

Monday 30th April 2018

ASX Announcement – MICRO-X LIMITED (ASX: MX1)

QUARTERLY CASH FLOW & BUSINESS UPDATE

Micro-X Limited (Micro-X) is pleased to provide an update to accompany the attached Appendix 4C Quarterly Cash Flow report for the period ended 31st March 2018.

The company held cash at the end of quarter of \$4.4M representing a net cash inflow for the quarter of \$342K.

Cash receipts during the quarter were from sales of the DRX Revolution Nano (Nano) to Carestream.

A successful capital raising of \$5M was completed on the 27th March 2017 with convertible notes issued on and in-between 3 April 2018 and 6 April 2018. Prior to 31st March, \$3.2M was received of the total \$5M capital raising. The remaining \$1.8M will be received in the June 2018 quarter, of which \$450K is subject to shareholder approval at the Company's EGM to be held on 30th May 2018.

A forward financing facility of \$3.6M secured against Micro-X's projected FY2018 AusIndustry R&D Tax Incentive refund was put in place in April 2018. The first drawdown of \$1.2M was made in April, with the remaining balance to be drawn on an as required basis.

The Board is of the view that these actions will assist in the management of existing cash reserves while Nano sales revenues are ramping up and until the anticipated completion in Q3 of the Calendar Year of a material strategic investment referenced below.

CARESTREAM DRX-Revolution Nano Mobile X-ray System Commercialisation

Micro-X achieved its most important milestone to date during the quarter when the Nano went on sale for the first time:

www.carestream.com/en/us/newsandevents/news-releases/2018/carestream-new-carbon-nano-tube-portable-x-ray-system-available-for-order

Micro-X also received a purchase order during the quarter in excess of A\$1.8M from Carestream for Nano units and service parts to support sales and marketing activities and to provide initial stock for first customer sales. The company will be manufacturing and delivering these units during April and May.

The final product verification steps will complete this week and the Declaration of Conformity submission for CE Marking is in preparation.

Mobile Backscatter Imager

Micro-X's engineering team has developed a number of design architecture concepts for the Mobile Backscatter Imager and has discussed these at length with Explosive Ordnance Disposal (EOD) experts in the Australian Defence Force's Counter-IED Task Force as well as Police forces responsible for urban counter-terrorism. Additionally, to ensure international 'voice-of-customer' input to finalising the product concept and performance specification, Micro-X has held a number of meetings with staff at the US Department of Defense, Department of Homeland Security and other US Government agencies involved in counter-terrorism EOD activities in Washington DC. The refinement of the product architecture to maximise the adaptability of the product's operation to a wide range of operational EOD scenarios is a critical part of optimising the appeal of the product and thus enlarging the addressable market.

UK MoD Contract

The Company has signed a contract with the Defence Science and Technology Laboratory of the UK Ministry of Defence to undertake the first phase of Research and Development of a lightweight x-ray imaging system for detecting explosives hidden in consumer electronic devices. This contract, won competitively, has been awarded by the UK Government's Defence and Security Accelerator which, working with the Department for Transport, is looking for innovative technologies and solutions to improve aviation security. This first phase contract is for GBP71,900 and will run for six months. Micro-X has provided indicative costs for a follow-on second phase which will ready the technology for a future airport trial system.

In preparing a bid for this project, Micro-X developed a system concept using a novel combination of x-ray backscatter and conventional projection x-ray imaging techniques to provide a unique high resolution image of consumer electronic devices which might be carried on board passenger aircraft. Using technology developed in both our medical imaging and backscatter imaging work the Company ran some imaging tests which showed that very small amounts of explosive material could easily be detected using this backscatter imaging technique.

This project also opens up a new and important collaboration with Professor Toby Breckon of the Department of Computer Science of Durham University in the UK, whose research group is a world-leader in computer vision, image processing and machine learning in pattern recognition applied to automated x-ray security screening. The Durham University group will be working on the application of existing Automated Target Recognition (ATR) algorithms to Micro-X's unique combined backscatter/projection x-ray images.

Corporate Development and Strategic Partnering

The Company has continued a high level of engagement with leading companies in the healthcare and global security industries to identify and plan potential new long-term strategic partnership opportunities which include a significant strategic investment. The discussions are focused on collaboration in technology and new product development which will have the effect of accelerating Micro-X's road map of novel x-ray products in both medical diagnostic imaging and security.

Micro-X continues to build up its in-house engineering design capability and production workforce. Headcount now stands at 27.

For further information please contact:

Mr Peter Rowland
Managing Director, Micro-X Limited
Telephone: +61 418 844 981
prowland@micro-x.com
www.micro-x.com

About Micro-X: Micro-X Limited (“**MX1**”) is an Australian Securities Exchange listed company developing and commercialising a range of highly innovative products based on proprietary carbon nanotube emitter technologies exclusively licensed and sourced from XinRay Systems Inc., a US based technology developer. These technologies enable the miniaturisation of a number of X-ray applications relevant to large global markets.

The Company has three initial products in its development pipeline – a mobile medical x-ray imager for hospitals, a version for deployed military use and a mobile security back-scatter imager. It is establishing manufacturing for these products in an ISO13485 certified facility in Tonsley, South Australia.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Micro-X Ltd

ABN

21 153 273 735

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	302	904
1.2 Payments for		
(a) research and development	(1,686)	(7,565)
(b) product manufacturing and operating costs	(264)	(1,242)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(612)	(1,717)
(f) administration and corporate costs	(352)	(1,648)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	19
1.5 Interest and other costs of finance paid	(27)	(128)
1.6 Income taxes paid	(355)	(493)
1.7 Government grants and tax incentives (Research & Development Tax Incentive Refund)	-	7,032
1.8 Other (GST Refunds)	161	606
1.9 Net cash from / (used in) operating activities	(2,831)	(4,232)
3		
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(39)	(98)
(b) businesses (see item 10)	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) investments	-	-
(d) intellectual property	(13)	(29)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(52)	(127)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	3,225	3,225
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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 (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	3,225	3,225

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,097	5,573
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,831)	(4,232)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(52)	(127)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,225	3,225

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,439	4,439

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	4,390	4,048
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposit)	49	49
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,439	4,097

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(197)

-

Payments to Directors in relation to directors' fees and salaries for the quarter.

7. Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

For personal use only

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	3,000	3,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	1,546
9.2 Product manufacturing and operating costs	702
9.3 Advertising and marketing	-
9.4 Leased assets	54
9.5 Staff costs	1,048
9.6 Administration and corporate costs	367
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	3,717

--

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

For personal use only

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.

Sign here: .....
(Director/Company secretary)

Date: 30th April 2018

Print name: Georgina Carpendale

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.