

Micro-X Ltd
Appendix 4D
Half-year report

1. Company details

| | |
|-------------------|--|
| Name of entity: | Micro-X Ltd |
| ABN: | 21 153 273 735 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | | \$'000 |
|---|------|--------|----|---------|
| Revenues from ordinary activities | down | 40.44% | to | 1,449 |
| Loss from ordinary activities after tax attributable to the owners of Micro-X Ltd | up | 87.28% | to | (8,965) |
| Loss for the half-year attributable to the owners of Micro-X Ltd | up | 87.28% | to | (8,965) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the group after providing for income tax amounted to \$9 million (31 December 2020: \$4.8 million)

3. Net tangible Assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | 0.045 | 0.014 |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-Year Financial Statements.

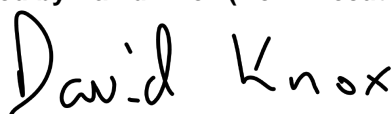
11. Attachments

Details of attachments (if any):

The Half-Year Financial Statements of Micro-X Ltd for the period ended 31 December 2021 is attached.

12. Signed by David Knox (Non-Executive Chair)

Signed



Date: 23 February 2022

Micro-X Ltd

ABN 21 153 273 735

Half-Year Financial Statements - 31 December 2021

Micro-X Ltd
Contents
31 December 2021

| | |
|---|----|
| Corporate directory | 2 |
| Directors' report | 3 |
| Auditor's independence declaration | 7 |
| Statement of profit or loss and other comprehensive income | 8 |
| Statement of financial position | 9 |
| Statement of changes in equity | 10 |
| Statement of cash flows | 11 |
| Notes to the financial statements | 12 |
| Directors' declaration | 17 |
| Independent auditor's review report to the members of Micro-X Ltd | 18 |

Micro-X Ltd
Corporate directory
31 December 2021

Directors

David Knox (Non-Executive Chair)
Peter Rowland (Managing Director)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
Patrick O'Brien (Non-Executive Director)
James McDowell (Non-Executive Director)

Company secretary

Kingsley Hall

Registered office

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
SA 5042
(08) 7099 3966

Principal place of business

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
SA 5042
(08) 7099 3966

Share register

Computershare Investors Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067
Phone: 1300 850 505 (within Australia)
Phone: +61 3 9415 4000 (outside Australia)

Auditor

Grant Thornton Audit Pty Ltd
Level 3
170 Frome Street
Adelaide, SA 5000
Phone: +61 8 8372 6666

Legal

Thomson Geer
Level 14, 60 Martin Place
Sydney, NSW 2000

Stock exchange listing

Micro-X Ltd shares are listed on the Australian Securities Exchange (ASX code: MX1)

Website

www.micro-x.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Micro-X Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the Half-Year ended 31 December 2021.

Directors

David Knox (Non-Executive Chair)

Peter Rowland (Managing Director)

Alexander Gosling (Non-Executive Director)

Yasmin King (Non-Executive Director)

Patrick O'Brien (Non-Executive Director)

James McDowell (Non-Executive Director)

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Rounding of amounts:

The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Principal activities

The principal activities of Micro-X Limited (Micro-X or the Company) during the Half-Year to 31 December 2021 (the 2022 Half-Year) were the design, development and manufacturing of ultra-lightweight carbon nanotube-based X-ray products for the global healthcare and security markets.

No significant changes in the nature of these activities occurred during the 2022 Half-Year.

Review of Financials

Micro-X is a commercial stage company, with its Mobile DR range of mobile digital medical X-ray systems, being sold in a number of global markets during the 2022 Half-Year, under the Micro-X brand through distributors and direct sales channels, and on an OEM basis through a global non-exclusive distributor. The second commercial product, the Argus, IED X-ray camera underwent final technical work and pre-launch marketing activities during the 2022 Half-Year, ahead of the first customer demonstrations and then commercial launch planned for mid 2022.

Overall, Micro-X reported a net loss, after providing for income tax, of \$9.0 million (31 December 2020: \$4.8 million loss). The increase in loss in comparison to the previous comparative period was due to a focus on expanding Sales and Marketing efforts and commercialising the Mobile DR product range, in addition to the pre-launch and final development activities for the Argus IED X-ray camera. The Launch of the US office in Seattle and ramp up in US based staff to support the Checkpoint program for the US Department of Homeland Security also contributed to the loss along with the development of the in house manufactured high voltage generator which is now close to completion. The results for 2022 Half-Year comprised:

- \$1.4 million – in revenues from the sale of Mobile DR products;
- \$2.8 million – in other income including \$1.7 million accrual in relation to the 30 June 2021 cash refund receivable under the Research and Development Tax Incentive scheme, \$0.5 million received from the Australian Stroke Alliance for development of the CT stroke imager, \$0.4 million received from US Department of Homeland Security for the Airport Checkpoint Development program and \$0.2 million in relation to other grants;
- \$3.6 million - in expenditure on research and development activity. Most of this related to the development and final production of the Rover, the IED X-ray Camera, the Checkpoint and the CT projects; and
- \$7.3 million was spent on compensation related expenditure during the year. This represented a \$3.6 million increase on the prior period, driven by an increased headcount as the Company expanded its international footprint through opening its Seattle office and appointing a European Sales Lead for Mobile DR. Resources in the US consist of Sales and Marketing personnel to support the commercialisation of Mobile DR, together with Engineering staff responsible for the delivery of the Checkpoint program and the Company's software centre of excellence. Engineering staff increased in Australia to support the Checkpoint program and deliver the Australian Stroke Alliance CT stroke imager program. Compensation expenditure also included \$1.1 million in share based payments made under the Company's Employee Equity Plan.

During the 2022 Half-Year the Company received cash from the following sources:

- \$1.2 million from customer receipts for the sale of the Nano units, by the distributor, Carestream Health, Inc. and the sale of Micro-X branded Rover unit by internal sales team and distributors;
- \$2.1 million for the Research & Development Tax Incentive scheme for the 2020/2021 financial year;
- \$0.5 million from the Australian Stroke Alliance under the \$8 million contract to commission the development of the mobile CT stroke imager under the Golden Hour program; and
- \$0.4 million from the US Department of Homeland Security under two contracts for up to US\$1.5 million and US\$2.5 million, for the development of the Airport Self Screening and Portal programs.

The Company's cash position was \$19.9 million as at 31 December 2021 (30 June 2021: \$30.1 million). The net assets of the Company have decreased by \$7.7 million from \$34.2 million at 30 June 2021 to \$26.5 million at 31 December 2021.

Review of operations

The key operational highlights for the 2022 Half-Year were as follows:

Mobile Digital Radiology products – Mobile DR

For the 2022 Half-Year, Micro-X's Mobile DR product range, the Carestream DRX Revolution Nano (**Nano**) and the Micro-X Rover branded (**Rover**), generated sales of \$1.4 million. The 2022 Half-Year was characterised by investing in our Sales and Marketing capabilities, including the appointment of a globally recognised General Manager for our Mobile DR business unit, establishing a US based Sales team & the appointment of a European Sales Lead based in the UK. Throughout the period the Company proactively increased its holding of inventory of completed units and sub-assemblies to ensure disruptions to the supply chain were minimised.

In November 2021 the Company had a major product launch for the Mobile DR product range under its own brand for the first time at the Radiological Society of North America (RSNA). Following this conference and high level of customer and partner engagement, the appointment of a number of additional high value distributors is underway to support the Company's existing direct sales channels.

On 13 September 2021, Micro-X received approval from Therapeutic Goods Administration (TGA) for listing of the Rover on the Australian Register of Therapeutic Goods. This TGA approval has enabled Micro-X to sell Rover, under its own name within Australia. The first Rover branded and specially repurposed Mobile DR units for the veterinary market were also sold in the period. Micro-X's application for European Medical Device Regulation ('MDR') certification and concurrent CE marking is underway with a view to launch in the EU in 2022. Additional development work on an in-house high-voltage generator for the Mobile DR product range progressed substantially during the 2022 Half-Year and subject to final testing and certification, is expected to be launched in March 2022.

IED X-ray Camera

During the 2022 Half-Year, a significant amount of development work resulted in substantial improvements to the final design of the Argus, Micro-X's IED X-ray Camera. In conjunction with this, a sales team of bomb disposal experts was engaged and commenced a range of pre-launch marketing activities for the Argus. This included demonstrations to industry, police and defence organisations at a number of high value conferences in Australia, the UK and the US. Additionally, responses have been submitted to the Australian defence Forces and the UK Ministry of Defence for their planned future procurement of new IED technology.

The Argus is expected to be launched to the international IED market in June 2022, following final testing and certification and customer demonstrations commencing from April 2022.

Airport Self-Service Checkpoint

Self-Service Airport Passenger Security Checkpoint – US Government Department of Homeland Security Award

In November 2020, Micro-X's wholly owned subsidiary Micro-X Inc., based in Seattle Washington, was selected for two contracts totalling up to US\$4 million to develop a new concept for airport Passenger Self Screening and Self-Service Airport Checkpoint on behalf of the US Government's Department of Homeland Security (DHS). These projects relate to the Transport Security Authority's (TSA) future vision of replacing conventional CT or 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 addition of millimetre-wave body-scans and X-ray screening with automated threat detection.

On 29 September 2021 the Company executed both contracts with DHS and have progressed, on time and on budget, to the completion of the first two milestones, resulting in the receipt of \$0.4 million in milestone payments.

The Company opened its Seattle premises in May 2021 which is now home to the Company's centre-of excellence for image reconstruction solutions.

Brain Tomography for Stroke Diagnosis

During the 2022 Half-Year, Micro-X executed the final contract documentation and commenced development work in its role as imaging technology partner with the Australian Stroke Alliance (ASA) led by the Melbourne Brain Centre of the Royal Melbourne Hospital in its 'Frontier Health Program' funded by the Federal Government's Medical Research Future Fund. The project aims to fund the development and testing of lightweight, mobile stroke diagnostic imaging technology targeted at early stroke diagnosis in land or air ambulance, Micro-X has executed agreements with Johns Hopkins University in the USA and Fujifilm in Japan to support Micro-X in the development of the lightweight brain CT scanner.

Development work is on time and on budget and resulted in the receipt of \$0.5 million in milestone payments under this agreement during the period. The total funding under the agreement to be received over the next three years is \$8.0 million.

COVID-19 Impact on Operations

The COVID-19 pandemic which commenced in early, 2020 continues and has impacted different target markets and activities for Micro-X in different ways.

There has also been some continued slowing of sales activities including limited travel, face to face customer engagement and conference attendances. This is being addressed by use of videoconferencing and attendance at virtual conferences. The planned evaluation of the Rover product by the US military has also been delayed with COVID-19 related base closures. The global supply chain has also been impacted with delays and challenges in receiving some components. The Company has proactively sought to mitigate this supply chain risk by ramping up its inventory levels and transporting a number of completed Rovers to its Seattle distribution centre for ease of supply to future customers.

MDR certification for the Rover, which once received will open up the large European market, has been impacted by travel restrictions and quarantine in Europe and is now expected to be received in the first half of 2022.

Micro-X has carefully managed staff attendance and access to the manufacturing premises to minimise COVID-19 risk and disruption to the manufacturing and customer support operations.

Future Developments & Prospects

Micro-X intends on building on its first mover advantage using cold cathode technology in key global markets and a key strategy will be to expand its US footprint to provide better access to customers.

Moving forward, a key focus will be completing agreements with a number of the new distributors and dealerships for the Mobile DR range and commencing training and initial stocking. Completion of the certification for the Rover Mark II along with European approval for the Rover will assist in the ramp up of sales volumes for the Mobile DR range in 2022.

Another key objective is completing the technical development of the Argus IED X-ray camera and building pre-launch sales activities to support a successful commercial launch in the second half of 2022. A key technical milestone will be the full systems integration and imaging tests of Concept Demonstration Prototypes in second quarter 2022. A number of these prototypes will be built to enable multiple customers to commence their own trials and for a third party to validate the product performance and features.

A third objective will be to progress the technical development of the Miniature Baggage CT Scanner, which is just over one year away from achievement of a prototype for the DHS.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors



Mr David Knox
Non-Executive Chair

23 February 2022

Auditor's Independence Declaration

To the Directors of Micro-X Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Micro-X Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 23 February 2022

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Micro-X Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | | Consolidated | |
|--|-------------|-------------------------|-------------------------|
| | | 31 December 2021 | 31 December 2020 |
| | Note | \$'000 | \$'000 |
| Revenue | | | |
| Revenue | 4 | 1,449 | 2,433 |
| Cost of Sales | | <u>(1,523)</u> | <u>(2,556)</u> |
| Gross profit | | <u>(74)</u> | <u>(123)</u> |
| Other Income | 5 | 2,834 | 1,821 |
| Expenses | | | |
| Employee and director costs | | (7,342) | (3,693) |
| Office and administrative expenses | | (355) | 12 |
| Professional Fees | | (381) | (274) |
| Corporate Expenses | | (209) | (48) |
| Quality and Regulatory | | (130) | (60) |
| Project development costs | | (1,200) | (419) |
| Depreciation and amortisation expense | | (739) | (1,092) |
| Other expenses | | (1,169) | (49) |
| Finance costs | | <u>(200)</u> | <u>(862)</u> |
| Loss before income tax expense | | (8,965) | (4,787) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the half-year attributable to the owners of Micro-X Ltd | | (8,965) | (4,787) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Loss on Foreign Currency Translation | | <u>(30)</u> | <u>-</u> |
| Other comprehensive income for the half-year, net of tax | | <u>(30)</u> | <u>-</u> |
| Total comprehensive income for the half-year attributable to the owners of Micro-X Ltd | | <u>(8,995)</u> | <u>(4,787)</u> |
| | | Cents | Cents |
| Basic earnings per share | 14 | (1.95) | (1.34) |
| Diluted earnings per share | 14 | (1.95) | (1.34) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Micro-X Ltd
Statement of financial position
As at 31 December 2021

| | | Consolidated | |
|--|-------------|---------------------|-----------------|
| | | 31 December | 30 June |
| | Note | 2021 | 2021 |
| | | \$'000 | \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 19,944 | 30,135 |
| Current assets - Trade & other receivables | 6 | 2,443 | 2,477 |
| Inventories | 7 | 5,147 | 2,841 |
| Other | | 817 | 362 |
| Total current assets | | <u>28,351</u> | <u>35,815</u> |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 2,996 | 2,738 |
| Right of use assets | 9 | 5,664 | 5,999 |
| Intangibles | | 85 | 129 |
| Total non-current assets | | <u>8,745</u> | <u>8,866</u> |
| Total assets | | <u>37,096</u> | <u>44,681</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 2,851 | 2,628 |
| Contract liabilities | | 534 | 501 |
| Lease liabilities | | 603 | 599 |
| Provisions | | 673 | 579 |
| Total current liabilities | | <u>4,661</u> | <u>4,307</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 4,967 | 5,238 |
| Provisions | | 1,000 | 923 |
| Total non-current liabilities | | <u>5,967</u> | <u>6,161</u> |
| Total liabilities | | <u>10,628</u> | <u>10,468</u> |
| Net assets | | <u>26,468</u> | <u>34,213</u> |
| Equity | | | |
| Issued capital | 10 | 117,115 | 116,967 |
| Foreign Currency Translation Reserve | | (30) | - |
| Convertible Notes | | 65 | 65 |
| Share based payments reserve | 11 | 2,574 | 1,472 |
| Accumulated losses | | <u>(93,256)</u> | <u>(84,291)</u> |
| Total equity | | <u>26,468</u> | <u>34,213</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Micro-X Ltd
Statement of changes in equity
For the half year ended 31 December 2021

| | Issued capital \$'000 | Share based payment reserve \$'000 | Foreign currency translation reserve \$'000 | Convertible Notes \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|--------------------------|---------------------------------------|--|-----------------------------|------------------------------|------------------------|
| Consolidated | | | | | | |
| Balance at 1 July 2020 | 84,297 | 417 | - | 165 | (69,977) | 14,902 |
| Loss after income tax expense for the period | - | - | - | - | (4,787) | (4,787) |
| Other comprehensive income for the period, net of tax | - | - | 5 | - | (5) | - |
| Total comprehensive income for the period | - | - | 5 | - | (4,792) | (4,787) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments | - | (46) | - | - | 46 | - |
| Conversion of convertible Notes | 500 | - | - | - | - | 500 |
| Issue of shares under Employee Gift Plan | 40 | - | - | - | - | 40 |
| Issue of rights under Employee Equity Plan | - | 40 | - | - | - | 40 |
| Balance at 31 December 2020 | 84,837 | 411 | 5 | 165 | (74,723) | 10,695 |
| | Issued capital | Share Based Payment reserve | Foreign currency translation reserve | Convertible notes | Accumulated Losses | Total equity |
| Consolidated | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2021 | 116,967 | 1,472 | - | 65 | (84,291) | 34,213 |
| Loss after income tax expense for the period | - | - | - | - | (8,965) | (8,965) |
| Other comprehensive income for the period, net of tax | - | - | (30) | - | - | (30) |
| Total comprehensive income for the period | - | - | (30) | - | (8,965) | (8,995) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Issue of rights under Employee Equity Plan | - | 1,177 | - | - | - | 1,177 |
| Exercise of Rights under Employee Equity Plan | 75 | (75) | - | - | - | - |
| Issue of shares under Employee Gift Plan | 73 | - | - | - | - | 73 |
| Balance at 31 December 2021 | 117,115 | 2,574 | (30) | 65 | (93,256) | 26,468 |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Micro-X Ltd
Statement of cash flows
For the half year ended 31 December 2021

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 1,182 | 3,511 |
| Payments to suppliers | (13,516) | (9,130) |
| Interest received | 1 | 3 |
| R&D incentive tax refunds | 2,079 | - |
| Interest Paid | - | (97) |
| Grant funding received | 161 | 458 |
| Receipts in relation to ASA MRFF Grant | 520 | - |
| Receipts in relation to DHS Checkpoint Program | 386 | - |
| AASB 16 Lease interest payments | (146) | (128) |
| COVID-19 related relief payments | - | 743 |
| Net cash used in operating activities | (9,333) | (4,640) |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (546) | (393) |
| Payments for intangibles | - | (32) |
| Net cash used in investing activities | (546) | (425) |
| Cash flows from financing activities | | |
| Repayment of lease liabilities | (312) | (379) |
| Net cash used in financing activities | (312) | (379) |
| Net decrease in cash and cash equivalents | (10,191) | (5,444) |
| Cash and cash equivalents at the beginning of the financial year | 30,135 | 18,318 |
| Cash and cash equivalents at the end of the financial half year | <u>19,944</u> | <u>12,874</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Micro-X Limited as a Group. The financial statements are presented in Australian dollars, which is Micro-X Limited's functional and presentation currency.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2021.

Note 3. Operating segments

The Group has operations in Australia, the US (Micro-X Inc) & the UK (Micro-X UK Operations Limited).

Note 4. Revenue

| | Consolidated | |
|------------------|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$'000 | \$'000 |
| Revenue | 1,449 | 2,345 |
| Contract Revenue | - | 88 |
| | <u>1,449</u> | <u>2,433</u> |

All revenue from the sale of goods is recognised at a point in time. Contract revenue is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Micro-X Ltd
Notes to the financial statements
31 December 2021

Note 5. Other Income

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$'000 | \$'000 |
| Interest Received | 1 | 4 |
| Research & Development Tax Incentive Refund | 1,741 | 804 |
| Income recognised in relation to ASA MRFF Program | 520 | - |
| Income recognised in relation to DHS Checkpoint Program | 386 | - |
| Other government grants | 186 | 86 |
| COVID-19 related relief payments | - | 927 |
| | <u>2,834</u> | <u>1,821</u> |
| Other Income | | |

Note 6. Current assets - Trade & other receivables

| | Consolidated | |
|----------------------------|-------------------------|---------------------|
| | 31 December 2021 | 30 June 2021 |
| | \$'000 | \$'000 |
| Trade receivables | 676 | 332 |
| Research & Development Tax | 1,556 | 1,895 |
| Other receivables | 19 | 21 |
| | <u>2,251</u> | <u>2,248</u> |
| GST Receivable | 192 | 229 |
| | <u>2,443</u> | <u>2,477</u> |

Note 7. Inventories

| | Consolidated | |
|-------------------------------|-------------------------|---------------------|
| | 31 December 2021 | 30 June 2021 |
| | \$'000 | \$'000 |
| <i>Current assets</i> | | |
| Raw materials - at cost | 3,282 | 2,841 |
| Finished goods - at cost | 1,558 | - |
| Finished Goods on consignment | 307 | - |
| | <u>5,147</u> | <u>2,841</u> |

Note 8. Property, plant and equipment

| | Consolidated | |
|----------------------------------|---------------------|---------------------|
| | 31 December | 30 June |
| | 2021 | 2021 |
| | \$'000 | \$'000 |
| Leasehold improvements - at cost | 1,697 | 1,696 |
| Less: Accumulated depreciation | (449) | (362) |
| | <u>1,248</u> | <u>1,334</u> |
| Plant and equipment - at cost | 2,005 | 2,030 |
| Less: Accumulated depreciation | (1,035) | (885) |
| | <u>970</u> | <u>1,145</u> |
| Fixtures and fittings - at cost | 204 | 128 |
| Less: Accumulated depreciation | (61) | (52) |
| | <u>143</u> | <u>76</u> |
| Computer equipment - at cost | 408 | 296 |
| Less: Accumulated depreciation | (166) | (113) |
| | <u>242</u> | <u>183</u> |
| Work in Progress | 393 | - |
| | <u><u>2,996</u></u> | <u><u>2,738</u></u> |

Note 9. Right of use assets

The Group leases land and buildings for its offices and production facilities under agreements of between 5 to 10 years with, in some cases, option to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases machinery under agreements of between 1 to 5 years.

| | Consolidated | |
|--------------------------------|---------------------|---------------------|
| | 31 December | 30 June |
| | 2021 | 2021 |
| | \$'000 | \$'000 |
| <i>Non-current assets</i> | | |
| Right-of-use Assets - at cost | 6,458 | 6,434 |
| Less: Accumulated depreciation | (794) | (435) |
| | <u><u>5,664</u></u> | <u><u>5,999</u></u> |

Set out below are the carrying amounts of lease liabilities (disclosed as current and non-current lease liabilities) and the movements during the period

| | Consolidated | |
|---------------------------------|---------------------|---------------------|
| | 31 December | 30 June |
| | 2021 | 2021 |
| | \$'000 | \$'000 |
| Opening Balance | 5,837 | 4,854 |
| Additions | - | 646 |
| Modification to Lease Agreement | 24 | 816 |
| Accretion of interest | 143 | 265 |
| Payments | (434) | (744) |
| | <u><u>5,570</u></u> | <u><u>5,837</u></u> |
| Current | 603 | 599 |
| Non-Current | 4,967 | 5,238 |

Note 10. Issued capital

| | Consolidated | | | |
|------------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 31 December 2021 Shares | 30 June 2021 Shares | 31 December 2021 \$'000 | 30 June 2021 \$'000 |
| Ordinary shares - fully paid | 460,127,745 | 459,701,740 | 117,115 | 116,967 |

In the period, 426,005 shares were issued in relation to conversion of rights issued under Employee Equity Plan and issue of Shares under the Employee Gift Plan.

| Form of Issue | No. of Shares | Unit Price | Value of Issue \$'000 |
|---|------------------|------------|-----------------------------|
| Issue of Shares under Employee Gift Plan | 223,891 | 0.326 | 73,000 |
| Exercise of Rights under Employee Equity Plan | 202,114 | 0.370 | 74,782 |
| | 426,005 | - | 147,782 |

Note 11. Equity - Share based payments reserve

| | Consolidated | |
|-----------------------------|-------------------------------|---------------------------|
| | 31 December 2021 \$'000 | 30 June 2021 \$'000 |
| Share Based Payment Reserve | 2,574 | 1,472 |

Refer to the Statement of Changes in Equity for detailed movement in the Share Based Payment Reserve.

Micro-X issued service rights to all staff and service rights and performance rights, inclusive of short term incentives (STI) and long term incentives (LTI) to Leadership staff under its Employee Equity Plan on 30 September 2021. The rights hold various service and performance conditions which vest over 3 years to 30 September 2024.

Consistent with the Resolutions passed at its AGM on 19 November 2021, Micro-X issued performance rights to its Directors on 22 December 2021. The rights hold various performance conditions which vest over 3 years to 22 December 2024.

The following assumptions have been used:

| Description | STI Performance Rights | LTI Service Rights | LTI Performance Rights | Non- Executive Director LTI Performance Rights |
|------------------------------|------------------------------|--------------------------|------------------------------|---|
| Valuation Date | 30 Sept 2021 | 30 Sept 2021 | 30 Sept 2021 | 22 Dec 2021 |
| Number of instruments issued | 4,211,766 | 2,636,035 | 1,911,907 | 333,337 |
| Spot Price | \$0.330 | \$0.330 | \$0.330 | \$0.255 |
| Exercise Price | Nil | Nil | Nil | Nil |
| Life (Years) | 0.9 | 1 to 3 | 0.5 | 3 |
| Volatility* | 70% | 70% | 70% | 70% |
| Dividend Yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Risk Free Rate | 0.03% | 0.03% to 0.25% | 0.25% | 0.89% |
| Assessed Value | \$0.330 | \$0.330 | \$0.199 | \$0.152 |

*Based on historical volatility of Micro-X share and comparable companies.

Micro-X Ltd
Notes to the financial statements
31 December 2021

Note 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 14. Earnings per share

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 December 2021 | 31 December 2020 |
| | \$'000 | \$'000 |
| Loss after income tax attributable to the owners of Micro-X Ltd | <u>(8,965)</u> | <u>(4,787)</u> |
| | Cents | Cents |
| Basic earnings per share | (1.95) | (1.34) |
| Diluted earnings per share | (1.95) | (1.34) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>459,910,467</u> | <u>357,719,697</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>459,910,467</u> | <u>357,719,697</u> |

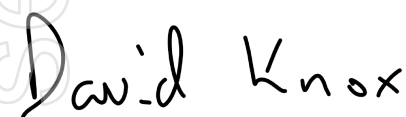
Micro-X Ltd
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr David Knox
Non-Executive Chair

23 February 2022

Independent Auditor's Review Report

To the Members of Micro-X Ltd

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Micro-X Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Micro-X Ltd does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Micro-X Ltd's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

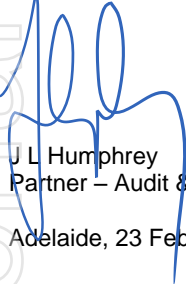
Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 23 February 2022