

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 MARCH 2022

Adelaide, Australia, 26 April 2022: Australian hi-tech company Micro-X Ltd (ASX:MX1) (**Micro-X** or the **Company**), a leader in cold cathode x-ray technology for health and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Activities Update for the quarter ended 31 March 2022 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Strong revenues of \$3.5 million for the Quarter - Cash of \$16.1 million at 31 March 2022**
- **Mobile DR sales - \$1.8m of units invoiced this Quarter (\$0.75m, March 21 quarter) with major shift towards orders of Micro-X Rover delivering higher margins**
 - **\$0.8m of units purchased by US based charities for deployment into Ukraine**
 - **Appointment of MXR Imaging, the largest country wide US independent radiology provider**
 - **New sales channel added - collaboration with DMS Imaging, SA a major French X-ray manufacturer**
- **IED X-ray camera 'Argus' nearing completion**
- **Miniature CT baggage scanner achieved major DHS prototype design milestone – unlocks US\$1.4m**
- **Brain CT stroke imager major technical milestone and \$0.9m payment - design potentially produces images to best practice clinical standards for stroke detection**
- **New director appointed, Ilona Meyer, with strong global healthcare and compliance experience**

Commercialisation & Development Activities

Mobile DR Business Unit – Sales growing with expanded network, distributors and inventory on hand

Micro-X achieved good growth in sales of Mobile DR units achieving revenues of \$1.8 million for the Quarter, with the majority of these units being Micro-X Rovers - delivering higher margins and demonstrating the key advantages of the Rover direct sales business model. The strategy of maintaining inventory of Rover units in Seattle proved successful and helped the Company secure \$0.8 million of Micro-X Rover sales into the Ukraine to provide additional medical imaging capability for Ukrainian soldiers and civilians injured in the war. These orders were funded by a US-based charity and Micro-X was proud to be able to supply Rovers at very short notice for use in temporary medical facilities following attacks on Ukrainian health infrastructure.

The sales for the Quarter represent a 140% increase on the prior corresponding period (March 2021: \$0.75 million) and a 157% increase on the last quarter (December 2021: \$0.7 million). While quarterly sales can be expected to be lumpy during this growth phase, the growth trend indicates the first successes of the efforts of the commercial team building the market awareness and distribution channels from the sales launch at RSNA back in December 2021.

As Micro-X continues to expand its distribution network a highlight in the United States was the signing of a multi-year non-exclusive distribution agreement with MXR Imaging Inc. (**MXR**), the largest independent provider of diagnostic imaging equipment sales, service, training, and supplies in North America. The agreement with MXR is important because it adds a nationwide capability in a single entity to our network of distributors selling the Rover in the United States. MXR's first sale occurred within days of signing this agreement.

Micro-X also continues to experience good demand for its OEM product, the Carestream DRX Revolution Nano, and has now renewed its non-exclusive distribution agreement with Carestream Health for the Nano for an additional two years.

In April 2022 the next generation, Rover Mark II, completed its final in-house testing to allow certification for sale in all countries which recognise the US FDA's 510(k) approval. The Rover Mark II offers customers four times the x-ray output of the previous generation and this performance now extends into the specialised imaging performed in Emergency Departments, Operating Theatres, and other trauma situations. The in-house manufactured high-voltage generator is ramping up in production and delivers much higher margins to Micro-X.

Late in the Quarter, Micro-X also pioneered a new sales channel concept with the signing of a Collaboration and Supply Agreement with DMS Imaging SA (**DMS Imaging**), a leading, listed, French diagnostic medical imaging company with over 40 years in the imaging and healthcare industry. Under the agreement, DMS Imaging will purchase imaging chain sub-systems from Micro-X which will be incorporated into DMS Imaging's own X-ray products to be manufactured in France and launched by the end of 2023. This development is partially funded by the French government and is further validation of the attractiveness of cold cathode X-ray technology in the radiology market. The sale of imaging chain components gives Micro-X an additional revenue and profit stream which would otherwise be inaccessible.

Micro-X's application for CE Marking for the Rover under the new Medical Device Regulations in Europe is believed to be close to completion. In common with many in the radiology industry, Micro-X has experienced delays due to the volume of new accreditation applications from around the globe. Approval is expected to be obtained in the June quarter which will open up the EU market rapidly as we have many distributors already interested and waiting to sign up once CE marking is achieved.

X-Ray Camera Business Unit – Customer trials in coming months

This Quarter saw further advances in the 'Argus' IED X-ray camera product development which is now very close to completion and remains a major focus for the Company this year. Micro-X's new in-house designed and manufactured 'Columbus' x-ray tube represents a major technology extension from the medical x-ray tubes which the company has been producing in Adelaide in recent years because operation at much higher voltages is required for security applications. This new x-ray tube design will also be used in the Miniature Baggage CT scanner for the US DHS.

The first customer-witnessed demonstrations and subsequent trials are scheduled to commence during the coming months, with a number of customers already expressing strong interest in conducting Argus trials, including the United States Federal Bureau of Investigation, military EOD organisations and some of the larger state police bomb squads. These early customer trials will help to build market awareness and a sales pipeline and also provide vital voice-of-customer feedback.

Checkpoints Business Unit – Miniature baggage CT scanner design milestone unlocks programme

During the Quarter, the Checkpoints team successfully achieved a key milestone in the development of the miniaturised baggage scanner for the United States Department of Homeland Security (**DHS**). This milestone, achieved on time and on budget, unlocks a further US\$1.4m of funding milestones over the remaining eight months of the DHS contract.

The formal Prototype Design Review for the miniature baggage scanner was accepted by the DHS and included physical mock-ups of the CT baggage scanning approach. The design leverages the same 'Columbus' x-ray tube used to power the Argus IED X-ray camera and will deliver a unique and compact baggage scanning system able to be incorporated in automated airport security and screening checkpoints. This milestone also brings Micro-X another step closer to the deployment of baggage scanners globally which is an addressable market estimated to be US\$24 billion.

Micro-X has now begun the fabrication work on a fully functional prototype that is due to be delivered to the DHS for testing by the end of FY2023.

CT Business Unit – Data demonstrates design with clinical best-practice stroke detection

This Quarter, the CT business unit successfully achieved key Milestone Two of its point-of-care stroke CT imager development for the Australian Stroke Alliance (**ASA**). As part of this milestone, the development team provided detailed and compelling data and imaging simulations to the ASA Clinical team that demonstrated the Micro-X CT design architecture was capable of producing images that potentially meet best-practice clinical standards in stroke detection.

When fully developed, Micro-X's CT point-of-care stroke imager will be the world's first product to provide diagnostic quality images in a unit small enough and light enough to be fitted in a road or air ambulance.

Importantly, achievement of this milestone represents a major de-risking of the CT development programme and resulted in a \$0.9 million payment to Micro-X. The development team is now focused on progressing engineering work on the point-of-care stroke imager to refine both the hardware design and imaging algorithm software with the development of the new mini carbon nanotube technology (CNT) X-ray tube also occurring in parallel.

Corporate Activities

During the Quarter, Micro-X appointed Ms Ilona Meyer to its Board as a Non-Executive Director and member of the Company's Audit & Risk Committee. Ms Meyer is the General Counsel and Head of Legal & Compliance of the Boehringer Ingelheim Group for the Australian and New Zealand division and brings to Micro-X over 20 years' experience as a senior executive in healthcare, agriculture and emerging technologies. Ms Meyer's legal and compliance skills, both domestically and internationally will be valuable as Micro-X expands into multiple markets and introduces new products.

Micro-X is also pleased to announce that with the relaxation of travel restrictions it will be again be hosting an Investor Open Day, scheduled for Thursday, 2 June 2022 at its Tonsley facility in Adelaide, South Australia. This event is open to all shareholders and the public where technical and management staff will conduct informative site tours in small groups throughout the day, around the Company's cutting-edge manufacturing facility. Many people who have visited Micro-X at Tonsley have commented that it is hard to appreciate the depth and complexity of the Company's capability without seeing it first-hand and meeting the passionate people who are commercialising this unique technology. Please register to attend this event via the link on our website.

Financial Summary & Cashflows

During the Quarter, the Company:

- built, shipped, and invoiced \$1.8 million of Mobile DR units and associated parts;
- received \$2.1 million in customer receipts from sales, a further \$1.5 million from its contracts with DHS and ASA and \$0.1m in Other Income;
- had cash outflows from Operations of \$7.3 million, resulting in net operating cash outflows of \$3.6 million. These outflows included payments to Directors of \$0.14 million relating to the salary of the Managing Director and fees for Non-Executive Directors;
- had cash outflows of \$0.2 million from Investing Activities, for buying additional equipment;
- had cash outflows of \$0.1 million from Financing Activities, representing the principal component of operating lease repayments as calculated under AASB 1016;
- had overall net cash outflows of \$3.9 million and a cash balance of \$16.1 million as at 31 March 2022.

The March 2022 quarter represented a strong financial quarter for the Company, driven mainly by a significant increase in orders for Micro-X branded Rover units. The Company remains in a strong financial position to execute on its development and commercialisation strategy in the coming quarters and has further extended its funding runway to 4.5 quarters (up from 3.8 quarters at December 2021).

Future Outlook

This Quarter delivered improved financial results for Micro-X through its Mobile DR Business Unit with all business units achieving important development milestones on time and on budget.

The focus for the upcoming quarter will be on building the sales pipeline by completing a number of successful customer demonstrations of the Argus IED X-ray camera. These trials will run in parallel with the engineering of the final user interface of the Argus, in preparation for a global commercial launch in Q3 of CY2022. As part of the Argus' commercialisation strategy, Micro-X has already built up parts inventory to avoid potential supply chain issues as Argus production is scaled up in the September quarter.

For the Mobile DR division, the work will centre on driving market awareness and potential sales of the new and improved Rover Mark II. The goal is to build on recent sales momentum, supporting the newly appointed distributors, such as MXR in the United States, to help them maximise sales potential. Completion of the CE Marking which has been slowed by delays in the MDR process is also expected to unlock more sales opportunities in Europe.

The Checkpoints division will be focused on the next stage of technical development work for the prototype of the Miniature Baggage CT scanner, to be delivered to the DHS for testing by the end of FY2023. Similarly, the CT division will be progressing towards a Preliminary Design Review and patient verification test bench later this year. The key milestone achieved this Quarter has provided confidence to progress technical development work across both business units.

Micro-X's Managing Director, Peter Rowland, commented:

"The March quarter was a quarter with both excellent commercial and technical development results. It has been truly rewarding to see the increased sales of the Rover in particular, which is now our dominant selling product, and we will look to further capitalise on the positive momentum in the upcoming quarters especially with the Rover Mark II now available.

The key focus for the next quarter will be the final development work for Argus and successfully trialling the demonstration prototype with customers who we believe will be early adopters and high quality reference points. Argus, with its higher selling price and margins, will mark Micro-X's second commercialised product line and serve as transformative of technology in the counter-IED domain and we are eager and excited to introduce Argus to the world very shortly."

This ASX Announcement is authorised by the Board of Micro-X.

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Wednesday 27th April 2022** to discuss the Company's activities and financial results for the Quarter and the business outlook. Micro-X's Managing Director, Peter Rowland, and CFO Kingsley Hall will host the call as usual 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/10021684-hb2d65.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: 10021684**. Dial in numbers are as follows:

Australian Toll Free: 1800 809 971
New Zealand callers: 0800 453 055
Other callers: +61 2 9007 3187

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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

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 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,061	3,243
1.2 Payments for		
(a) research and development	(777)	(2,122)
(b) product manufacturing and operating costs	(2,389)	(6,814)
(c) advertising and marketing	(188)	(618)
(d) leased assets	(19)	(62)
(e) staff costs	(3,200)	(9,181)
(f) administration and corporate costs	(631)	(2,118)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives		
(a) ASA MRFF Grant	893	1,413
(b) DHS Checkpoint Program	592	978
(c) Research & Development Tax Incentive	-	2,079
(d) Other	100	261
1.8 Other		
(a) AASB 16 Lease interest payments	(67)	(213)
(b) GST	44	241
1.9 Net cash from / (used in) operating activities	(3,563)	(12,894)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(171)	(717)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
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	(171)	(717)
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	-	-
	(a) AASB 16 lease principal repayments	(142)	(454)
3.10	Net cash from / (used in) financing activities	(142)	(454)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	19,944	30,133
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,563)	(12,894)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(171)	(717)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(142)	(454)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	16,068	16,068

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	15,840	19,716
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	228	228
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,068	19,944

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	(137)
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.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<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>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,563)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,068
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	16,068
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.5
	<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: 26 April 2022

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.