

## QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 30 JUNE 2021

*Investor call at 9.00am AEST, Thursday 29<sup>th</sup> July 2021 to discuss Results and Business Outlook*

**Adelaide, Australia, 28<sup>th</sup> July 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 Activities Update for the quarter ended 30 June 2021 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

### Highlights for the Quarter

- **Cash receipts from customers for Mobile DR range - \$5.3m for FY21 and \$0.8m for Quarter**
- **Mobile DR range expanded – FDA clearance for Micro-X branded Rover and launch of Rover Vet**
- **New markets and sales channels – Multiple distributors for US, EMEA and US DVA markets**
- **New sales leadership appointments for North America and Europe – strong track record in medical capital equipment sales**
- **US facility opened in Seattle – supports US business and Airport Security programmes**
- **Successful testing of new x-ray tube and high voltage generator for Rover Mark II**
- **Two funding grants totalling \$0.93 million awarded from Australian government manufacturing funds**
- **Strong balance sheet with cash balance of \$30.1m – Debt free following repayment of SAFA facility**

### Commercialisation & Development Activities

This Quarter Micro-X continued to advance each of its four business lines which all leverage its proprietary and globally unique, cold cathode X-ray technology platform. A major focus was extending the Micro-X range of Mobile Digital Radiology or *Mobile DR* products to increase the total addressable market and also product gross margins. To better serve the very large US healthcare and security markets, Micro-X also opened its first overseas office in Seattle during this Quarter.

#### 1. *Mobile DR range*

This Quarter, Micro-X expanded its Mobile DR family of products to progress a range of applications and new markets. Micro-X's own branded Rover for medical applications received FDA clearance this Quarter and is now available for sale in the United States. This product is now fully offered under the Micro-X brand incorporating a new flat panel digital detector sourced from Varex Imaging, a major component supplier to radiology systems companies.

Following this, the Micro-X Rover for Veterinary was launched in the Australian veterinary market this Quarter. This is also fully Micro-X branded and uses a modified Rover cart and Varex detector, with an updated user interface and imaging software tailored for veterinary imaging. There are an estimated 3,000 veterinary practices in Australia and nearly all of them incorporate diagnostic radiology, which is driving a need for improved and cost-effective x-ray solutions.

The OEM product in the Mobile DR portfolio, the Carestream DRX Revolution Nano which launched Micro-X's Mobile DR range, continued to be sold by Carestream globally with sales continuing into countries with the larger installed base.

During the Quarter, from a revenue perspective, sales across the Mobile DR range were \$0.4 million and this brought total sales for FY2021 to \$3.6 million. Moving forward, Micro-X's strategy is to create multiple paths to market to complement the OEM business and to shift the emphasis to the new, fully Micro-X branded, Rover products where

improved product margins and greater control over the sales process flow from either direct sales or dealer/distributor sales channels.

To broaden the Micro-X Rover access in healthcare markets, this Quarter Micro-X signed a number of non-exclusive dealership and distribution agreements with companies in the USA and Europe. This included a non-exclusive 3 year distribution agreement with Roesys Medtech GmbH to distribute and sell Rover into hospitals across the EMEA region. Roesys launched Rover sales activities at the Arab Health conference in Dubai, the first major in-person tradeshow for many months with approximately 50,000 delegates. Follow up demonstrations in the Middle East are ongoing with hospital groups, with sales in the region targeted by the end of 2021.

To better manage and provide regional sales support for this growing distributor network, two senior sales managers with a strong track record in medical capital equipment sales were recruited to lead our sales operations in North America and Europe. Tannis Sigurdson who has extensive experience in commercial roles managing both direct and distributor teams in North America selling a range of disruptive medical products, including CBCT x-ray, will lead our Seattle-based sales team and focus on rapidly expanding USA sales activities. Lois Newman, who has 20 years experience in strategic and global sales channel management of medical equipment with Smiths Medical, will be based near London to drive European sales channels and activities.

In the military market, a distributor specialising in sales to the US Department of Defense owned Veterans Affairs hospital network was appointed this Quarter, to promote and sell the Micro-X Rover across this nation-wide network. In parallel Micro-X through its advisers in Washington DC is implementing a lobbying strategy to gain Congressional support for funding of high-technology radiology adoption by the US Army. Micro-X is still pursuing plans to demonstrate Rover Military units to US military medical personnel, once military base access restrictions are eased.

In the veterinary market, the first sale of the Micro-X Rover for Veterinary was followed up with the appointment of Medical Plus as a non-exclusive distributor. Medical Plus are an Australian wide veterinary sales and distribution company specialising in diagnostic imaging. Following successful market entry in Australia, further offshore markets will be added.

From a development perspective, the new second-generation of Rover Mobile DR products is on target and close to completion. The two new critical components for this, the in-house designed and built high voltage generator and the matching new x-ray tube, were successfully operated together and performance tested, delivering four times the x-ray output of the previous product at half the cost. This Generator Programme began in May 2020 as one of the three strategic imperatives of the April 2020 capital raising, with the allocation of \$3.5m. Once final safety testing is completed and certified with an updated FDA regulatory filing, this generator and tube will form the basis of the next generation Rover family of Mobile DR products, planned to be launched in the medical market in December 2021 at the RSNA global radiology meeting.

## 2. *IED X-Ray Camera*

During the Quarter, the full-scale engineering development programme for the IED X-Ray Camera product progressed well and remains on-track for first customer demonstrations by the year-end. This Quarter Micro-X also presented the new IED camera design at the Army Robotics Conference in Brisbane, as the next step towards customer demonstrations planned for early 2022. This Conference was the first public showing of the IED camera in its new size and shape after updated design and full in-sourcing of development. Micro-X's product manager showcased the IED X-ray camera features to Army Engineers, Special Operations members and Explosive Ordnance technicians.

## 3. *Airport Self-Service Security Checkpoint*

The Company's US subsidiary, Micro-X, Inc. progressed this Quarter in key pre-contract work and negotiations for the two contracts with the US Government's Department of Homeland Security, for their Self-Service Airport Passenger Security Checkpoint programme. The recruitment of technical staff and the Product Line Manager to lead commercial activities in Seattle has also progressed. Micro-X is confident these contracts will be executed during the coming quarter.

#### 4. *Brain Tomo for Stroke Diagnosis*

Following the announcement on 1 March 2021 of the award to the Australian Stroke Alliance (**ASA**) of \$40 million from the Federal Government's Medical Research Future Fund for its 'Stroke Golden Hour' project, the ASA has now contracted with the MRFF. In addition, this Quarter Micro-X advanced its negotiations with the ASA for an \$8 million sub-contract for its product development in the first three years of the project. This contract is expected to be signed in coming weeks.

### **Corporate Activities**

At the end of May, Micro-X's new facility and software centre of excellence in Seattle was officially opened by the Chair of the US House Committee on Armed Services, Congressman Adam Smith. This is Micro-X's first international expansion and represents an important strategic milestone to support the growth in US business, particularly with the Department of Homeland Security and the need for close project management ties and secure information exchange with the TSA.

The Seattle office is already home to 6 Micro-X Inc. staff who are working across US sales and marketing activities for the Mobile DR range and building our software and image analysis centre of excellence for the Airport Self-Service Security Portal Program.

In July 2021, the Industry, Science and Technology Minister Christian Porter announced that Micro-X had been awarded \$0.4 million of grant funding from the second round of the Australian Government's Manufacturing Modernisation Fund. A separate award of \$0.525 million of grant funding from the Advanced Manufacturing Growth Centre (AMGC) Commercialisation Fund was made to Micro-X to fund repackaging of the high energy Rover x-ray components into an ultralight mobile x-ray trolley for use in deployable veterinary settings. The US Army Medical Materiel Development Agency has enquired of Micro-X if its Rover technology could be adapted to meet their capability needs in this area.

In April 2021, Micro-X repaid the \$3 million facility to the South Australian Government Financing Authority (**SAFA**), which was provided to help establish the Tonsley manufacturing facility. The SAFA Facility had been attracting interest of approximately \$0.23 million per annum. Micro-X ended the Quarter, fully debt free.

### **Financial**

#### *Financial Results & Cash balance*

During the Quarter, the Company:

- built, shipped and invoiced \$0.44 million of Mobile DR units and associated parts;
- received \$0.8 million in customer receipts from sales and a further \$0.3 million in net GST receipts and Grant income;
- had cash outflows from Operations of \$6.00 million, resulting in net operating cash outflows of \$4.94 million. These outflows included payments to Directors of \$0.144 million, relating to the salary of the Managing Director and fees for Non Executive Directors;
- had cash outflows of \$0.29 million from Investing, primarily related to the purchase of capital equipment to assist with product development, manufacturing capacity and the establishment of the Seattle office;
- had cash outflows of \$3.15 million from Financing Activities, resulting from the repayment in full of its \$3.0 million loan from the South Australian Government, in addition to \$0.15 million in costs from the March quarter capital raising;
- had overall net cash outflows of \$8.38 million and a cash balance of \$30.13 million as at 30 June 2021.

The Quarter saw increased expenditure associated with the establishment of the US office in Seattle which is a one off, and a ramp up in personnel and associated recruitment costs, together with equipment for the upcoming Airport Security and Brain Tomo projects. These project costs are planned to be partially recouped once contracts for those two projects are formally signed and the relevant milestones achieved.

During the Quarter, the Company increased its stock and inventory levels of long lead time items to enable it to meet anticipated FY2022 sales expectations.

Additionally, there was an increase in sales and marketing expenditure for the Mobile DR range in the US, EMEA and Australia, associated with the appointment of new distributors and staff, the commencement of market research activities in major markets and the launch of the Micro-X Rover for Vet product.

## Future Outlook

This Quarter the Company focussed on building out the commercial capability and product portfolio for its Mobile DR range, to help scale the sales and marketing activities in the coming quarters. The early signs from the recently appointed distributors and dealerships in the US and EMEA are highly positive and support potential for increased sales of Mobile DR units by the end of 2021. While COVID-19 infection rates are fluctuating across the developed and developing world, demand for further Mobile DR units is expected to continue, but will remain difficult to predict. Additionally, Micro-X will use the launch of the Micro-X Rover for Veterinary in the local market as an opportunity to secure early sales this year whilst refining a veterinary market entry strategy for the US and other global markets from early to mid 2022.

Looking ahead, it is expected that the programmes for Self-Service Airport Security Checkpoint and Brain Tomo will each be formalised in the coming quarter with contract signings, that will together secure a combined \$13 million of development funding. Once signed, current pre contract development efforts will be scaled up over the next 6 months which will also bring Micro-X a step closer to the goal of having four high margin product lines within 5 years.

Peter Rowland, Managing Director said:

*“With the broadening of our distributor and dealership network in the US and EMEA, we have taken further strides in our commercialisation plans and matched this with a significant strengthening of our sales management, now locally based in North America and Europe. Equally as important, the launch of two, new, now fully Micro-X branded Rover variants for the Medical and Veterinary markets gives us greater control of our destiny and a larger part of the mobile radiology value chain.*

*We have very high hopes for our work in Airport Security and the X-ray Camera this year and our new facility in Seattle is already developing into a fabulous springboard for technical and sales achievements for both products.”*

## Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Thursday 29<sup>th</sup> July 2022** 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/10015481-e720dj.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: 10015481**. 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 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](http://www.micro-x.com)

## 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")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	776	5,251
1.2 Payments for		
(a) research and development	(712)	(2,105)
(b) product manufacturing and operating costs	(1,035)	(6,265)
(c) advertising and marketing	(186)	(186)
(d) leased assets	(360)	(1,240)
(e) staff costs	(2,514)	(8,324)
(f) administration and corporate costs	(1,102)	(2,515)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(97)	(195)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	53	3,381
1.8 Other (GST)	233	1,090
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,944)</b>	<b>(11,104)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(264)	(783)
(d) investments	-	-
(e) intellectual property	(25)	(118)
(f) other non-current assets		

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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	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(289)</b>	<b>(901)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	34,000
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	(147)	(1,994)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(3,000)	(8,191)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(3,147)</b>	<b>23,815</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	38,513	18,323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,944)	(11,104)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(289)	(901)

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

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)	(3,147)	23,815
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>30,133</b>	<b>30,133</b>

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	29,906	38,287
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	227	226
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>30,133</b>	<b>38,513</b>

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	(144)
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. <b>Financing facilities</b> <i>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.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,944)
8.2 Cash and cash equivalents at quarter end (item 4.6)	30,133
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	30,133
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	6
<i>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.</i>	
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	
<i>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.</i>	

## 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: 28th July 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.