

**Micro-X Limited**  
**(formerly known as Micro-X Pty Ltd)**

**FINANCIAL STATEMENTS**  
For the Year Ended 30 June 2015

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# Director's Report

The Directors present their report, together with the financial statements, of Micro- X Limited (formerly known as Micro-X Pty Ltd) ('the Company') for the year ended 30 June 2015.

## Director details

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

Peter Robin Rowland

Richard Nicholas Hannebery (appointed 22 August 2014)

Patrick Gerard O'Brien (appointed 8 August 2014)

David Peter Neil Symons (appointed 27 August 2014)

Alexander Gosling (appointed 27 August 2015)

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 principal activities are focused on the design, development and manufacturing of ultra-lightweight carbon nano tube based X-ray products for the global healthcare and counter improvised explosive device imaging security markets.

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

## Review of operations and financial results

The loss of the Company for the financial year after providing for income tax amounted to \$10,163,894 (2014: \$385,533). A review of the operations of the Company during the financial year noted that the Company continued to research and develop ultra-light weight x-ray devices.

## Significant changes in the state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

## Events since the end of the reporting period

Since the end of the financial year, the Company:

- agreed in principal to a \$3m loan from the South Australian government to build a manufacturing facility;
- contracted with the Department of Defence, during September 2015, to perform a \$1.9m capability and technology development program in relation to the Mobile Backscatter Imager (MBI); and
- receipted \$3.1m from the R&D tax incentive for expenditure incurred during the year ending 30 June 2015. The R&D tax incentive is recognised on a cash basis.

The Company is also working towards an initial public offering to occur late November 2015/early December 2015 to raise \$15m - \$20m. As part of this initial public offering, all Series A, B and C Converting Preferred Shares will be converted to ordinary shares. The Company will also subdivide its ordinary shares at a ratio of 1 to 950.

## Director's Report

### **Dividends paid or declared**

There were no dividends paid or declared during the year.

### **Environmental legislation**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### **Indemnities given and insurance premiums paid to auditors and officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

### **Proceedings on behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Signed in accordance with a resolution of the Board of Directors:



Peter Robin Rowland  
Director

Dated this 24 November 2015

# Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Directors of the Company declare that:

1. the financial statements and notes, as set out in the financial report present fairly the Company's financial position as at 30 June 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Robin Rowland  
Director

Dated this 24 November 2015

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Income</b>			
Consulting revenue		72,000	-
Interest received		13,642	-
Government Subsidies		75,074	68,993
		<u>160,716</u>	<u>68,993</u>
<b>Expenditure</b>			
Research & Development Costs		(7,128,357)	(300,230)
Director and employee costs		(464,300)	(12,000)
Administrative expenses		(129,601)	(129,342)
Finance Costs		(2,602,352)	(12,954)
		<u>(10,324,610)</u>	<u>(454,526)</u>
<b>Profit/(loss) before Income Tax</b>		<u>(10,163,894)</u>	<u>(385,533)</u>
Income tax expense	2	-	-
<b>Profit/(loss) for the year</b>		<u>(10,163,894)</u>	<u>(385,533)</u>
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the year</b>		<u>(10,163,894)</u>	<u>(385,533)</u>

# Statement of Financial Position

## as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents		2,592,448	41,074
Other receivables	3		
<b>Total current assets</b>		<u>5,845,726</u>	<u>57,902</u>
<b>Non-current assets</b>			
Plant and equipment		11,685	-
Intangibles – capitalised development costs		1,980,000	-
<b>Total non-current assets</b>		<u>1,991,685</u>	<u>-</u>
<b>Total assets</b>		<u>7,837,411</u>	<u>57,902</u>
<b>Current liabilities</b>			
Trade payables		2,700,225	197,416
Financial liabilities	4	15,413,463	237,954
<b>Total current liabilities</b>		<u>18,113,688</u>	<u>435,370</u>
<b>Total liabilities</b>		<u>18,113,688</u>	<u>435,370</u>
<b>Net (liabilities)/assets</b>		<u>(10,276,277)</u>	<u>(377,468)</u>
<b>Equity</b>			
Share capital	5	1,300	1,300
Share based payment reserve	6	265,084	-
Accumulated profit/(losses)		(10,542,661)	(378,768)
<b>Total equity</b>		<u>(10,276,277)</u>	<u>(377,468)</u>

# Statement of Changes in Equity

## as at 30 June 2015

	Notes	Share Capital \$	Share Based Payment Reserve \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2013</b>		1,300	-	6,765	8,065
<b>Comprehensive Income</b>					
Profit/(Loss) for the year		-	-	(385,533)	(385,533)
<b>Transaction with owners</b>					
Share based payments	5	-	-	-	-
<b>Balance at 30 June 2014</b>		<u>1,300</u>	<u>-</u>	<u>(378,768)</u>	<u>(377,468)</u>
<b>Balance at 1 July 2014</b>		1,300	-	(378,768)	(377,468)
<b>Comprehensive Income</b>					
Profit/(Loss) for the year		-	-	(10,163,894)	(10,163,894)
<b>Transactions with owners</b>					
Share option expense	6	-	265,084	-	265,084
<b>Balance at 30 June 2015</b>		<u>1,300</u>	<u>265,084</u>	<u>(10,542,661)</u>	<u>(10,276,277)</u>



# Statement of Cash Flows

## for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers		(5,997,559)	(314,891)
Receipts from government and partners		147,075	68,993
GST refunds		425,514	3,260
Interest received		13,642	-
Interest paid		(404,983)	-
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>(5,816,311)</b>	<b>(242,638)</b>
<b>Cash flows from investing activities</b>			
Payment for plant & equipment		(14,012)	-
<b>Net cash used in investing activities</b>		<b>(14,012)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		220,000	225,000
Proceeds from the issue of convertible notes		8,161,697	-
<b>Net cash used in financing activities</b>		<b>8,381,697</b>	<b>225,000</b>
<b>Net Increase/(decrease) in cash held</b>		<b>2,551,374</b>	<b>(17,638)</b>
Cash and cash equivalents at beginning of financial year		41,074	58,712
<b>Cash and cash equivalents at end of financial year</b>		<b>2,592,448</b>	<b>41,074</b>

# Notes to the Financial Statements

## for the year ended 30 June 2015

### 1. Statement of significant accounting policies

Micro-X Limited (formerly known as Micro-X Pty Ltd) ('the Company') is a company limited by shares, incorporated and domiciled in Australia.

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the needs of the Directors. The Company is a for-profit entity for the purpose of preparing financial statements.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations.

The financial statements were authorised for issue on 24 November 2015 by the Directors of the Company.

#### Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

#### Going concern

The Directors have considered the current trading and cash position of the Company and believe it is appropriate to prepare the financial statements on a going concern basis.

The financial information has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$10,163,894, during the year ended 30 June 2015 (2014: \$385,533) and cash outflows from operating and investing activities equates to \$5,816,311 (2014: 242,638). Notwithstanding a net asset deficiency of \$10,276,277 (2014: \$377,468), the Directors are of the opinion that the Company will continue to operate as a going concern because

- of the receipt of \$3.1m from the R&D tax incentive post year end;
- of the planned initial public offering between \$15m to \$20m; and
- the converting preferred shares will convert from debt to equity on initial public offer.

The Company continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities. In light of the matters referred to above, 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 financial report as at 30 June 2015. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Micro-X not continue as a going concern.

#### Adoption of new and revised accounting standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

The adoption of these amendments has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior year.

# Notes to the Financial Statements for the year ended 30 June 2015

## 1. Statement of significant accounting policies (continued)

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Consulting income/service income*

Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date.

#### *Government subsidies*

Subsidies from the government including R & D tax incentive income, are recognised as revenue at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the R & D incentive is readily measurable. As such the Company recognises the R & D incentive on a cash basis.

Government grants relating to costs are deferred and recognised in the Profit and Loss over the period necessary to match them on a systematic basis with the costs that they are intended to compensate.

Government grant monies received and held by the Company before they can be recognised as revenue are recorded as liabilities in the Company's financial statements.

### Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

### Income taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

# Notes to the Financial Statements for the year ended 30 June 2015

## 1. Statement of significant accounting policies (continued)

### Share-based employee remuneration

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where personnel are rewarded using share-based payments, the fair values of personnel's services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of instruments expected to vest.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand short-term deposits with an original maturity of three months or less. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents defined above, net of outstanding bank overdrafts.

### Trade and other receivables

Subscription receivable relates to funds not yet received but committed for under Series C Converting Preferred Shares.

Other receivables relate to GST refunds expected from the Australian Tax Office and outstanding committed converting preferred share funding.

Management have assessed and determined that these balances are recoverable.

### Intangible assets

Costs incurred in research and development activities are expensed as incurred, with the exception of costs that Micro-X can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Given that work is not yet complete on the device and it is not yet available for use, capitalised development costs have not yet commenced amortisation.

The carrying value of an intangible asset arising from development expenditure is therefore tested for impairment by reference to the recoverable amount as determined under a fair value less cost to sell method.

### Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of the goods and services.

# Notes to the Financial Statements for the year ended 30 June 2015

## 1. Statement of significant accounting policies (continued)

### Financial liabilities

Series A, B and C Converting preferred shares were assessed to be a liability in nature due to a required minimum rate of return. These liabilities and other borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and interest is recognised to the profit or loss.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### Equity

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

### Foreign exchange

Functional and presentation currency

The financial statements are presented in Australian dollars (AUD), which is also the functional currency.

### Foreign currency transactions and balances

Foreign exchange gains and losses resulting from the settlement of such transaction and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

### Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

### Significant management judgment in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

#### *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised.

#### *Valuation of shares in the relation to the share based payment*

Management assessed that at the time the shares were issued the value of the consideration, being the value of the shares of the Company was negligible as the intellectual property underpinning the value of the Company was in very early stages of development.

## Notes to the Financial Statements for the year ended 30 June 2015

### 1. Statement of significant accounting policies (continued)

#### *Valuation of options in relation to the share based payment*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is generally determined by using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted.

#### *Financial instruments*

There were several protective clauses e.g. anti ratchet, anti dilution and price protection features of Series A, B and C Converting Preferred Shares that would give rise to a derivative. Management have assessed the likelihood of these clauses being triggered is negligible, given that conversion on the initial public offering (IPO) will soon occur and no subsequent preference shares or securities have been issued at a lower price. This is not expected to happen before the IPO which would trigger the price protection clause. As such, management have assessed that the derivatives have an immaterial value.

#### *Impairment assessments*

In assessing the intangibles not yet ready for use for impairment using fair value less costs to sell, consideration is given to the following indicators:

- the market capitalisation of Micro-X by reference to the upcoming IPO in excess of the net book value of assets; and
- the results of testing and progress of development.

Costs of disposal were considered to be immaterial.

	2015	2014
	\$	\$
<b>2. Income Tax expense</b>		
The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective rate of the Company at 30% (2014: 30%) and the reported tax expense in profit or loss are as follows:		
<b>Reconciliation of income tax expense to prima facie tax expense</b>		
Profit/(loss) before tax	(9,898,810)	(385,533)
Tax at the applicable Australian domestic tax rate of 30%	(2,969,643)	(115,660)
Non assessable (income)/deductions	2,668,756	115,660
Tax losses not brought to account	300,887	-
Tax expense (income)	-	-
<b>Tax losses and temporary differences</b>		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	1,002,956	-

## Notes to the Financial Statements for the year ended 30 June 2015

	2015	2014
	\$	\$
<b>3. Other receivables</b>		
Series C Converting Preferred Shares proceeds outstanding	2,916,443	-
GST receivable	336,835	16,828
	<u>3,253,278</u>	<u>16,828</u>
<b>4. Financial Liabilities</b>		
Loans	-	237,954
Series A Converting Preferred Shares (9,900 notes)	2,481,238	-
Series B Converting Preferred Shares (33,500 notes)	8,234,085	-
Series C Converting Preferred Shares (13,153 notes)	4,698,140	-
	<u>15,413,463</u>	<u>237,954</u>

During the financial year, the Company

- placed 9,900 Series A Converting Preferred Shares at an issue price of \$200 per note ('Notes') with Carestream Health Inc as part of the Commercialisation Agreement executed on 11 November 2014 for development support to date, including technical and market related input throughout the development process for the DRX Revolution Nano. Further, as part of the collaboration, Carestream will provide access and integration of its market-leading imaging software systems. These accrue interest at a rate of 40% per annum in the event of redemption/conversion.
- placed 30,000 Series B Converting Preferred Shares at an issue price of \$200 per note ('Notes') with sophisticated investors. A further 3,500 Series B Converting Preferred Shares were issued at an issue price of \$150 per note ('Notes') in lieu of the redemption of \$445,000 of loans. These accrue interest at a rate of 40% per annum in the event of redemption/conversion.
- placed 13,153 Series C Converting Preferred Shares at an issue price of \$380 per note ('Notes') with sophisticated investors. These accrue interest at a rate of 30% per annum in the event of redemption/conversion.

All three Series can be easily converted to shares at the election of the note holder. Each note will convert to one ordinary share on the close of an initial public offering, a sale of all shares in the Company, an asset sale or a Company sale.

The Notes also have several protective features being to prevent dilution and provide price protection. These features meet the definition of a derivative, however as noted in Note 1 under Significant management judgment in applying accounting policies, these derivatives have negligible value.

## Notes to the Financial Statements for the year ended 30 June 2015

### 5. Share capital

	2015 no of shares	2015 \$	2014 no of shares	2014 \$
Shares issued and fully paid:				
Beginning of the year	23,000	1,300	10,000	1,300
Share based payment (a)	-	-	13,000	-
End of year	<u>23,000</u>	<u>1,300</u>	<u>23,000</u>	<u>1,300</u>

The share capital of Micro-X consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayments of capital and represent one vote at the shareholders' meeting of Micro-X.

#### (a) Payment of consulting costs

Shares were issued to consultants for their efforts in relation to managing the day to day affairs and in raising funding for the Company. The value of expenses recognised is Nil as the fair value of the consideration, being the fair value of the shares of the Company was negligible given the early stage of development of the intellectual property.

#### Details are as follows

Date of issue:	27 March 2014
Number of shares issued:	13,000 fully paid ordinary shares
Issue price:	Nil
Total value of shares issued:	Nil
Determination of fair value:	Fair value of the Company at the date of issue

### 6. Share based payment reserve

	2015 \$	2014 \$
Balance at the beginning of the year	-	-
Share option expense (a)	<u>265,084</u>	-
Balance at the end of the year	<u>265,084</u>	-

(a) Under the employee share option plan, to be issued as part of the initial public offering (IPO), the Company awarded its executives share options equal to 3.5% of the issued shares as at the upcoming IPO. The share options have a nil issue price, vest in three annual tranches with an exercise price of 1.15% of the IPO price for Tranche 1 and 1.25% of the IPO price for Tranche 2 and 3. Given that the executives have begun to deliver services, the value of these share options have been estimated using a Black-Scholes model and expensed over the vesting period.



## Notes to the Financial Statements for the year ended 30 June 2015

### 7. Reconciliation of cash flows from operating activities

	2015 \$	2014 \$
<b>Cash flows from operating activities</b>		
Profit/(loss) for the period	(10,163,894)	(385,533)
Non-cash flows in profit from ordinary activities		
Finance costs	2,211,382	12,954
Share option expense	265,084	-
Net changes in working capital:		
Change in other receivables	(331,692)	(12,913)
Change in trade and other payables	2,202,809	142,854
Net cash from operating activities	<u>(5,816,311)</u>	<u>(242,638)</u>

### 8. Auditor Remuneration

	2015 \$	2014 \$
<b>Audit and review of financial statements</b>		
Audit of the financial statement	<u>15,000</u>	<u>10,000</u>

### 9. Contingent Assets & Liabilities

There are no contingent assets or liabilities at 30 June 2015.

### 10. Commitments

There are no commitments at 30 June 2015.

### 11. Events after the reporting date

Since the end of the financial year, the Company:

- agreed in principal to a \$3m loan from the South Australian government to build a manufacturing facility;
- contracted with the Department of Defence, during September 2015, to perform a \$1.9m capability and technology development program in relation to the Mobile Backscatter Imager (MBI); and
- received \$3.1m from the R&D tax incentive for expenditure incurred during the year ending 30 June 2015. The R&D tax incentive is recognised on a cash basis.

The Company is also working towards an initial public offering to occur late November 2015/early December 2015 to raise \$15m - \$20m. As part of this initial public offering all Series A, B and C Converting Preferred Shares will be converted to ordinary shares. The Company will also subdivide its ordinary shares at a ratio of 1 to 950.

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## Independent Auditor's Report To the Directors of Micro-X Limited

We have audited the accompanying financial report, being a special purpose financial report, of Micro-X Limited (formerly known as Micro-X Pty Ltd) (the "Company"), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors.

### Responsibility of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial report, which form part of the financial report, are appropriate to meet the needs of the Directors. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

#### Auditor's Opinion

In our opinion, the financial report of Micro-X Limited, presents fairly, in all material respects, the Company's financial position as at 30 June 2015 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1.

#### Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$10,163,894 during the year ended 30 June 2015 and, as of that date, the company's current liabilities exceeded its current assets by \$10,276,277. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

#### Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of meeting the needs of the Directors. As a result, the financial report may not be suitable for another purpose.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M.A. Cunningham  
Partner - Audit & Assurance

Melbourne, 24 November 2015