

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 30 SEPTEMBER 2022

Investor Conference Call At 9.00am AEDT on Thursday 27 October 2022

Adelaide, Australia, 26 October 2022: Australian hi-tech company Micro-X Ltd (ASX:MX1) (Micro-X or the Company), a leader in cold cathode x-ray (NEX) technology for health and security markets globally, is pleased to release its Appendix 4C – Quarterly Cashflow report and Activities Update for the quarter ended 30 September 2022 (the Quarter). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Long term strategic relationship initiated with Varex Imaging, the largest independent manufacturer of x-ray tubes globally; major validation of Micro-X NEX technology will increase broader adoption of NEX**
- **Varex Imaging funding totals \$15M which extends Micro-X operational runway into 2024:**
 - **\$7.5M for 9.9% of Micro-X at a 10% premium - \$3.5M received and \$4M in Q2 (subject to FIRB)**
 - **US\$5M technology licence fee – US\$1M received and balance over next 12 months**
- **Next generation Micro-X ‘Rover Plus’ now being offered to customers in USA**
- **US Dept Homeland Security exercises option to extend Checkpoint contract – additional US\$0.43M**
- **\$4.4M customer receipts for Quarter**
- **Cash balance at 30 September 2022 increases to \$10.4M**
 - **\$7.5M cash due next Quarter - R&D Tax rebate and Varex second investment upon FIRB approval**

Commercialisation & Development Activities

During the Quarter, one of the Company’s major achievements was entering a long term strategic investment and technology collaboration with Varex Imaging Corporation (NASDAQ: VREX) (Varex). The arrangement is significant because Varex is the largest independent manufacturer of x-ray components globally and is renowned for their technology leadership in this area, manufacturing over 25,000 tubes annually and generating over US\$800M of OEM radiology components sales from a large number of x-ray system companies. The \$15M total funding to be received as part of these arrangements will greatly strengthen the Micro-X balance sheet and be deployed as required across ongoing commercialisation and development activities through into 2024.

Under an exclusive global licence agreement for a non-refundable fee of \$7.5M (US\$5M), Micro-X has licenced Varex the use of the Micro-X NEX technology in the field of multi beam x-ray tubes. Once the technology transfer work is complete in the next 12 months, Varex intends to offer this Micro-X NEX technology on an OEM basis to its broad range of existing radiology customers to incorporate into their own products and systems. Importantly, none of Micro-X’s current or planned products use multi-beam tubes, so this licence will both monetise an un-used portion of the Micro-X technology estate as well as broadening the market awareness and adoption of NEX technology across new customers and applications in healthcare and industrial markets.

Additionally, Varex has entered into an equity subscription agreement to acquire a holding of approximately 9.9% of Micro-X at 14.7 cents per share or a 10% premium to the 15 day VWAP at the date of the agreement. The first tranche of 23.8M shares was issued and \$3.5M in cash received during the Quarter, with a further 27.0M shares to be issued for \$4.0M once that is approved by the Australian Government’s Foreign Investment Review Board. At that time, Micro-X intends to appoint Mr Andrew Hartmann, Varex Senior Vice President of Sales, Marketing and Operations as a Non-Executive Director to the Board, who brings a wealth of global expertise in the sales and commercialisation of medical x-ray imaging

technology having worked throughout his career in four continents in commercial management positions with Philips, Siemens, Acuson, Carestream and Varex.

During the Quarter, Micro-X continued to progress well across all its business units and as usual these are reported below in the order of commercial maturity.

Mobile DR Business Unit

The Mobile DR business unit is continuing to collaborate closely with MXR, its recently appointed US distributor, with a range of customer outreach and demonstration roadshows conducted to generate sales pipeline opportunities. This included a recent roadshow to hospitals across four states which has led to requests for 21 formal purchase quotations. An acquisition by the Seattle Mariners Major League Baseball team has helped increase market awareness of the product and negotiations are well advanced for supply to some key opinion leader hospitals as reference sites. A range of promotional and sales activities are also well advanced for the upcoming RSNA global industry meeting in Chicago in late November, which will be attended by a number of Micro-X management, sales staff and distributors.

In addition, the systems and software work to integrate Viewworks' proprietary imaging software and digital detector into the Micro-X Rover is close to completion and the regulatory team is now preparing the technical dossier for a 'special' 510(k) filing for this variant of the Rover product. This is a high priority as once submitted, Medlink Imaging, Inc., the second largest independent, nation-wide distributor of digital radiology equipment in the USA, who are owned by Viewworks, can then commence marketing Rover across their network of over 100 sub distributors. The FDA approval will also trigger the minimum US\$1M annual Rover sales commitment from Medlink.

Overall Mobile DR revenue for this Quarter was \$0.4M which is flat with the previous quarter but consistent with the early stages of building a sales funnel by a new distributor as the Company transitions away from reliance on Carestream's sales in this area. Many of the major radiology companies have reported weaker demand for mobile x-ray systems this year after the surge in sales in 2020/21 associated with the COVID-19 pandemic and the regular buying patterns in this category have not yet returned. The response to the MXR roadshow was however very positive and yielded a good progression rate to quotation which confirms the customer interest in adopting a highly differentiated product following hands-on demonstration. The Company remains confident in the long-term success with its new distribution partner in the US and expects further growth as its second distributor, Medlink, comes online later in this quarter.

The Company is working with in-country distributors to expand the markets for mobile x-ray systems in countries which accept the FDA 510(k) clearance such as Israel, Thailand, Vietnam, UAE and Taiwan. Registration in these countries is still pending finalisation. In Europe, our notified body has approved the Clinical Evaluation Report for Rover MDR compliance, with two documentation areas still outstanding. These are being addressed and prepared for resubmission. Due to the acceptance of all other elements of the filing, it is expected that only the two non-conforming items need re-assessment in the next submission. The review of these documents will add some delay to the planned CE Mark certification schedule so that the EU launch will likely slip into next calendar year, but it will not impact the ongoing sales of the Rover and Rover Plus in markets which accept the FDA certification.

X-Ray Camera Business Unit

During the Quarter, the first imaging tests of Argus yielded good results and system integration work is progressing well. Work continues on refining the user interface and image reconstruction software while the Core Technology manufacturing team addresses production process issues associated with the insulation of high voltage components. The Company, as part of our commitment to quality, is ensuring that the Argus is robust in order to make the best possible impression on our defence and security customers upon its commercial launch.

Commercial and sales activity this Quarter was focused on expanding market interest in the product and the Company showed Argus at trade shows in Europe and the USA – continuing to build a high-quality base of leads and potential distribution partners globally, ready for the launch of Argus.

Checkpoints Business Unit

During the Quarter both of the Micro-X Checkpoints programmes for the US Department of Homeland Security (DHS) again achieved their milestones and remained on-budget and on-schedule. A further \$1.0M cash was received by Micro-X Inc. during the Quarter under the two contracts.

This Quarter the Miniature CT Baggage Scanner development team progressed well with the detailed design of the prototype unit following the June formal acceptance of the Preliminary Design Review by DHS. The DHS is very pleased with progress of this new checkpoint concept and wishes to accelerate its in-house testing phase by having a second prototype CT scanner to allow for tests to run in parallel. Thus DHS has changed its contract with Micro-X Inc to provide for delivery of a second prototype CT unit in mid 2023 for an additional US\$0.43M (AUD \$0.7M) payment. The second prototype will be used to make an early start on the collection of imaging data of real explosive threats.

Also during the Quarter, the DHS signed off on the remainder of the Passenger Self-Screening Checkpoint contract, unlocking the second phase of 8 months of work and the associated US\$1.2M (AUD \$1.9M) of funding. The development team has been focused on refining the portal design with a full size mock up of the Portal in the lab in our Seattle office and DHS staff were very impressed when they visited SeaTac to review the emerging workflow and useability solutions. The total contracted amount across both DHS contracts is now US\$4.5M and supports the majority of the funding requirements for the Checkpoints Division across the development timeline.

CT Business Unit

The Brain CT team has this Quarter successfully completed Milestone 3, Test Bench Preliminary Design Review (PDR), of the MRFF program on time, releasing \$2.3M of funding. An advance payment of \$1.6M of this funding was received in July. This milestone marks the completion of the second feasibility gate with an established design architecture and concept for an imaging test bench capable of imaging phantoms and cadavers. This is a combination of physical hardware developed at Micro-X, image algorithms in development at Johns Hopkins University and Micro-X Inc's CT reconstruction framework. The next steps are building this first integrated test bench using a moveable tube, scheduled for testing at ASA in Melbourne in 2023.

Corporate Activities

The Company released its Annual Report and audited financial statements for FY2022 during the Quarter and announced the Annual General Meeting is scheduled for 14 November 2022. The AGM can be attended in person at the Tonsley facility in Adelaide or virtually using a link to be provided. Tours of the Micro-X facility will be offered to shareholders immediately following the meeting. Any shareholder with questions regarding attendance or voting should contact Computershare on 1300 850 505 or +61 3 9415 4000 (Outside Australia).

In October 2022, Ms Yasmin King announced her resignation as a Non-Executive Director of the Board after five years of service. Mr Andrew Hartmann, who has been nominated by Varex, is proposed to join the Board, once FIRB approval is received for Varex's second tranche of the equity subscription.

Ms Ilona Meyer has been appointed by the Board as Audit and Risk Committee Chair to replace Ms King.

The Company passed a three-day audit of its Quality Management System in Adelaide for compliance with ISO9001. The Company has been accredited annually to ISO13485 since 2017 but this quality standard is little-recognised outside the medical device industry for which it was intended and the ISO9001 certification will be recognised globally in the markets in which Argus and the Miniature Baggage CT Scanner will be targeted.

Management has also been actively engaging with current and potential shareholders in recent months with roadshows and presenting at several investor conferences.

Financial Summary & Cashflows

Varex collaboration and investment

As noted above, during the Quarter, Micro-X entered the Licence Agreement with Varex and received the first payment of \$1.4M (US\$1.0M) upon execution. Further, pursuant to the Equity Subscription Agreement with Varex, approximately 23.8M shares were issued to Varex at 14.7 cents per share for a cash consideration of \$3.5M. Four additional milestone payments totalling approximately \$6.0M (US\$4M) are expected under the Licence Agreement over the next 12 months and the second tranche of the equity subscription for a cash consideration of \$4.0M is expected in the next quarter following FIRB approval.

Quarterly Cashflows

During the Quarter, the Company:

- built, shipped, and invoiced \$0.4M of Mobile DR units and associated parts;
- received \$0.3M in customer receipts from sales, a further \$2.6M from its contracts with DHS and ASA, and \$1.4 million from the Varex Technology Transfer agreement;
- had cash outflows from Operations of \$7.2M, resulting in net operating cash outflows of \$2.8 M. These outflows included payments to Directors of \$0.16M relating to the salary of the Managing Director and fees for Non-Executive Directors;
- had cash outflows of \$0.4M from Investing Activities, for buying additional capital equipment;
- had cash inflows of \$3.3M from Financing Activities, being the \$3.5M Varex first tranche of investment offset by \$0.2M outflows representing the principal component of operating lease repayments as calculated under AASB 1016;
- had overall net cash inflows of \$0.1M and a cash balance of \$10.4 M as at 30 September 2022

In addition, during the December 2022 quarter, the Company is expecting to receive approximately \$3.5M in R&D tax rebate when it lodges its tax return with the Australian Tax Office and \$4.0M from the second tranche of the Varex investment which is subject to approval of the FIRB. The timing of both of these receipts is dependant on external factors.

Future Outlook

Looking ahead, completing manufacturing and commercial preparations for launch of the Argus IED X-ray Camera remains the Company's highest immediate priority. The successful tenderer for the DoD's Land 154 procurement is scheduled to be announced during the December quarter and contract negotiations are scheduled for the New Year. If Micro-X is successful a much more aggressive ramp-up of production volumes is expected to be required.

In the Mobile DR division the closing of deals in the sales funnel and the FDA submission for the Viewworks variant, to allow Medlink's marketing to commence, are the high priorities. The success of the USA roadshow sales model has prompted the planning of additional roadshows in other states. The Company has pre-positioned Rover and Rover Plus units in Seattle so that immediate delivery can be offered to customers during the quarter. The global radiology industry meeting in Chicago in November at RSNA offers an important annual opportunity to recruit additional distributors and also increase market awareness of the Micro-X brand. Closing out the last two documents in our MDR Technical File is also critical to unlock the European market where a number of distributors and sales await only the official CE Marking.

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

"The strategic collaboration we have entered with Varex Imaging this quarter was a huge deal for us as it brings a strong validation by a recognised leader in the x-ray industry of our proprietary NEX technology and of our Company's capability while building broader market adoption of cold-cathode x-ray solutions. The collaboration also delivers us a total of \$15M of funding in a much less dilutive structure, enabling us to remain on course with our four product-line strategy. Varex is a trusted brand and there are few global x-ray equipment suppliers who do not rely on their technology every day. Our team is excited to be working with a company which has scaled manufacturing to well over 25,000 x-ray tubes annually and we look forward to collaborative learnings and creating new capabilities with such like-minded innovators.

I'd also like to recognise the efforts of our Argus IED X-ray camera team who have been working incredibly hard in recent months in the miniaturisation challenges of this unique and highly capable new product. The first imaging tests show we have achieved high-resolution imaging and the technical solutions they have developed to keep this package so small and only 17kg are truly world-class. We're confident of the manufacturing transition completing soon and excited to be able to start the sales process."

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

Investor Conference Call

The Company will hold a conference call at 9.00am AEDT on Thursday, 27th October 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/10026451-fgtd5t4.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: 10026541. 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, NEX (Nanotube Electronic X-Ray) 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

Micro-X Limited	Investor Enquiries
Peter Rowland, Managing Director Kingsley Hall, CFO and Company Secretary Rebecca Puddy, Head of Corporate Communications Tel: +61 8 7099 3966 E: admin@micro-x.com	David Allen / John Granger Hawkesbury Partners Tel: +61 2 9103 9494 E: dallen@hawkesburypartners.com jgranger@hawkesburypartners.com

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 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	280	280
1.2 Payments for		
(a) research and development	(1,557)	(1,557)
(b) product manufacturing and operating costs	(1,057)	(1,057)
(c) advertising and marketing	(151)	(151)
(d) leased assets	(31)	(31)
(e) staff costs	(3,619)	(3,619)
(f) administration and corporate costs	(731)	(731)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Engineering Consulting, Government grants and tax incentives		
(a) ASA MRFF CT Stroke Imager Contract	1,600	1,600
(b) DHS Checkpoints Contracts	1,044	1,044
(c) Varex Technology Transfer	1,449	1,449
(d) Research & Development Tax Incentive	-	-
(e) Other	-	-
1.8 Other		
(a) AASB 16 Lease interest payments	(66)	(66)
(b) GST		
1.9 Net cash from / (used in) operating activities	(2,839)	(2,839)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(353)	(353)
	(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	(353)	(353)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,496	3,496
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	(158)	(158)
3.10	Net cash from / (used in) financing activities	3,338	3,338

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	10,303	10,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,839)	(2,839)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(353)	(353)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,338	3,338
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	10,449	10,449

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	10,221	10,075
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)	10,449	10,303

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	(164)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(2,839)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,449
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,449
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.6
<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: 26 October 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.