

Micro-X Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Micro-X Limited
ABN:	21 153 273 735
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	240.93%	to	8,029
Loss from ordinary activities after tax attributable to the owners of Micro-X Limited	down	56.37%	to	(3,911)
Loss for the period attributable to the owners of Micro-X Limited	down	56.37%	to	(3,911)

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 \$3,911k (31 December 2021: \$8,965k)

3. Net tangible Assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.45	5.71
The group has treated the Right of use asset and corresponding liabilities as intangible when calculating the Net tangible assets per ordinary security. The prior year disclosure has been calculated accordingly.		

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 Interim Report. The review report contains a paragraph emphasising a material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Half-Year Financial Statements of Micro-X Limited for the period ended 31 December 2022 is attached.

12. Signed by David Knox (Non Executive Chair)

David Knox

Signed _____

Date: 26 February 2023

Micro-X Limited

ABN 21 153 273 735

Half-Year Financial Statements - 31 December 2022

Micro-X Limited
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Micro-X Limited
Corporate directory
31 December 2022

Directors

David Knox (Non-Executive Chair)
Peter Rowland (Managing Director)
Alexander Gosling (Non-Executive Director)
Patrick O'Brien (Non-Executive Director)
James McDowell (Non-Executive Director)
Ilona Meyer (Non-Executive Director)
Andrew Hartmann (Non-Executive Director) - Appointed 15 December 2022

Company secretary

Kingsley Hall

Registered office

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

Principal place of business

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1284 South Road, Tonsley
SA 5042
(08) 7099 3966

Share register

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Phone: +61 3 9415 4000 (outside Australia)

Auditor

Grant Thornton Audit Pty Ltd
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Phone: +61 8 8372 6666

Legal

Thomson Geer
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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

Micro-X Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Micro-X Limited (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 2022.

Directors

David Knox (Non-Executive Chair)
Peter Rowland (Managing Director)
Alexander Gosling (Non-Executive Director)
Patrick O'Brien (Non-Executive Director)
James McDowell (Non-Executive Director)
Ilona Meyer (Non-Executive Director)
Andrew Hartmann (Non-Executive Director) Appointed 15 December 2022
Yasmin King (Non-Executive Director) - Resigned 7 October 2022
Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Principal activities

The principal activities of Micro-X Limited (**Micro-X** or the **Company**) during the Half-Year to 31 December 2022 (the **2023** 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 2023 Half-Year.

Review of Financials

Micro-X reported a net loss, after providing for income tax, of \$3,911k for the 2023 Half-Year (31 December 2021: \$8,965k loss). The decrease in loss in comparison to the previous comparative period was due to a modest increase in sales of the Mobile DR product range, together with increased revenues derived from contract engineering services, under the contracts with US Department of Homeland Security and the Australian Stroke Alliance. In addition, the Company received the first \$1.4 million payment under a new US\$5.0 million Development and Licensing Agreement with Varex Imaging Corporation. The results for the 2023 Half-Year comprised:

- \$1.6 million – in revenues from the sale of Mobile DR products, up from \$1.4 million in the previous period;
- \$6.4 million – in contract engineering services income, including \$1.8 million revenue from the Australian Stroke Alliance for development of the CT Stroke imager, \$2.0 million revenue from US Department of Homeland Security for the Airport Checkpoint Development program and \$2.6 million revenue from Varex Imaging Corporation;
- \$3.4 million - in expenditure on research and development activity. Most of this related to the IED X-Ray Camera, the Airport Checkpoint and the CT Stroke Imager; and
- \$7.8 million was spent on employee and director costs during the period. This represented a \$0.5 million increase on prior period, driven by an increased headcount as the engineering and development team in Australia and the United States as well as the sales and commercialisation team were expanded.

During the 2023 Half-Year the Company received cash from the following sources:

- \$1.6 million in Mobile DR customer receipts, generated by the internal sales team and external distributors, for sales of Micro-X branded Rover units and OEM products;
- \$2.3 million from the Australian Stroke Alliance under the \$8 million contract to commission the development of the mobile CT stroke Imager under the 'Stroke Golden Hour' program;
- \$1.3 million from the US Department of Homeland Security for providing contract engineering services, under two contracts for up to US\$1.5 million and US\$2.5 million, to develop the Airport Self Screening and a Self-Service Check in Portal;
- \$1.4 million for licensing activities from Varex Imaging Corporation under the Development and Licensing Agreement; and
- \$3.9 million for the Research and Development Tax Incentive, related to the 2021/2022 financial year.

The Company's cash position was \$11.4 million as at 31 December 2022 (30 June 2022: \$10.3 million). The net assets of the Company have increased by \$3.6 million from \$19.3 million at 30 June 2022 to \$22.9 million at 31 December 2022.

Review of operations

The key operational highlights for the 2023 Half-Year were as follows:

Mobile DR - Mobile Digital Radiology products

For the 2023 Half-Year, Micro-X's Mobile DR product range, including several variants of the Micro-X Rover (**Rover**) and the OEM Nano unit and associated spare parts, generated sales of \$1.6 million. The 2023 Half-Year included commencement of an additional distribution contract with the USA's second largest independent distributor of radiography equipment, Medlink. Medlink has placed their first order of Rover units with a minimum \$1 million annual sales commitment for the next three years. The development and validation testing of Micro-X's in-house proprietary generator was also completed. The next generation Rover unit with this high powered generator, known as the Rover Plus, received 510 (k) certification from the United States FDA and is now available for sale in US and other countries which recognise the FDA approval. Throughout the 2023 Half-Year the Company increased its holding of inventory of completed units and sub-assemblies to ensure disruptions to the supply chain were minimised and that sales could be satisfied on a timely basis.

IED X-Ray Camera - Argus

During the 2023 Half-Year, development work on Micro-X's IED X-Ray Camera, the Argus, neared completion with several technical programmes successfully undertaken to address manufacturing and high voltage issues. The system integration process was also commenced with the first Argus units now being tested. Subject to satisfactory performance during this validation phase, the Argus is expected to be demonstrated to potential customers in Australia in coming months. The final commercial version of the Argus unit incorporating voice of customer input is planned to be available to be trialled by customers in the third quarter of CY2023. Pre-launch marketing activities for the Argus continued during the 2023 Half-Year, with presentations and attendances at major trade shows in US, Europe and UAE.

Micro-X also submitted a formal tender response to the Australian Government's JP154 procurement project.

Checkpoints - Miniature CT Baggage Scanner & Integrated Self-Service Airport Checkpoint

The Group's US subsidiary, Micro-X Inc. progressed well achieving all scheduled development milestones under both of its two contracts with the Department of Homeland Security (**DHS**). Both contracts remain on time and on budget. Micro-X Inc. continued to engage closely with the DHS, including hosting a walk-through of a full-scale design model of the Self-Service Portal. The contracts are designed to meet the DHS goal of being able to replace conventional 'conveyor belt' CT or projection X-ray luggage imaging at US airport checkpoints with a bank of multiple 'self service' security portals. These portals will include millimetre-wave body-scans and x-ray screening with automated threat detection.

During the 2023 Half-Year, the Group recognised \$2.0 million in revenues from these contract engineering services. Micro-X Inc. also executed an extension to one of the contracts with DHS to provide a second prototype CT unit for an additional \$0.7 million.

CT - Brain Tomography for Stroke Diagnosis

During the 2023 Half-Year, Micro-X progressed well with the development work under its \$8 million contract with the Australian Stroke Alliance (**ASA**) in its 'Stroke Golden Hour' project, led by the Melbourne Brain Centre of the Royal Melbourne Hospital and funded by the Federal Government's Medical Research Future Fund. The project aims to develop and test a lightweight, mobile stroke diagnostic imaging technology for early stroke diagnosis in land or air ambulance. Micro-X completed a key milestone, being the development of a test bench using the world's first dynamic curved detector developed by FujiFilm, which is capable of capturing cadaver images that can then be reconstructed using Micro-X's CT imaging software developed in Seattle. This work is based on imaging architecture research undertaken with The Johns Hopkins University in the USA.

This development work is on time and on budget and resulted in the recognition of \$1.8 million in revenue from contract engineering services during the 2023 Half-Year.

Future Developments & Prospects

In the second half of FY2023, Micro-X is focused on three key commercial priorities to deliver value for shareholders and build on its first mover advantage in cold cathode technology.

Firstly, the commercial launch of the Argus IED X-Ray camera in the second half of 2023. This will require successfully completing the technical development and production validation testing of the Argus system in the coming months. In-house imaging tests of prototypes is expected in the second quarter of 2023. A number of Argus prototypes will then be built to enable multiple key customer organisations to commence their own trials and for independent third party evaluation of product performance and features. Other pre-launch sales activities will be carried out to build a customer pipeline and support a successful commercial launch.

Secondly, to maintain increasing sales of Rover and build a larger sales funnel in the US. Building strong engagement with the second major US distributor, Medlink, will be a key element of this along with targeted opportunities in areas such as the Middle East which accept the 510(k) certification. These activities will be supplemented by EU sales following European MDR approval which is now anticipated for mid-2023.

Thirdly, to continue technology development in the other two Business Units, Checkpoints and Brain Tomography, including the associated miniaturised x-ray tubes. The development teams will concentrate on maintaining scheduled deliveries of milestones, releasing associated contracted revenues to Micro-X. The technology team will also be focusing on the Varex technology transfer to achieve the remaining technical milestones and the associated contract payments.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial period.

Rounding of amounts

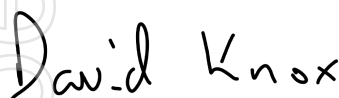
The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

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

26 February 2023

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Auditor's Independence Declaration

To the Directors of Micro-X Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Micro-X Limited for the half-year ended 31 December 2022, 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, 26 February 2023

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Micro-X Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2022

		Consolidated	
		31 December 2022	31 December 2021
	Note	\$'000	\$'000
Total Revenue	4	8,029	2,355
Other income	5	3,719	1,928
Expenses			
Change in inventory/raw materials and consumables		(1,336)	(1,631)
Employee and director expenses		(7,766)	(7,342)
Selling and distribution costs		(649)	(384)
Office and administrative expenses		(374)	(355)
Professional fees		(429)	(381)
Corporate expenses		(277)	(209)
Quality and regulatory expenses		(120)	(130)
Project development expenses		(3,383)	(1,200)
Depreciation and amortisation expenses		(775)	(739)
Other expenses		(412)	(726)
Finance expenses		(138)	(151)
Loss before income tax expense		(3,911)	(8,965)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of Micro-X Limited		(3,911)	(8,965)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on Foreign Currency Translation		(12)	(30)
Other comprehensive income for the period, net of tax		(12)	(30)
Total comprehensive income for the period attributable to the owners of Micro-X Limited		(3,923)	(8,995)
		Cents	Cents
Basic earnings per share	15	(0.82)	(1.95)
Diluted earnings per share	15	(0.82)	(1.95)

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

Micro-X Limited
Statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 December 2022 \$'000	30 June 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		11,420	10,303
Trade & other receivables	6	4,025	3,755
Contract assets	7	2,042	1,314
Inventories	8	7,613	5,783
Other Assets		1,082	1,589
Total current assets		26,182	22,744
Non-current assets			
Property, plant and equipment	9	3,094	3,081
Right of use assets	10	4,948	5,308
Intangibles		138	144
Total non-current assets		8,180	8,533
Total assets		34,362	31,277
Liabilities			
Current liabilities			
Trade and other payables		3,940	4,366
Contract liabilities		589	459
Lease liabilities	10	687	633
Provisions		751	1,021
Total current liabilities		5,967	6,479
Non-current liabilities			
Lease liabilities	10	4,314	4,681
Provisions		1,131	828
Total non-current liabilities		5,445	5,509
Total liabilities		11,412	11,988
Net assets		22,950	19,289
Equity			
Issued capital	11	125,307	117,529
Convertible Notes		65	65
Foreign Currency Translation Reserve		6	18
Share Based Payments Reserve	12	2,863	3,057
Accumulated losses		(105,291)	(101,380)
Total equity		22,950	19,289

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

Micro-X Limited
Statement of changes in equity
For the period ended 31 December 2022

	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	<u>117,115</u>	<u>2,574</u>	<u>(30)</u>	<u>65</u>	<u>(93,256)</u>	<u>26,468</u>
	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 2022	117,529	3,057	18	65	(101,380)	19,289
Loss after income tax expense for the period	-	-	-	-	(3,911)	(3,911)
Other comprehensive income for the period, net of tax	-	-	(12)	-	-	(12)
Total comprehensive income for the period	-	-	(12)	-	(3,911)	(3,923)
Issue of Shares - Share Placement (Note 11)	7,455	-	-	-	-	7,455
Share Issue Costs	(85)	-	-	-	-	(85)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of rights under Employee Equity Plan	-	84	-	-	-	84
Exercise of Rights under Employee Equity Plan	278	(278)	-	-	-	-
Issue of shares in lieu of cash payments	53	-	-	-	-	53
Issue of shares under Employee Gift Plan	77	-	-	-	-	77
Balance at 31 December 2022	<u>125,307</u>	<u>2,863</u>	<u>6</u>	<u>65</u>	<u>(105,291)</u>	<u>22,950</u>

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

Micro-X Limited
Statement of cash flows
For the period ended 31 December 2022

	Consolidated	
	31 December 2022	31 December 2021
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,599	1,182
Payments to suppliers	(16,360)	(13,516)
Interest received	-	1
R&D incentive tax refunds	3,885	2,079
Receipts from grant funding	466	161
Receipts in relation to Varex Technology Transfer	1,449	-
Receipts in relation to ASA MRFF Grant	2,255	520
Receipts in relation to DHS Checkpoint Program	1,339	386
AASB 16 Lease interest payments	(130)	(146)
Net cash used in operating activities	(5,497)	(9,333)
Cash flows from investing activities		
Payments for plant and equipment	(444)	(546)
Net cash used in investing activities	(444)	(546)
Cash flows from financing activities		
Proceeds from issue of shares	7,455	-
Share issue transaction costs	(77)	-
Repayment of lease liabilities	(320)	(312)
Net cash from/(used in) financing activities	7,058	(312)
Net increase/(decrease) in cash and cash equivalents	1,117	(10,191)
Cash and cash equivalents at the beginning of the financial period	10,303	30,135
Cash and cash equivalents at the end of the financial period	<u>11,420</u>	<u>19,944</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 26 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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, except for the policies stated below.

Going Concern

The Group incurred a net loss after tax for the half-year ended 31 December 2022 of \$3,911k (half-year ended December 2021: \$8,965k loss) and had net cash outflows from operating and investing activities of \$5,941k (half-year ended December 2021: \$9,879k).

The directors believe that the Group will be able to continue as a going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and as a result the financial statements have been prepared on a going concern basis. The accounts have been prepared on the assumption that the Group is a going concern for the following reasons:

- the operating loss and operating cash flow outcomes for the half-year ended 31 December 2022 reflect the results of the Group's four major activities during that period, manufacture and sale of Mobile DR systems, commercialising its next product the Argus and progressing its contract milestones with the ASA & DHS;
- the Mobile DR business unit has recently commenced selling in the United States with its second major distributor, Medlink. This, combined with the increased sales traction experienced in the December 2022 Quarter is expected to see further increases in sales of Mobile DR units in 2023. The Group has a large amount of Mobile DR inventory on hand, and increased sales would result in the conversion of that inventory into positive operating cashflow;
- the Group is nearing commercialisation of its Argus X-Ray Camera which will reduce the level of expenditure on development and scale up activities from those in 2022. Following demonstrations of the Argus unit in the coming months, first commercial sales of the Argus are expected in 2023 which will contribute positive operating cashflows;
- the Group recently formed a long-term strategic partnership with Varex Imaging Corporation providing \$15 million funding (\$7.5 million equity investment, \$7.5 million license fee) which it intends to use to continue funding the Group's major activities;
- as the Group is an ASX-listed entity, it has the ability to raise additional funds if required; and
- the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recognised in the half-year report as at 31 December 2022.

Should the Group not achieve these outcomes, there may be uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 2. Significant accounting policies (continued)

Comparatives

The consolidated financial statements provide comparative information in respect of the previous period. Comparative figures have been adjusted to conform to changes in presentation for the current Financial Year.

The statement of profit or loss for the half-year ending December 2022 includes the category of Selling and Distribution costs. To provide consistent presentation, expenses totalling \$383k relating to selling and distribution activities for the half-year ended 31 December 2021 have been reallocated from other expenses.

At 31 December 2021 income derived from Engineering Contract Services was disclosed as Other Income. To provide consistent presentation, revenue totalling \$960k relating to contract services for the half-year ended 31 December 2021 has been reallocated from Other Income.

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 2022.

Note 3. Operating segments

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

The Executive Leadership Group is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business geographically for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Operating Segment information

For management purposes, the Group has been split into companies. Due to limited activity, Micro-X UK Operations Limited has been aggregated into the Parent Company.

	Micro-X Limited Australia \$'000	Micro-X Inc United States \$'000	Elimination \$'000	Total \$'000
Revenue				
Sale of goods	1,889	935	(1,229)	1,595
Contract engineering services	4,408	2,026	-	6,434
Total Revenue	6,297	2,961	(1,229)	8,029
Other Income	3,756	-	(37)	3,719
Total Other Income	3,756	-	(37)	3,719
Loss before income tax expense	(728)	(3,125)	(58)	(3,911)
	Micro-X Limited Australia \$'000	Micro-X Inc United States \$'000	Elimination \$'000	Total \$'000
Total Assets	36,323	4,056	(6,017)	34,362
Total Liabilities	(10,364)	(6,977)	5,929	(11,412)
Net Assets	25,959	(2,921)	(88)	22,950

Note 4. Revenue

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
Sale of goods	1,595	1,449
Contract engineering services	6,434	906
Total Revenue	8,029	2,355

All revenue from the sale of goods is recognised at a point in time.

The Group recognised revenue from engineering contract services over time.

For fixed-price contracts, such as with the Australian Stroke Alliance, the Department of Homeland Security and Varex Imaging Corporation, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The Group uses an input method in measuring progress of the consulting services because there is a direct relationship between the Group's effort (i.e., based on the labour hours and project expenses incurred) and the transfer of service to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

When payment for services performed is not due until completion of a relevant project milestone, a contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date.

At 31 December 2021 \$906k income derived from engineering contract services was disclosed as Other income. For the period ended 31 December 2022 this has been reclassified to revenue. The prior year amounts have been reclassified accordingly.

Note 5. Other Income

	Consolidated	
	31 December 2022	31 December 2021
	\$'000	\$'000
Interest Received	1	1
Net gain on disposal of asset	68	-
Research & Development Tax Incentive	3,314	1,741
Other Government Grants	336	186
	3,719	1,928

Micro-X Limited
Notes to the financial statements
31 December 2022

Note 6. Trade & other receivables

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Trade receivables	907	115
Research & Development Tax Incentive Receivable	2,900	3,470
Other receivables	19	18
	<u>3,826</u>	<u>3,603</u>
GST Receivable	199	152
	<u>4,025</u>	<u>3,755</u>

Note 7. Contract assets

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
<i>Current assets</i>		
Contract assets	<u>2,042</u>	<u>1,314</u>

Note 8. Inventories

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
<i>Current assets</i>		
Raw materials	6,165	4,395
Finished Goods	<u>1,448</u>	<u>1,388</u>
	<u>7,613</u>	<u>5,783</u>

Note 9. Property, plant and equipment

	Consolidated	
	31 December	30 June
	2022	2022
	\$'000	\$'000
Leasehold improvements - at cost	1,748	1,749
Less: Accumulated depreciation	(629)	(535)
	<u>1,119</u>	<u>1,214</u>
Plant and equipment - at cost	2,649	2,446
Less: Accumulated depreciation	(1,411)	(1,195)
	<u>1,238</u>	<u>1,251</u>
Fixtures and fittings - at cost	226	216
Less: Accumulated depreciation	(88)	(74)
	<u>138</u>	<u>142</u>
Computer equipment - at cost	627	518
Less: Accumulated depreciation	(318)	(234)
	<u>309</u>	<u>284</u>
Capital - Work in Progress	<u>290</u>	<u>190</u>
	<u><u>3,094</u></u>	<u><u>3,081</u></u>

Note 10. 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 an 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
	2022	2022
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use Assets	6,458	6,458
Less: Accumulated depreciation	(1,510)	(1,150)
	<u><u>4,948</u></u>	<u><u>5,308</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
	2022	2022
	\$'000	\$'000
Opening Balance	5,314	5,837
Additions/Exchange Rate Movements	10	52
Modification to Lease Agreement	-	24
Accretion of interest	129	281
Payments	(452)	(880)
	<u><u>5,001</u></u>	<u><u>5,314</u></u>

Note 10. Right of use assets (continued)

	Consolidated	
	31 December 2022	30 June 2022
	\$'000	\$'000
Current	687	633
Non-Current	4,314	4,681

Note 11. Issued capital

	Consolidated			
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>513,898,330</u>	<u>461,454,266</u>	<u>125,307</u>	<u>117,529</u>

In the period, 50,709,000 shares were issued in a share placement to Varex Imaging Corporation and 1,363,418 were issued in relation to the conversion of rights issued under Employee Equity Plan and issues of shares under the Employee gift plan. 371,646 shares were also issued to Directors in lieu of cash payments.

Details	Shares	Issue Price	\$'000
Opening Balance July 2022	461,454,266		117,529
Issue of Shares under Placement with Varex	50,709,000	\$0.147	7,455
Transaction costs in relation to Varex placement			(85)
Exercise of Rights under Employee Equity Plan	798,230	\$0.348	278
Issue of Shares to Directors in Lieu of Cash Payment	371,646	\$0.143	53
Issue of Shares under Employee Gift Plan	565,188	\$0.138	77
Closing Balance December 2022	513,898,330		125,307

Note 12. Share based payments reserve

	Consolidated	
	31 December 2022	30 June 2022
	\$'000	\$'000
Share-based payments Reserve	<u>2,863</u>	<u>3,057</u>

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 under its Employee Equity Plan on 12 December 2022. The rights hold various service and performance conditions which vest over 3 years to 12 December 2025. Additional rights were issued to Key Management Personnel and a subset of other staff under the Group's Employee Equity Plan in January 2023 - refer to Note 14.

The following assumptions have been used:

Description	LTI Service Rights
Valuation Date	12 Dec 2022
Number of instruments issued	6,857,576
Spot Price	\$0.125
Exercise Price	Nil
Life (Years)	3
Volatility*	75%
Dividend Yield	0.00%
Risk Free Rate	3.07%
Assessed Value	\$0.125

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

Note 12. Share based payments reserve (continued)

The following table illustrates the number and weighted average fair value (WAFV) at grant date of, and movement in, rights held by all participants during the Financial Year:

	2022 FY Number	2022 FY WAFV	2021 FY Number	2021 FY WAFV
Outstanding at 1 July	15,669,148	\$0.319	9,678,962	\$0.319
Granted during the period	6,857,576	\$0.125	9,093,045	\$0.300
Exercised during the period	(798,230)	\$0.348	(202,114)	\$0.370
Expired during the period	(2,888,203)	\$0.280	(472,205)	\$0.370
Outstanding at 31 December	18,840,291	\$0.250	18,097,688	\$0.307

Note 13. Dividends

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

Note 14. Events after the reporting period

Since 31 December 2022, the Company issued 12,486,493 rights, being 10,864,265 on 3 January 2023 and 1,763,356 on 9 January 2023. The rights issued included short term incentives and long term incentives consistent with the Employee Equity Plan. The cost of these will be reflected in the full year accounts as they are recognised as an expense with a corresponding increase in equity over the vesting period, consistent with the accounting policy detailed in Note 2 of the annual report for the year ended 30 June 2022.

Note 15. Earnings per share

	Consolidated	
	31 December 2022 \$'000	31 December 2021 \$'000
Loss after income tax attributable to the owners of Micro-X Limited	<u>(3,911)</u>	<u>(8,965)</u>
	Cents	Cents
Basic earnings per share	(0.82)	(1.95)
Diluted earnings per share	(0.82)	(1.95)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>477,296,149</u>	<u>459,910,467</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>477,296,149</u>	<u>459,910,467</u>

Micro-X Limited
Directors' declaration
31 December 2022

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 2022 and of its performance for the financial period 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

David Knox

Mr David Knox
Non-Executive Chair

26 February 2023

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Independent Auditor's Review Report

To the Members of Micro-X Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Micro-X Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of Micro-X Limited's financial position as at 31 December 2022 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.

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$3,911,000 during the half year ended 31 December 2022 and, as of that date, the Group also had net operating cash out flows of \$5,497,000 for the half year ended 31 December 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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.

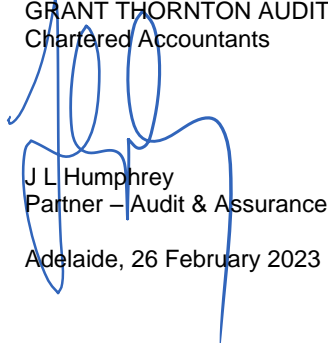
Auditor's responsibility

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 2022 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, 26 February 2023