund. The Department of Health is currently assessing proposals.

Other Corporate and Operational Activities

Board of Directors

As part of an ongoing board rejuvenation process, existing board member David Knox was nominated Chairman Elect in November 2020. As of 19 January 2021, Patrick O'Brien has stepped down as a Chairman after 5 years of serving in the role and will remain a non-executive director of Micro-X.

During the Quarter it was also announced that Jim McDowell would be re-joining the Micro-X board as a Non-Executive director, effective from 1 January 2021. Mr McDowell previously held the position of Chief Executive of the Department of Premier and Cabinet working for South Australian Premier, the Hon Steven Marshall MP and is currently CEO of defence contractor Nova Group. His experience in sales and marketing of defence and aerospace products globally as well as his operational experience running high technology companies strengthens the Micro-X board as it accelerates commercialisation of the Company's defence and security products, particularly in the USA.

New ERP System

To support Micro-X's growing operations and strengthen its current back office system, the Company has been implementing a new ERP system, Pronto, which went live on 19 January 2021. The system will better integrate the Company's supply chain, manufacturing and information systems and enable higher quality data and information analysis, particularly as production volumes expand.

Medical Regulatory Accreditation.

Micro-X's regulatory team has been accelerating work during the Quarter with our Notified Body, BSI, to complete the documentation requirements needed to progress its accreditation to the EU's new Medical Device Regulations. BSI has scheduled a MDR audit for March 2021, which coincides with the annual ISO 13485 Quality Management System audit. The Technical File for Micro-X's application for CE Marking of the Rover will be lodged immediately following this audit. The achievement of MDR accreditation is important for Micro-X to be able to quickly gain CE Marking for Rover and subsequent derivative products to enable sales outside the jurisdiction of the US's FDA 510(k) approval. Delays in the MDR accreditation process have been substantial during 2020 as every global medical device manufacturer rushes to transition from the EU's former Medical Device Directorate environment.

Micro-X Inc Development

The development of Micro-X's wholly-owned subsidiary company in the USA, Micro-X Inc. is well underway in preparation for it to contract with DHS and other Government entities. The Company is pursuing a 'multi-domestic' strategy to its international business operations and will avoid duplication of capability by ensuring that core technologies and capabilities, wherever created, can be made available to all the Company's product lines.

Financial

Financial Results & Cash balance

During the Quarter, the Company:

- built, shipped and invoiced \$2.00 million of Mobile DR units and associated parts;
- received \$1.62 million in customer receipts from sales of the *Nano* and a further \$0.28 million in net GST receipts. The Company also received \$0.40 million in COVID related Government assistance;

- had cash outflows from Operations of \$4.85 million, resulting in net operating cash outflows of \$2.55 million. These outflows included payments to related parties of \$0.115 million, relating to the salary of the Managing Director and fees for Non Executive Directors;
- had cash outflows of \$0.88 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 overall net cash outflows of \$2.64 million and a cash balance of \$12.85 million as at 31 December 2020.

Looking ahead, Q3 cash inflows will include the receipt of a \$1.95 million R&D tax rebate which was received in early January 2021. The Company continues to carry out active measures to maintain both Nano and Rover production levels and development activities for upcoming products, whilst carefully balancing its cash runway.

Peter Rowland, Managing Director said:

"This has been an enormous Quarter of activity and achievement for the Company and I am very proud of the Micro-X team for achieving so much to set us on course for an even more exciting 2021. The international recognition we have seen of the Company's capability this Quarter has reinforced our leadership position in this exciting new technology. The sense of the Company passing an inflection point in our commercialisation journey is very real. Our priorities for 2021 are clear: building revenues in our Mobile DR product lines with more sales efforts, new applications, product upgrades and many new channels to market; bringing our LED x-ray camera, the MBI to first customer demonstrations; building our capability in the US and starting the journey with the TSA to the airport checkpoint of the future."

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Friday 22nd January 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/10011914-9hgfi.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: 10011914**. 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

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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 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,623	3,512
1.2 Payments for		
(a) research and development	(475)	(832)
(b) product manufacturing and operating costs	(1,823)	(4,360)
(c) advertising and marketing	-	-
(d) leased assets	(341)	(464)
(e) staff costs	(1,682)	(3,768)
(f) administration and corporate costs	(486)	(1,101)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(39)	(98)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	398	1,201
1.8 Other (GST)	276	855
1.9 Net cash from / (used in) operating activities	(2,549)	(5,052)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(69)	(394)
(d) investments	-	-
(e) intellectual property	(19)	(31)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(88)	(425)

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 (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,483	18,323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,549)	(5,052)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(88)	(425)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12,846	12,846

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	12,620	15,257
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	226	226
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	12,846	15,483

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

(115)

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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. Micro-X has been advised in writing of an intended 12 month extension on the maturity of the loan to 31 December 2021 with the agreed interest rate remaining at 7.75% and legal documentation to amend the loan facility is being prepared for execution.

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 1.9% 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)	(2,549)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	12,846
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	12,846
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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

- 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: 20th January 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.