

Micro-X Limited
Appendix 4D
Half-year report

1. Company details

Name of Company: Micro-X Limited
ABN: 21 153 273 735
Reporting period: For the half-year ended 31 December 2017
Previous period: For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	124.44% to	799
Loss from ordinary activities after tax attributable to the owners of Micro-X Limited	down	31.03% to	(5,069)
Loss for the half-year attributable to the owners of Micro-X Limited	down	32.05% to	(4,994)

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 \$5.1M (31 December 2016: \$7.4M).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.81</u>	<u>7.26</u>

4. Control gained over entities

100% control gained over Micro-X Inc.

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

The relevant interest in XinRay Systems Inc. was 30% at 31 December 2017. There is no change to the group's holding as at the date of this report.

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 Half-Year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-Year Financial Report of Micro-X Limited for the half-year ended 31 December 2017 is attached.

12. Signed by Patrick O'Brien (Non-Executive Chairman)

Signed  _____

Date: 28 February 2018

Micro-X Limited

ABN 21 153 273 735

Half-Year Financial - 31 December 2017

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Micro-X Limited
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31 December 2017

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Micro-X Limited
Corporate directory
31 December 2017

Directors

Peter Robin Rowland (Managing Director)
Richard Nicholas Hannebery (Executive Director)
Patrick Gerard O'Brien (Non-Executive Director)
David Peter Neil Symons (Non-Executive Director)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
Jim McDowell (Non-Executive Director - appointed 11 September 2017)

Company secretary

Georgina Carpendale

Registered office

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
Clovelly Park, SA 5068
(08) 7099 3966

Principal place of business

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
Clovelly Park, SA 5068
(08) 7099 3966

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 2222 (outside Australia)

Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
Melbourne, VIC 3008
Phone: +61 3 8320 2222

Stock exchange listing

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

Website

www.micro-x.com

**Micro-X Limited
Directors' report
31 December 2017**

The directors present their report, together with the financial statements, on the group for the half-year ended 31 December 2017.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Peter Robin Rowland (Managing Director)
Richard Nicholas Hannebery (Executive Director)
Patrick Gerard O'Brien (Non-Executive Director)
David Peter Neil Symons (Non-Executive Director)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
Jim McDowell (Non-Executive Director - appointed 11th September 2017)

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

Principal activities

Micro-X's principal activities are focused on the design, development and manufacturing of ultra-lightweight carbon nanotube based x-ray products for the global healthcare and security (counter improvised explosive device imaging) markets.

No significant changes in the nature of these activities occurred during the year.

Review of operations

The loss for the group after providing for income tax amounted to \$5.1M (31 December 2016: \$7.4M loss).

The loss for the half-year period consisted of \$5.3M expenditure on project costs towards finalising the development of the DRX Revolution Nano ("Nano") and ongoing development of the Rover and the Mobile Backscatter Imager ("MBI") as contracted by the Australian Department of Defence.

Carestream:

In October 2017 Carestream formally accepted the "First From Production" units of the DRX Revolution Nano Mobile x-ray units. The group is continuing through the pre-commercialisation phase of the Nano with its distribution partner, Carestream.

Australian Department of Defence:

In October 2017 the group conducted very successful proof of concept demonstration trials for the MBI product. The trials were held at Micro-X facilities in Clovelly Park, South Australia.

Research and Development Tax Rebate:

The research and development tax incentive refund for \$7.0M was received in August 2017 for the 30 June 2017 financial year.

South Australian Government Financing Authority:

This loan facility was extended for a further 12 months during the period, bringing the repayment date to 31 December 2018. Interest for the renewal period continues to be charged at 5.75% per annum.

Corporate Development:

In December 2017, the group engaged a US-Based Corporate Development Consultant to assist in managing various strategic partnering and business development activities with leading companies in the global security and healthcare industries.

Micro-X Inc:

The group established a wholly-owned US subsidiary in November 2017, incorporated in the State of Delaware.

**Micro-X Limited
Directors' report
31 December 2017**

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial half-year.

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 on the following page.

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

On behalf of the Directors



Mr Patrick O'Brien
Non-Executive Chairman

28 February 2018



Grant Thornton

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2017. 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

M A Cunningham
Partner – Audit & Assurance

Melbourne, 28 February 2018

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Micro-X Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 December 2017 \$'000	31 December 2016 \$'000
Revenue	4	799	356
Cost of sales		(315)	-
Gross Profit		<u>484</u>	<u>356</u>
Expenses			
Employee and director costs		(1,797)	(1,230)
Office and administrative expenses		(322)	(336)
Corporate expenses		(44)	(65)
Quality and regulatory		(13)	(99)
Project costs		(5,304)	(9,672)
Depreciation and amortisation expense		(52)	(35)
Other expenses		(629)	(272)
Finances costs		(93)	(52)
Total expenses		<u>(8,254)</u>	<u>(11,761)</u>
Operating Loss		(7,770)	(11,405)
Other income	5	2,775	4,140
Share of profits of associates accounted for using the equity method	6	<u>(74)</u>	<u>(85)</u>
Loss before income tax expense		(5,069)	(7,350)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Micro-X Ltd		(5,069)	(7,350)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<u>75</u>	<u>-</u>
Other comprehensive income for the half-year, net of tax		<u>75</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Micro-X Limited		<u>(4,994)</u>	<u>(7,350)</u>
		Cents	Cents
Basic earnings per share	16	(3.51)	(6.16)
Diluted earnings per share	16	<u>(3.51)</u>	<u>(6.16)</u>

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 2017

	Note	31 December 2017 \$'000	30 June 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		4,097	5,573
Trade and other receivables	7	3,238	7,659
Inventories		1,368	1,196
Other assets - prepayments		61	27
Total current assets		<u>8,764</u>	<u>14,455</u>
Non-current assets			
Investments accounted for using the equity method	8	8,766	8,765
Plant and equipment		376	358
Intangibles assets	9	2,139	2,127
Total non-current assets		<u>11,281</u>	<u>11,250</u>
Total assets		<u>20,045</u>	<u>25,705</u>
Liabilities			
Current liabilities			
Trade and other payables		6,193	7,077
Provisions		152	139
Borrowings	10	3,000	3,000
Total current liabilities		<u>9,345</u>	<u>10,216</u>
Non-Current liabilities			
Provisions		173	165
Total non-current liabilities		<u>173</u>	<u>165</u>
Total liabilities		<u>9,518</u>	<u>10,381</u>
Net assets		<u>10,527</u>	<u>15,324</u>
Equity			
Issued capital	11	48,024	48,024
Foreign currency translation reserve		261	186
Share based payment reserve	12	1,514	1,317
Accumulated losses		<u>(39,272)</u>	<u>(34,203)</u>
Total equity		<u>10,527</u>	<u>15,324</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 half-year ended 31 December 2017

	Issued capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	38,720	791	-	(21,283)	18,228
Loss after income tax expense for the year	-	-	-	(7,350)	(7,350)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(7,350)	(7,350)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 12)	-	322	-	-	322
Balance at 31 December 2016	<u>38,720</u>	<u>1,113</u>	<u>-</u>	<u>(28,633)</u>	<u>11,200</u>

	Issued capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	48,024	1,317	186	(34,203)	15,324
Loss after income tax expense for the year	-	-	-	(5,069)	(5,069)
Other comprehensive income for the year, net of tax	-	-	75	-	75
Total comprehensive income for the year	-	-	75	(5,069)	(4,994)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 12)	-	197	-	-	197
Balance at 31 December 2017	<u>48,024</u>	<u>1,514</u>	<u>261</u>	<u>(39,272)</u>	<u>10,527</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 half-year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	569	220
Payments to suppliers and employees (inclusive of GST)	(9,362)	(10,210)
Interest received	16	5
GST refunds received	584	761
Research and development incentive tax refunds	7,032	8,219
Interest paid	(89)	(53)
Rent expense	(144)	(35)
	<u>(1,394)</u>	<u>(1,093)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for fixed assets	(70)	(244)
Payments for intangibles	(12)	(32)
	<u>(82)</u>	<u>(276)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from borrowings	-	2,800
	<u>-</u>	<u>2,800</u>
Net cash from investing activities		
Net (decrease)/increase in cash and cash equivalents	(1,476)	1,431
Cash and cash equivalents at the beginning of the financial half-year	5,573	4,169
	<u>4,097</u>	<u>5,600</u>
Cash and cash equivalents at the end of the financial half-year		

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 2017

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 28 February 2018.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 and any public announcements made by the group 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, unless otherwise stated.

Going concern

The group incurred a net loss after tax for the half year ended 31 December 2017 of \$5.1M (half year ended December 2016: \$7.4M loss) and had net cash outflows from operating activities of \$1.4M (half year ended December 2016: \$1.1M).

Notwithstanding these results, 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 2017 reflect the results of the group's major activity during that period, which was product development and early commercialisation revenue for the Nano product but the business is still not yet cash-flow positive;
- the finalisation of research and development activities on the DRX Revolution Nano, which the group is undertaking with the objective that the outcomes of these activities be profitable and generate positive operating cash flows;
- the group is planning to consolidate its operating activities at a profitable and cash-flow positive level going forward;
- as the group is an ASX-listed entity, it has the ability to raise additional funds if required;
- the group has received an extension to the repayment of the the South Australian Financing Authority (SAFA) loan to coincide with the group earning its first Commercial Revenues;
- the group is actively working to engage strategic partners for future products; 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 2017.

Accordingly, this financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities as might be necessary should the group not continue as a going concern.

Micro-X Limited
Notes to the financial statements
31 December 2017

Note 3. Operating segments

The group is organised into one operating segment being the design, development and manufacturing of ultra-lightweight carbon nanotube based x-ray products for the global healthcare and counter improvised explosive device imaging security markets. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Sale of goods	363	156
Contract revenue	436	200
	<u>799</u>	<u>356</u>

Note 5. Other income

	31 December 2017 \$'000	31 December 2016 \$'000
Interest received	16	5
Research and Development tax incentive refund	2,788	4,117
Net foreign exchange (loss)/gain	(29)	18
	<u>2,775</u>	<u>4,140</u>

Note 6. Share of loss of associates accounted for using the equity method

	31 December 2017 \$'000	31 December 2016 \$'000
Share of losses - associates	(74)	(85)

Note 7. Current assets - Trade & other receivables

	31 December 2017 \$'000	30 June 2017 \$'000
Trade receivables	316	199
Research and Development tax incentive refund	2,789	7,034
	<u>3,105</u>	<u>7,233</u>
Deposits	4	4
GST Receivable	129	422
	<u>3,238</u>	<u>7,659</u>

Micro-X Limited
Notes to the financial statements
31 December 2017

Note 8. Non-current assets - Investments in associates

	31 December 2017 \$'000	30 June 2017 \$'000
XinRay Inc. investment	<u>8,766</u>	<u>8,765</u>

At 31 December 2017, the group had a 30% (30 June 2017: 30%) equity holding in XinRay Systems Inc. ('XinRay'), a Company incorporated in Delaware, United States.

Note 9. Non-current assets - Intangibles

	31 December 2017 \$'000	30 June 2017 \$'000
Capitalised development costs	1,980	1,980
Patents and trademarks – at cost	<u>159</u>	<u>147</u>
	<u>2,139</u>	<u>2,127</u>

Note 10. Current liabilities – Borrowings

	31 December 2017 \$'000	30 June 2017 \$'000
Short term loan – South Australian Government Financing Authority	<u>3,000</u>	<u>3,000</u>
	<u>3,000</u>	<u>3,000</u>

The South Australian Government Financing Authority loan facility agreement with the South Australian Treasurer is for a loan commitment of \$3.0M with an agreed interest rate of 5.75% per annum paid monthly in arrears. This loan facility was extended for a further 12 months during the period, bringing the repayment date to 31 December 2018. Interest rate for the renewal period continues to be charged at 5.75%

Note 11. Equity - Issued capital

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares - fully paid	<u>144,350,698</u>	<u>144,350,698</u>	<u>48,024</u>	<u>48,024</u>

Note 12. Equity – Share-based payment reserve

	31 December 2017 \$'000	30 June 2017 \$'000
Share-based payments reserve	<u>1,514</u>	<u>1,317</u>

Micro-X Limited
Notes to the financial statements
31 December 2017

Note 13. Contingent liabilities

The consolidated group had no contingent liabilities at 31 December 2017 and 30 June 2017.

Note 14. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 15. Share-based payments

Share-based payments relate to share Option Awards as outlined in the group's Prospectus dated 25 November 2015. Set out below are the options outstanding at the end of the financial half-year:

31 December 2017

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
01/09/2014	31/12/2019	\$0.575	1,393,112	-	-	-	1,393,112
01/09/2014	31/12/2019	\$0.625	2,786,228	-	-	-	2,786,228
21/12/2015	31/12/2019	\$0.575	2,049,998	-	-	-	2,049,998
21/12/2015	31/12/2019	\$0.625	4,100,002	-	-	(500,000)	3,600,002
05/12/2016	01/12/2020	\$0.625	320,000	-	-	-	320,000
01/04/2017	01/04/2021	\$0.625	2,500,000	-	-	-	2,500,000
11/09/2017	01/09/2021	\$0.625	-	320,000	-	-	320,000
			<u>13,149,340</u>	<u>320,000</u>	<u>-</u>	<u>(500,000)</u>	<u>12,969,340</u>

Note 16. Earnings per share

	31 December 2017 \$'000	30 June 2017 \$'000
Loss after income tax attributable to the owners of Micro-X Ltd	<u>(5,069)</u>	<u>(7,350)</u>
	Cents	Cents
Basic earnings per share	(3.51)	(6.16)
Diluted earnings per share	(3.51)	(6.16)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>144,350,698</u>	<u>119,409,725</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>144,350,698</u>	<u>119,409,725</u>

Micro-X Limited
Directors' declaration
31 December 2017

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 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the group 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



Mr Patrick O'Brien
Non-Executive Chairman

28 February 2018

Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2017, 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, nothing has come to our attention that causes us to believe that the half year financial report of Micro-X Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

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 \$5.1m during the half year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by \$0.6m. 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 Group 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.

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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 2017 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*. As the auditor of Micro-X Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 28 February 2018

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