

Tuesday 31st July 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 30th June 2018.

The company held cash at the end of quarter of \$4.1M representing a net cash outflow for the quarter of \$377K.

Cash receipts during the quarter were from sales of the DRX Revolution Nano to Carestream and also project revenue under the company's now completed Australian Department of Defence contract.

CARESTREAM DRX-Revolution Nano Mobile X-ray System Commercialisation

Micro-X has been delivering units and service spares under the order received from Carestream last quarter. Early units which were airfreighted to Carestream in Rochester NY experienced some damage during transit and this caused some delay in the program while the cause was identified and rectified. Carestream sales and marketing activity continued to build and expectations are for a strong sales performance once the summer holiday season in the northern hemisphere is over.

The Carestream DRX Revolution Nano was recognised as 'Best in Class' in the Good Design Awards and the product is featured in a number of current trade magazines for its novel technology and functionality.

Rover – Mobile X-ray for Deployed Military Medical Facilities

Micro-X's engineering team completed the final phase of its Capability Technology Demonstrator contract with the Australian Department of Defence by demonstrating the imaging performance of a new x-ray tube specially developed under this contract for the Rover product. This tube was designed to extend the range of medical exams into the much higher energy levels associated with trauma imaging of combat soldiers. Independent radiologist assessment of the images confirmed a high level of diagnostic quality and Micro-X will be able to specify the new Rover product performance at 100kV and 100mAs, offering an unprecedented performance in a 90kg mobile unit.

Mobile Backscatter Imager (MBI)

Micro-X's engineering team has continued to work on the design of the imaging sensor for the MBI product and has developed a highly innovative beam scanning mechanism which will greatly reduce the weight, complexity and cost of the new imaging package. The contacts established with potential end-users in Washington DC and Canberra during the initial 'voice of customer' discussions are being maintained to maximise the expert user input to the design solution.

Future Aviation Security Solutions in UK

Engineering work also continues on delivery of the first phase of our contract with the Defence Science and Technology Laboratory (DSTL) 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. A date has been set in late September for a customer-witnessed system imaging demonstration.

New Opportunities

Micro-X's engineering team has also been conducting early feasibility investigation into a number of new product opportunities in response to identified opportunities and solicitations. These were presented in outline at the annual Bioshares Biotechnology Summit in NZ recently and include a 3-D brain-imaging tomography system for early stroke diagnosis in ambulances, a 3-D breast tomography system for cancer screening without painful breast compression and a bedside CT imaging cart for use in ICU environments where patients cannot be safely transported to a conventional CT facility. The objective of the assessments is to enable the best product investment/return to be prioritised for resource allocation.

Corporate Development and Strategic Partnering

The Company has made significant progress with a number of leading companies in the global security and healthcare industries to define and enact a long-term, strategic 'Grand Alliance' that includes a major investment. Collaboration structures now in the final stages of preparation centre on technology and new product development which will have the effect of accelerating Micro-X's road map of novel x-ray products in both security and medical diagnostic imaging as well as providing new and effective paths to market for the product portfolio. An announcement is expected early in Q4CY18.

Micro-X has successfully upgraded its ISO13485 medical device quality accreditation to the 2016 version of this standard.

For further information please contact:

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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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	407	1,311
1.2 Payments for		
(a) research and development	(1,652)	(9,217)
(b) product manufacturing and operating costs	(522)	(1,763)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(807)	(2,523)
(f) administration and corporate costs	(848)	(2,496)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	23
1.5 Interest and other costs of finance paid	(138)	(266)
1.6 Income taxes paid	-	(493)
1.7 Government grants and tax incentives	-	7,032
1.8 Other (GST Refunds)	(2)	603
1.9 Net cash from / (used in) operating activities	(3,557)	(7,789)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(98)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(26)	(55)
(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	(26)	(153)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	1,750	4,975
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	1,600	1,600
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Capital Raising Costs)	(144)	(144)
3.10 Net cash from / (used in) financing activities	3,206	6,431

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	4,439	5,573
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,557)	(7,789)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(26)	(153)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,206	6,431

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,062	4,062

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	4,013	4,390
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)	4,062	4,439

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

(137)

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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

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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	6,200	4,600
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	2,625
9.2 Product manufacturing and operating costs	459
9.3 Advertising and marketing	19
9.4 Leased assets	55
9.5 Staff costs	1,311
9.6 Administration and corporate costs	412
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	4,881

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		

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:  Date: 31 July 2018
(Company secretary)

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.