

## QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 31 MARCH 2023

Investor Conference Call At 9.00am AEST on Tuesday 2<sup>nd</sup> May 2023

**Adelaide, Australia, 27<sup>th</sup> April 2023:** 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 2023 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

### Highlights for the Quarter

- **Successfully demonstrated to Australian Stroke Alliance (ASA) the imaging test bench for CT stroke product – simulating the array of proprietary mini x-ray tubes**
- **Building sports medicine applications for Mobile DR – Micro-X Rover units sold into multiple US professional sports teams and also used at the Australian Grand Prix**
- **Varex collaboration progressing well and on time - second and third milestones achieved this Quarter**
- **Strong cash receipts include A\$3.0m from Varex and A\$1.4m from DHS**
- **Implemented \$2.2M of annualised overhead cost savings - representing 20% of non-project cash expenditure – significantly reducing cash burn rate**
- **Cash balance at 31 March 2023 of \$8.6m**

### Commercialisation & Development Activities

There were several significant technology achievements which have greatly advanced two of Micro-X's products in security and stroke imaging. Firstly, the Argus IED X-ray camera continued integrated product development, with significant advances in imaging in the lead up to first customer demonstrations. Customer engagement and lead generation activities in readiness for commercial sales continued at key events in the United States, Japan and the United Arab Emirates, further filling the pre-launch sales pipeline. In addition, the CT stroke imager was successfully demonstrated as a test bench model with first imaging demonstrating the key elements of the product, significantly derisking the development programme.

Micro-X's four business units reported commercial progress as well as development achievements across the Quarter:

#### *Mobile DR Business Unit*

The Mobile DR business unit achieved \$0.8m of sales during the Quarter, which was below expectations. As supply chain issues have eased Micro-X has made progress in reducing its inventory levels of the longer lead time items with almost all sales in the Quarter being completed units held in the Micro-X Seattle warehouse. The conversion of completed unit inventory to positive cashflow is a key priority for the Company.

Use of the Micro-X Rover in non-acute hospital and clinic environments is now further extending into the sports medicine sector. The mobility and versatility of the Micro-X Rover were on show when the US sales team attended the Major League Baseball's spring training camp in Arizona. Sales of Rover units to the Texas Rangers, the Cincinnati Reds and the San Francisco Giants baseball teams, as well as the Arizona Coyotes NHL (ice-hockey) team indicate a growing pipeline of opportunities in the field of sports medicine. Micro-X was also proud to have the medical team from The Alfred Hospital providing emergency radiology trackside at the Australian Formula 1 Grand Prix in Melbourne with a Rover Plus unit. The unit was called on to take a variety of images over the weekend and afterwards was transferred to the Alfred

Hospital for extended trials by their radiology team who have been using Micro-X's earlier technology 'Carestream Revolution Nano' for many years.

Micro-X representatives attended the 2023 Arab Health conference in Dubai and held meetings with major radiology systems companies and potential distribution partners. The Micro-X sales team continues to focus on those countries in EMEA and APAC which accept FDA registration. Micro-X's regulatory team has received notification of a final document review by its Notified Body planned for May which may lead to MDR (CE mark) European approval during the coming quarter. This would allow us to begin to convert on the sales opportunities that exist within our European distribution channels.

### *X-Ray Camera Business Unit*

Significant advances were achieved through small changes to the mechanical configuration and developments in the image reconstruction and processing software. Verification and integration testing continues to progress well in readiness for early customer demonstrations during the June Quarter with productionised units.

The Argus team attended several conferences during the quarter including the DSEI conference in Tokyo and IDEX in Abu Dhabi, UAE. More than 10,000 delegates attended the three-day event in Tokyo, which provides unprecedented access to the Japanese and wider Asia-Pacific defence and security markets. IDEX, with over 130,000 visitors over 4 days, furthered Micro-X connections to customers in Police & Military and developed channel partner relationships in Middle-Eastern markets. Asia and the Middle East are key target markets for early Argus sales as these regions have an operational need for EOD equipment, are typically well funded, and are enthusiastic about new technology. The Argus team continues to received positive feedback on the product with a substantial and growing list of customers globally awaiting the opportunity for demonstrations.

The LAND154 tender process is ongoing and our offer has not yet been accepted or declined.

### *Checkpoints Business Unit*

The Checkpoints Business Unit continued to make good progress with its two DHS development projects for the Miniature CT Baggage Scanner and the Passenger Self-Screening Checkpoint. Both projects continue to remain on time and on budget with both the initial and the more recently ordered prototype units on track to be delivered to the Department of Homeland Security mid-year.

Micro-X held the official Preliminary Design Review (PDR) for the Self-Screening Checkpoint Module with the US Department of Homeland Security (DHS) and Transportation Security Administration (TSA) on 22<sup>nd</sup> February 2023. This now approved initial design will translate the Self-Screening Checkpoint Concept which Micro-X has been developing for DHS and TSA into a real prototype system for manufacture and test. The Checkpoint is designed around the Micro-X Miniaturized CT and combines it with other security functions to deliver a self-service checkpoint screening experience to the passenger. Key to the design is the ergonomics and user interface to enable a significant increase in the number of passengers screened in a given checkpoint floorspace and for a given number of checkpoint security officers. This PDR is an important first step in the full development project leading to the delivery of prototype systems which could be tested in an airport setting.

### *CT Business Unit*

The Brain CT team also continued to progress well with the development work under its contract with the ASA and the project continues on-time and on-budget. During the quarter the Micro-X team completed the image acquisition test rig which simulates the operation of the intended gantry of miniature x-ray tubes which are being developed in parallel. The image data acquired were then reconstructed to give our first look at what the raw images will look like in the final unit design.

Our Chief Engineer, Anthony Skeats, was delighted to present a full-scale model of our miniaturised CT Brain Scanner and the latest brain phantom images to a stroke awareness event at Parliament House in Canberra where he had the

opportunity to report on Micro-X's Medical Research Future Fund progress and to showcase Micro-X's role in the future of stroke imaging to Members of Parliament.

The technical teams are currently working in parallel on the hardware of the CT scanner and on the imaging software and the project is on track for a proof-of-concept stroke imaging product imaging patients in 2024.

## Corporate Activities

The Company has implemented a major reduction in cash burn with \$2.2M in annualized cost savings (effective July 2023), which represents 20% of company expenditure outside the externally funded projects. The majority of these savings, \$1.8M annually, were in headcount, representing a quarter of the salaries and wages not being externally funded via projects.

The savings were made predominately in the Mobile DR business unit and from within the company's overheads.

### *Varex collaboration*

Micro-X made significant progress under the Varex collaboration agreement which commenced with Varex Imaging Corporation (Varex) (NASDAQ: VREX) in September 2022. As part of this collaboration, Micro-X and Varex entered an exclusive global Licence Agreement for a non-refundable fee of \$7.5M (US\$5M), for Varex to use the Micro-X NEX technology in the field of multi beam x-ray tubes. The second and third milestones under the Licence Agreement were achieved during the Quarter, triggering two payments to Micro-X totalling US\$2.0M. The remaining two milestones in the programme will result in an additional US\$2.0M in payments to Micro-X over the next 6 to 9 months.

This ongoing work continues to provide a strong area of future technology collaboration as well as broader recognition of the value of the Micro-X CNT technology across the imaging industry. Most importantly, Micro-X is leveraging a non-core area of its technology portfolio which Varex will seek to develop for its own customers and new applications.

### *Other activities*

Micro-X launched its first Reconciliation Action Plan with a Welcome to Country delivered by members of the Kaurna community on whose land Micro-X's Tonsley facility is based. Earlier in the quarter Micro-X also welcomed Her Excellency the Hon Frances Adamson AC, Governor of South Australia for a tour of the advanced manufacturing facility at Tonsley and a presentation on Micro-X's commitment to growing STEM student programs.

## Financial Summary & Cashflows

### Quarterly Cashflows

During the Quarter, the Company:

- built, shipped, and invoiced \$0.84M of Mobile DR units and associated parts;
- received \$0.6M in customer receipts from sales, a further \$1.4M from its contract with DHS, and \$3.0M from the Varex Technology Transfer Agreement;
- had cash outflows from Operations of \$7.5M, resulting in net operating cash outflows of \$2.6M. These outflows included payments to Directors of \$0.22M relating to the salary of the Managing Director and fees for Non-Executive Directors;
- had cash outflows of \$0.1M from Investing Activities, for buying additional capital equipment;
- had cash outflows from Financing Activities of \$0.2M representing the principal component of operating lease repayments as calculated under AASB 1016;

- had overall net cash outflows of \$2.85M and a cash balance of \$8.56M as at 31 March 2023

As noted above, the sales achieved during the Quarter were mostly delivered from completed units in Seattle warehouse. This has been cashflow positive for the Company and we intend to continue to focus on converting our excess inventory levels into positive cashflow as we look to return to normal inventory levels now supply chain issues have eased.

In addition, during April 2023, Micro-X invoiced \$1.1m for the fourth milestone under the project agreement with the Australian Stroke Alliance.

## Future Outlook

Looking ahead, the critical goal for the coming quarter is to ready Argus for first customer demonstrations. The testing and optimisation of the integrated Argus units is almost complete and build of the productionised versions which will be used for demonstrations will commence shortly.

A further series of Rover customer roadshows with MXR have been scheduled for Texas and Oklahoma to continue to build our Mobile DR distribution partner's sales funnel. We are also working closely with Medlink's sub distributors to do the same following their National Sales Meeting in April. The team is also working with our distributors in other countries to establish a sales pipeline.

Finally, the delivery of the two Miniature CT Baggage Scanner prototypes to the DHS to enable their in-house testing activities will be a key event for the Company as we seek to capitalise on the very large opportunity in front of us in the airport security market. The feedback from the DHS on their in-house testing on the Baggage Scanner will be invaluable to the Checkpoints team as they progress their design of the fully integrated portal checkpoint.

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 Tuesday, 2nd May 2023 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/10030459-p9o8op.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: 10030459. Dial in numbers are as follows:

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

– ENDS –

About Micro-X

Micro-X Limited (the Company) is an ASX listed hi-tech company developing and commercialising a range of innovative products for global health and security markets, based on proprietary cold cathode, carbon nanotube (CNT) emitter technology. The electronic control of emitters with this technology enables x-ray products with significant reduction in size, weight, and power requirements, enabling greater mobility and ease of use in existing x-ray markets and a range of new and unique security and defence applications. Micro-X has a fully vertically integrated design and production facility in Adelaide, Australia. A growing technical and commercial team based in Seattle is rapidly expanding Micro-X's US business.

Micro-X's product portfolio is built in four, high margin, product lines in health and security. The first commercial mobile digital radiology products are currently sold for diagnostic imaging in global healthcare, military, and veterinary applications. An x-ray Camera for security imaging of Improvised Explosive Devices is in advanced development. The US Department of Homeland Security has selected Micro-X to design a next-generation Airport Checkpoint Portal with self-service x-ray. A miniature brain CT imager for pre-hospital stroke diagnosis in ambulances, is being developed with funding from the Australian Government's Medical Research Future Fund.

For more information visit: [www.micro-x.com](http://www.micro-x.com)

## CONTACTS

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## Appendix 4C

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

**Name of entity**

Micro-X Ltd

**ABN**

21 153 273 735

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	580	2,179
1.2 Payments for		
(a) research and development	(1,250)	(4,333)
(b) product manufacturing and operating costs	(1,231)	(4,865)
(c) advertising and marketing	(59)	(352)
(d) leased assets	(40)	(103)
(e) staff costs	(4,207)	(11,666)
(f) administration and corporate costs	(699)	(2,527)
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 CT Brain Scanner	-	2,255
(b) DHS Checkpoints Contracts	1,361	2,700
(c) Varex Technology Transfer	2,972	4,421
(d) Research & Development Tax Incentive	-	3,885
(e) Other	28	494
1.8 Other		
(a) AASB 16 Lease interest payments	(62)	(192)
(b) GST		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,607)</b>	<b>(8,104)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(58)	(502)
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(58)</b>	<b>(502)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,455
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	(22)	(99)
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	(165)	(485)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(187)</b>	<b>6,871</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
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<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,420	10,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,607)	(8,104)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(58)	(502)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(187)	6,871
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,568</b>	<b>8,568</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,340	11,192
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	228	228
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,568</b>	<b>11,420</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(221)
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.*



<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,607)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,568
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,568
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.3
<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: 27 April 2023.....

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.

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