

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 2023 |
| Previous period: | For the half-year ended 31 December 2022 |

2. Results for announcement to the market

| | | | \$'000 |
|--|----|-----------|---------|
| Revenues from ordinary activities | up | 2.08% to | 8,196 |
| Loss from ordinary activities after tax attributable to the owners of Micro-X Limited* | up | 95.93% to | (7,663) |
| Loss for the period attributable to the owners of Micro-X Limited* | up | 95.93% to | (7,663) |
| Adjusted loss for the period, excluding complying R&D concessions* | up | 6.06% to | (7,663) |

*** The Company is only eligible to receive its Research and Development tax incentive as a cash rebate where it records aggregated annual revenues of less than \$20 Million. At this point in time it is uncertain that the 'less than \$20.0M' revenue threshold will be achieved and the Company has therefore taken the conservative position that its eligible Research and Development incentive be disclosed as a tax loss offset rather than a cash receivable. In prior years the company has received this as a cash refund and has recognised this benefit in 'Other Revenue' (31 December 2022: \$3.314M). As this benefit is not recognised in the current year, the 31 December 2022 loss of \$3.911M has been adjusted to \$7.225M to exclude the Other Revenue for comparative purposes.**

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 \$7.663M (31 December 2022: \$3.911M)

3. Net tangible Assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | 1.92 | 4.45 |

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.

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Half-year report

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 2023 is attached.

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

Signed David Knox

Date: 28 February 2024

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Micro-X Limited

ABN 21 153 273 735

Half-Year Financial Statements - 31 December 2023

Micro-X Limited
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31 December 2023

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**Micro-X Limited
Corporate directory
31 December 2023**

Directors

David Knox (Non-Executive Chair)
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)
Peter Rowland (Non-Executive Director) - retired 30 November 2023

Company secretary

Kingsley Hall

Registered office

A14, 6 MAB Eastern Promenade
1284 South Road
Tonsley, SA 5042

Principal place of business

A14, 6 MAB Eastern Promenade
1284 South Road
Tonsley, SA 5042

Share register

Computershare Investors Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067
Phone: 1300 555 159 (within Australia)
Phone: +61 3 8320 4062 (outside Australia)

Auditor

BDO Audit Pty Ltd
Level 7, 420 King William Street
Adelaide, SA 5000
Phone: +61 8 8324 6000

Legal

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

Stock exchange listing

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

Website

www.micro-x.com

Micro-X Limited
Directors' report
31 December 2023

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 2023.

Directors

David Knox (Non-Executive Chair)
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)

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

On 30 November 2023 the Company hosted its AGM where the Company's founder and former CEO Peter Rowland retired from his role as Non-Executive Director.

Principal activities

The principal activities of Micro-X Limited (**Micro-X** or the **Company**) during the Half-Year to 31 December 2023 (2024 Half-Year) were the design and development, manufacturing and sale of carbon nanotube-based x-ray products, including core x-ray tube and high-voltage generator components, for the global healthcare and security markets.

The company completed the design and technical validation of the Argus X-Ray Camera which it is currently demonstrating to customers. No other significant changes in the nature of these activities occurred during the period.

Review of Financials

During the 2024 Half-Year, the Company achieved increased revenues from ordinary activities of \$8.196M (31 December 2022: \$8.029M) from the sale of its products and contracted project income, comprising of the following:

- \$4.431M in revenues from the sale of Mobile DR products, up from \$1.595M in the corresponding period;
- \$3.765M in engineering services income (31 December 2022: \$6.434M). This included \$0.944M revenue from the Australian Stroke Alliance for development of the CT Stroke imager; \$1.373M revenue from US Department of Homeland Security for the Airport Checkpoint Development program; and \$1.061M revenue from Varex Imaging Corporation under the Technology Licence Agreement;

Micro-X reported a net loss, after providing for income tax, of \$7.663M for the 2024 Half-Year (31 December 2022: \$3.911M loss). The increase in net loss in comparison to the previous period was primarily due to the Company not recognising as a receivable, the Research & Development Tax incentive for the 2023/2024 financial year (31 December 2022: \$3.314M). The Company is uncertain at this point in time that the 'less than' \$20.0M revenue threshold, required to receive the Research and Development tax incentive in cash will be achieved and has therefore taken the conservative position, that its eligible research and development incentive be disclosed as a tax loss offset rather than a cash receivable. In prior years the company has received this as a cash refund and has recognised this benefit in 'Other Revenue' (31 December 2022: \$3.314M).

The expenses for the 2024 Half-Year comprised:

- \$3.356M in cost of sale of goods, including a large portion of inventory on hand as at 30 June 2023;
- \$2.208M expenditure on research and development activity (31 December 2022: \$3.383M). Most of this related to the funded Airport Checkpoint and CT Stroke Imager projects, combined with completing design & technical validation of the Argus X-Ray Camera;
- \$7.809M was spent on employee and director costs during the period (31 December 2022: \$7.766M), including \$0.400M in non-cash, equity compensation (31 December 2022: \$0.287M) in relation to the Company's Employee Equity Plan, which comprises an STI and LTI component, subject to achievement of hurdles.

During the 2024 Half-Year the Company received cash from the following sources:

- \$4.922M in Mobile DR customer receipts for sales of Mobile DR units and associated components;
- \$1.608M from the Australian Stroke Alliance under the \$8.0M contract to commission the development of the mobile CT stroke Imager under the 'Stroke Golden Hour' program;
- \$1.688M from the US Department of Homeland Security for providing contract engineering services, under its Airport Self Screening contract and the extended contract for the Passenger Self Screening; and
- \$6.232M for the Research and Development Tax Incentive, related to the 2022/2023 financial year.

Review of operations

The key operational highlights for the 2024 Half-Year were as follows:

Mobile DR - Mobile Digital Radiology

Micro-X's streamlined Mobile DR business unit generated sales of \$4.5M, including the Micro-X Rover system, the OEM Nano unit and associated components and spare parts. This revenue included the delivery of the shipment of Rover Plus systems for the Australian Defence Force's deployable hospital programme, and the Australian Government's order of Rover systems for Ukraine. These orders, as well as sales to Micro-X's other customers, including MXR and Medlink were built primarily through available stock, reducing the Company's Mobile DR inventory from \$6.0M at 30 June 2023 to \$3.9M at 31 December 2023.

During the 2024 Half-Year, the Micro-X Rover and Rover Plus systems were granted CE marking, enabling our European based sales and distribution teams to sell into the European Union and those jurisdictions that accept this regulatory clearance.

IED X-Ray Camera - Argus

The Company completed its design and technical validation of the Argus X-Ray Camera and is in the process of completing final safety compliance testing with an independent certifier. As this commercialisation work has been completed, the sales team has been demonstrating the unit to potential customers and attending industry conferences to showcase the technology, including Eastern National Robot Rodeo and various USBTA events in the United States, the Defence and Security Equipment International (DSEI) in the United Kingdom and the AIDN Policy Symposium in Canberra.

The Company was awarded two prestigious Good Design Award Gold Winner accolades for product design and engineering design in recognition of outstanding design and innovation for the Argus X-ray Camera.

The commercial launch of the Argus is a key focus area for the Company.

Development Products - Checkpoints & Head CT

The Company made substantial progress under its CT baggage scanner contract with the Department of Homeland Security (DHS), completing the first of two CT baggage scanner prototypes which is at the Micro-X, Inc. office in Seattle, having been integrated and ready to be delivered to the DHS. Upon this first prototype being available, the DHS awarded an additional contract extension for Micro-X to provide up to US \$0.3M (A\$0.5M) of services over the next 10 months. This contract extension will fund data collection and further development of algorithms in the Micro-X baggage scanner automatic threat detection system. The contract extension has an additional US\$0.3M (A\$0.5M) of optional funding to extend the data collection and software refinement into explosives detection.

Another key achievement in the 2024 Half-Year was the extension of the Passenger Self Screening Checkpoint contract with the DHS with contracted receipts worth up to US \$14.0M (A\$21.0M) to deliver a prototype of the self service portal and complete real world airport testing within three years. The engineering team has commenced and progressed this additional work for DHS with regular payments to Micro-X as work is completed.

In January 2024 the Company demonstrated a virtual reality experience at the DHS and TSA booths at the world's largest technology event, the Consumer Electronic Show (CES) in Las Vegas, attended by more than 135,000 people from over 150 countries. A Senior US Government official, DHS Under Secretary for Science and Technology Dr Dimitri Kusnezov visited the stand to meet with CEO Americas Dr Brian Gonzales to discuss the Checkpoint project and subsequently visited the Company's Australian facility to learn more about the Company's core technology and potential applications, particularly in relation to CT.

During the 2024 Half-Year, the Group recognised \$1.4M in revenues from contract engineering services provided to DHS.

The Company also continued development work of its Head CT unit for stroke diagnosis under its \$8M 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 Head CT team has captured the first images using the Micro-X NEX technology mini tube, successfully imaging an anthropomorphic phantom skull. These images used Micro-X's head CT image reconstruction software, developed in conjunction with partner Johns Hopkins University in Baltimore, USA.

The Head CT team has continued to progress towards the next ASA milestone in developing a test bench that houses an array of 21 mini-tubes on a high voltage switching array, as well as completing the design of the mounting system, electrical

Micro-X Limited
Directors' report
31 December 2023

control and generator sub-systems which will house the array. Acceptance of the imaging performance of this test bench by ASA clinicians is a key piece of data required for ethics submission at Royal Melbourne Hospital, to authorise human imaging trials planned in 2024.

To support future market launch, Micro-X signed MOUs with European emergency service organisations Meytec GmbH and the Norwegian Air Ambulance Foundation during the 2024 Half-year.

This development work on the Head CT unit resulted in the recognition of \$0.9M in revenues from contract engineering services provided to the ASA during the 2024 Half-Year.

Corporate Activities

Micro-X released a refreshed strategy in August 2023 following a detailed Operational Review of the Company by newly appointed Chief Executive Officer Kingsley Hall and the senior leadership team. The Strategy Refresh identified the key pillars that will underpin Micro-X's future success and the strategic initiatives and priorities to drive a renewed commercial focus, return on investment and a roadmap to creating a profitable business.

Implementation of the review has seen several cost saving initiatives take effect with operating expenses (exclusive of change in inventory/ raw materials) down \$1.5M to \$12.8M for the 2024 Half-Year (31 December 2022: \$14.3M).

Further, the Company recorded net cash inflows from operating activities of \$0.7M in comparison to net cash outflows from operating activities of \$5.4M for the Half-Year ended 31 December 2022.

Work under its development agreement with Varex Imaging Corporation (Varex) resulted in the recognition of \$1.1M in revenues related to the Varex technology transfer during the 2024 Half-Year.

The Company continued its engagement with existing and new investors in Australia and the United States during the 2024 Half-year as it seeks to build further interest and new partnership opportunities.

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.

**Micro-X Limited
Directors' report
31 December 2023**

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

On behalf of the directors

David Knox

Mr David Knox
Non-Executive Chair

28 February 2024

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DECLARATION OF INDEPENDENCE
BY ANDREW TICKLE
TO THE DIRECTORS OF MICRO-X LIMITED

As lead auditor for the review of Micro-X Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Micro-X Limited and the entities it controlled during the period.



Andrew Tickle
Director

BDO Audit Pty Ltd

Adelaide, 28 February 2024

Micro-X Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2023

| | | Consolidated | |
|---|------|--|--|
| | Note | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
| Revenue | | | |
| Product revenue | | 4,431 | 1,595 |
| Contract engineering services | | 3,765 | 6,434 |
| Total Revenue | | <u>8,196</u> | <u>8,029</u> |
| Expenses | | | |
| Change in inventory/raw materials | | (3,356) | (1,336) |
| Employee and director expenses | | (7,809) | (7,766) |
| Selling and distribution costs | | (435) | (649) |
| Office and administrative expenses | | (398) | (374) |
| Corporate expenses | | (271) | (277) |
| Quality and regulatory expenses | | (85) | (120) |
| Project development expenses | | (2,208) | (3,383) |
| Depreciation and amortisation expenses | | (791) | (775) |
| Other expenses | | (683) | (841) |
| Finance expenses | | (123) | (138) |
| Total expenses | | <u>(16,159)</u> | <u>(15,659)</u> |
| Operating loss | | (7,963) | (7,630) |
| Research & Development Tax Incentive | | - | 3,314 |
| Other | | 300 | 405 |
| Total other income | | <u>300</u> | <u>3,719</u> |
| Loss before income tax expense | | (7,663) | (3,911) |
| Income tax expense | 14 | <u>-</u> | <u>-</u> |
| Loss after income tax expense for the period attributable to the owners of Micro-X Limited | | (7,663) | (3,911) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Loss on Foreign Currency Translation | | <u>(21)</u> | <u>(12)</u> |
| Other comprehensive income for the period, net of tax | | <u>(21)</u> | <u>(12)</u> |
| Total comprehensive income for the period attributable to the owners of Micro-X Limited | | <u>(7,684)</u> | <u>(3,923)</u> |
| | | Cents | Cents |
| Basic earnings per share | 13 | (1.48) | (0.82) |
| Diluted earnings per share | 13 | (1.48) | (0.82) |

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 2023

| | | Consolidated | |
|--------------------------------------|-------------|--|------------------------------------|
| | Note | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 5,307 | 5,223 |
| Trade & other receivables | 4 | 768 | 6,996 |
| Contract assets | 5 | 1,714 | 1,633 |
| Inventories | 6 | 5,359 | 7,338 |
| Other Assets | | 1,114 | 1,247 |
| Total current assets | | <u>14,262</u> | <u>22,437</u> |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 2,933 | 3,114 |
| Right of use assets | 8 | 4,250 | 4,615 |
| Intangibles | | 126 | 132 |
| Total non-current assets | | <u>7,309</u> | <u>7,861</u> |
| Total assets | | <u>21,571</u> | <u>30,298</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 5,198 | 5,584 |
| Contract liabilities | | 299 | 855 |
| Lease liabilities | 8 | 747 | 726 |
| Provisions | | 696 | 1,153 |
| Total current liabilities | | <u>6,940</u> | <u>8,318</u> |
| Non-current liabilities | | | |
| Lease liabilities | 8 | 3,590 | 3,977 |
| Provisions | | 1,078 | 810 |
| Total non-current liabilities | | <u>4,668</u> | <u>4,787</u> |
| Total liabilities | | <u>11,608</u> | <u>13,105</u> |
| Net assets | | <u>9,963</u> | <u>17,193</u> |
| Equity | | | |
| Issued capital | 9 | 126,235 | 125,396 |
| Convertible Notes | | 65 | 65 |
| Foreign Currency Translation Reserve | | (7) | 14 |
| Share Based Payments Reserve | 10 | 3,341 | 3,852 |
| Accumulated losses | | (119,671) | (112,134) |
| Total equity | | <u>9,963</u> | <u>17,193</u> |

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 2023

| | 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 | 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 changes in equity
For the period ended 31 December 2023

| | 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 2023 | 125,396 | 3,852 | 14 | 65 | (112,134) | 17,193 |
| Loss after income tax expense for the period | - | - | - | - | (7,663) | (7,663) |
| Other comprehensive income for the period, net of tax | - | - | (21) | - | - | (21) |
| Total comprehensive income for the period | - | - | (21) | - | (7,663) | (7,684) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Issue of rights under Employee Equity Plan | - | 322 | - | - | - | 322 |
| Expiry of rights under Employee Equity Plan | - | (126) | - | - | 126 | - |
| Exercise of Rights under Employee Equity Plan | 707 | (707) | - | - | - | - |
| Issue of shares in lieu of cash payments | 54 | - | - | - | - | 54 |
| Issue of shares under Employee Gift Plan | 78 | - | - | - | - | 78 |
| Balance at 31 December 2023 | <u>126,235</u> | <u>3,341</u> | <u>(7)</u> | <u>65</u> | <u>(119,671)</u> | <u>9,963</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 2023

| | Note | Consolidated | |
|--|------|----------------------------|----------------------------|
| | | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 4,922 | 1,599 |
| Payments to suppliers | | (13,938) | (16,360) |
| Interest received | | 41 | - |
| R&D incentive tax refunds | | 6,232 | 3,885 |
| Grant funding received | | 284 | 466 |
| Receipts in relation to Varex Technology Transfer | | - | 1,449 |
| Receipts in relation to ASA MRFF Program | | 1,608 | 2,255 |
| Receipts in relation to DHS Checkpoint Program | | 1,688 | 1,339 |
| Lease interest payments | | (113) | (130) |
| Net cash from/(used in) operating activities | | 724 | (5,497) |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (283) | (444) |
| Net cash used in investing activities | | (283) | (444) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 9 | - | 7,455 |
| Share issue transaction costs | | - | (77) |
| Repayment of lease liabilities | | (357) | (320) |
| Net cash from/(used in) financing activities | | (357) | 7,058 |
| Net increase in cash and cash equivalents | | 84 | 1,117 |
| Cash and cash equivalents at the beginning of the financial period | | 5,223 | 10,303 |
| Cash and cash equivalents at the end of the financial period | | 5,307 | 11,420 |

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

Micro-X Limited
Notes to the financial statements
31 December 2023

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 2024.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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 2023 of \$7.663M (half-year ended December 2022: \$3.911M loss) and had net cash inflows from operating and investing activities of \$0.441M (half-year ended December 2022: net cash outflows from operating and investing activities of \$5.941M).

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 Group has \$7.5M of contracted revenues for development work due to be received in the second half of FY2024. These revenues are subject to satisfaction of milestones, under the contracts with the Australian Stroke Alliance for the Head CT Scanner, U.S. Department of Homeland Security for the CT Baggage Scanner and Airport Self Service Portal and Varex Imaging Corporation;
- the Group expects to continue to convert its \$3.9M (30 June 2023: \$6.0M) of Micro-X Rover inventory into positive cashflow, through sales of Micro-X Rover systems with limited new costs to be incurred for these sales;
- the Group has launched the Argus X-Ray Camera and holds \$1.5M of Argus inventory in readiness for first commercial sales, reducing the costs to be incurred for these sales, subject to completing final safety compliance testing.
- the Group will continue to explore additional partnership opportunities to fund and co-fund development, and the Group has a successful track record of securing partnerships; and
- as the Group is an ASX-listed entity, it has the option to raise additional funds if required.

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 2023.

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.

Micro-X Limited
Notes to the financial statements
31 December 2023

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.

Revenue recognition – Agent versus Principal determination

Micro-X utilises sub-contractors as part of delivering its engineering contract services. For certain sub-contractors, the Group has used its judgement to assess its relationship considering the nature of the contractual terms, assess control of the services and responsibility of parties involved. Where the Group has determined that it acts an agent for all or part of a contract, the Group offsets its contract engineering revenue and relevant project costs.

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 2023.

Note 3. Operating segments

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

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 | Total \$'000 |
|--------------------------------|---|---|-------------------------|
| Revenue | | | |
| Sales to external customers | 6,091 | 2,105 | 8,196 |
| Other revenue | 300 | - | 300 |
| Total revenue | <u>6,391</u> | <u>2,105</u> | <u>8,496</u> |
| Expenses | | | |
| Depreciation and amortisation | (672) | (119) | (791) |
| Finance costs | (112) | (11) | (123) |
| Other expenses | (12,233) | (3,012) | (15,245) |
| Total expenses | <u>(13,017)</u> | <u>(3,142)</u> | <u>(16,159)</u> |
| Loss before income tax expense | <u>(6,626)</u> | <u>(1,037)</u> | <u>(7,663)</u> |
| | | | |
| | Micro-X Limited Australia \$'000 | Micro-X Inc United States \$'000 | Total \$'000 |
| Total Assets | 19,219 | 2,351 | 21,570 |
| Total Liabilities | <u>(9,898)</u> | <u>(1,709)</u> | <u>(11,607)</u> |
| Net Assets | <u>9,321</u> | <u>642</u> | <u>9,963</u> |

Micro-X Limited
Notes to the financial statements
31 December 2023

Note 4. Trade & other receivables

| | Consolidated | |
|---|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$'000 | \$'000 |
| Trade receivables | 722 | 698 |
| Research & Development Tax Incentive Receivable | - | 6,232 |
| Other receivables | 19 | 20 |
| | <u>741</u> | <u>6,950</u> |
| GST Receivable | 27 | 46 |
| | <u>768</u> | <u>6,996</u> |

In order to recognise a cash receivable in relation to the Research & Development Tax Incentive, the Company is required to have eligible R&D expenditure and record an aggregated turnover of less than \$20M for the financial year. At this point in time, it is uncertain of meeting the revenue requirement and as such the Company has taken a conservative position and not recognised an R&D cash receivable as at 31 December 2023. If at 30 June 2024 the revenue threshold condition was to be met, the Company would be entitled to recognise a receivable in relation to spending in the period to 31 December 2023, currently calculated at \$2.6M.

In accordance with the Research & Development Tax Incentive, the Company's current eligible research and development expenditure would be claimed as a non-refundable tax offset under the tiered Non-Refundable R&D Tax Incentive rather than being refunded in cash. Refer to note 14 for more details.

Note 5. Contract assets

| | Consolidated | |
|-----------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$'000 | \$'000 |
| <i>Current assets</i> | | |
| Contract assets | <u>1,714</u> | <u>1,633</u> |

Note 6. Inventories

| | Consolidated | |
|--------------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$'000 | \$'000 |
| <i>Current assets</i> | | |
| Raw materials | 5,120 | 5,973 |
| Finished goods - at cost | 239 | 1,365 |
| | <u>5,359</u> | <u>7,338</u> |

Micro-X Limited
Notes to the financial statements
31 December 2023

Note 7. Property, plant and equipment

| | Consolidated | |
|----------------------------------|-------------------------------|---------------------------|
| | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
| Leasehold improvements - at cost | 1,757 | 1,757 |
| Less: Accumulated depreciation | (817) | (723) |
| | 940 | 1,034 |
| Plant and equipment - at cost | 3,319 | 3,092 |
| Less: Accumulated depreciation | (1,936) | (1,698) |
| | 1,383 | 1,394 |
| Fixtures and fittings - at cost | 238 | 232 |
| Less: Accumulated depreciation | (119) | (105) |
| | 119 | 127 |
| Computer equipment - at cost | 659 | 652 |
| Less: Accumulated depreciation | (449) | (399) |
| | 210 | 253 |
| Capital - Work in Progress | 281 | 306 |
| | 2,933 | 3,114 |

Note 8. 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 2023 \$'000 | 30 June 2023 \$'000 |
| <i>Non-current assets</i> | | |
| Right-of-use Assets | 6,489 | 6,489 |
| Less: Accumulated depreciation | (2,239) | (1,874) |
| | 4,250 | 4,615 |
| | | |
| | Consolidated | |
| | 31 December 2023 \$'000 | 30 June 2023 \$'000 |
| Opening Balance | 4,615 | 5,308 |
| Modification of Lease Agreement | - | 30 |
| CY Depreciation | (365) | (723) |
| | 4,250 | 4,615 |

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

Micro-X Limited
Notes to the financial statements
31 December 2023

Note 8. Right of use assets (continued)

| | Consolidated | |
|-----------------------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$'000 | \$'000 |
| Opening Balance | 4,703 | 5,314 |
| Additions/Exchange Rate Movements | (11) | 21 |
| Modification to Lease Agreement | - | 30 |
| Accretion of interest | 113 | 251 |
| Payments | (468) | (913) |
| | <u>4,337</u> | <u>4,703</u> |
| Current | 747 | 726 |
| Non-Current | 3,590 | 3,977 |

Note 9. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|----------------|
| | 31 December | 30 June | 31 December | 30 June |
| | 2023 | 2023 | 2023 | 2023 |
| | Shares | Shares | \$'000 | \$'000 |
| Ordinary shares - fully paid | <u>518,064,117</u> | <u>514,365,432</u> | <u>126,235</u> | <u>125,396</u> |

In the period, 3,223,191 shares were issued in relation to the conversion of rights issued under Employee Equity Plan and issues of shares under the Employee gift plan. 475,494 shares were also issued to Directors in lieu of cash payments.

| Details | Shares | Assessed Price | \$'000 |
|---|--------------------|-----------------------|----------------|
| Opening Balance July 2023 | 514,365,432 | | 125,396 |
| Issue of Shares in lieu of cash payments for Directors Fees | 475,494 | \$0.114 | 54 |
| Exercise of Rights under Employee Equity Plan | 2,666,115 | \$0.265 | 707 |
| Issue of Shares under Employee Gift Plan | 557,076 | \$0.140 | 78 |
| Closing Balance December 2023 | 518,064,117 | | 126,235 |

Note 10. Share based payments reserve

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$'000 | \$'000 |
| Share-based payments Reserve | <u>3,341</u> | <u>3,852</u> |

Micro-X Limited
Notes to the financial statements
31 December 2023

Note 10. Share based payments reserve (continued)

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 31 October 2023. The rights hold various service and performance conditions which vest over 3 years to 31 October 2026. Additional rights were issued to Key Management Personnel and a subset of other staff under the Group's Employee Equity Plan in January 2024.

The following assumptions have been used:

| Description | LTI Service Rights |
|------------------------------|---------------------------|
| Valuation Date | 31 Oct 2023 |
| Number of instruments issued | 6,898,527 |
| Spot Price | \$0.140 |
| Exercise Price | Nil |
| Life (Years) | 3 |
| Volatility* | N/A |
| Dividend Yield | 0.00% |
| Risk Free Rate | 4.0% |
| Assessed Value | \$0.140 |

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

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:

| | 2023 FY Number | 2023 FY WAFV | 2022 FY Number | 2022 FY WAFV |
|-----------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| Outstanding at 1 July | 30,584,965 | \$0.202 | 15,669,148 | \$0.319 |
| Granted during the period | 6,898,527 | \$0.140 | 6,857,576 | \$0.125 |
| Exercised during the period | (2,666,115) | \$0.265 | (798,230) | \$0.348 |
| Expired during the period | (7,354,788) | \$0.165 | (2,888,203) | \$0.280 |
| Outstanding at 31 December | 27,462,589 | \$0.190 | 18,840,291 | \$0.250 |

Note 11. Dividends

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

Note 12. Events after the reporting period

Since 31 December 2023, the Company issued 11,800,886 rights on 3 January 2024, being 6,577,410 short term incentives and 5,223,476 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 accounting policy detailed in Note 2 of the annual report for the year ended 30 June 2023.

Note 13. Earnings per share

| | Consolidated | |
|---|--|--|
| | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
| Loss after income tax attributable to the owners of Micro-X Limited | (7,663) | (3,911) |
| | Cents | Cents |
| Basic earnings per share | (1.48) | (0.82) |
| Diluted earnings per share | (1.48) | (0.82) |

Micro-X Limited
Notes to the financial statements
31 December 2023

Note 13. Earnings per share (continued)

| | Number | Number |
|---|--------------------|--------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 517,068,830 | 477,296,149 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>517,068,830</u> | <u>477,296,149</u> |

Note 14. Income tax

| | Consolidated | |
|--|-------------------------------|-------------------------------|
| | 31 December 2023 \$'000 | 31 December 2022 \$'000 |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Loss before income tax expense | (7,663) | (3,911) |
| Tax at the statutory tax rate of 25% | (1,916) | (978) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | - | 1 |
| Share-based payments | 100 | 72 |
| R&D expenditure | 1,475 | 1,666 |
| R&D tax offset | (2,421) | - |
| R&D tax offset not recognised | 2,421 | - |
| R&D tax incentive income | - | (829) |
| | (341) | (68) |
| Current period tax losses not recognised | 551 | 310 |
| Current period temporary differences not recognised | (210) | (242) |
| Income tax expense | <u>-</u> | <u>-</u> |

The group has tax losses that arose of \$39.5 million (2022: \$37.3 million) that are indefinitely available for offsetting against future taxable profits of the companies in which the tax losses arose.

Deferred tax offsets, including those related to the 2024 R&D tax offset, have not been recognised in respect of these losses.

Micro-X Limited
Directors' declaration
31 December 2023

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 2023 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

28 February 2024

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MICRO-X LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the 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 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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 the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and
- (ii) 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the 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 is free from material misstatement, whether due to fraud or error.

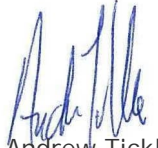
Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2023 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.



BDO Audit Pty Ltd



Andrew Tickle

Director

Adelaide, 28 February 2024