

**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 2016
Previous period:	For the half-year ended 31 December 2015

**2. Results for announcement to the market**

			\$'000
Revenues from ordinary activities	up	26.2% to	356
Loss from ordinary activities after tax attributable to the owners of Micro-X Limited	up	31.74% to	(7,350)
Loss for the half-year attributable to the owners of Micro-X Limited	up	31.74% to	(7,350)

*Dividends*

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

*Comments*

The loss for the Company after providing for income tax amounted to \$7.4M (31 December 2015: \$5.6M).

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	7.26	13.58

**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.

*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 2016. There is no change to the Company's holding as at the date of this report.

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## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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## 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.

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## 11. Attachments

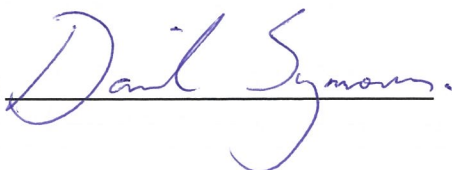
*Details of attachments (if any):*

The Half-Year Financial Report of Micro-X Limited for the half-year ended 31 December 2016 is attached.

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## 12. Signed by David Symons (Non-Executive Director)

Signed



Date: 28 February 2017

**Micro-X Limited**

**ABN 21 153 273 735**

**Half-Year Financial - 31 December 2016**

**Micro-X Limited**  
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**31 December 2016**

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**Micro-X Limited**  
**Corporate directory**  
**31 December 2016**

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) (Appointed 5 <sup>th</sup> December 2016)
Company secretary	Georgina Carpendale (Appointed 5 <sup>th</sup> December 2016)
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 Abbotsfor, VIC 3067
Auditor	Grant Thornton Audit Pty Ltd The Rialto, Level 30, 525 Collins Street Melbourne, VIC 3000 Phone: (03) 8320 2222
Stock exchange listing	Micro-X Limited shares are listed on the Australian Securities Exchange (ASX code: MX1)
Website	<a href="http://www.micro-x.com">www.micro-x.com</a>

**Micro-X Limited  
Directors' report  
31 December 2016**

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2016.

**Directors**

The Directors present their report, together with the financial statements, of Micro-X Limited ('the Company') for the year ended 30 June 2016.

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) - appointed 5<sup>th</sup> December 2016

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**

The loss for the entity after providing for income tax amounted to \$7.4M (31 December 2015: \$5.6M).

The loss for the half-year period consisted of \$10M expenditure on research and development to finalise the development of the DRX Revolution Nano.

South Australian Government Financing Authority:

The Company entered into a \$3M loan facility agreement with the South Australian Treasurer. \$2.8M has been drawn down to date with an agreed interest rate of 5.75% per annum paid monthly in arrears.

Carestream:

In August 2016 the Company signed agreements with Carestream Health Inc. for exclusive development and OEM supply for the DRX Revolution Nano.

Carestream officially launched the DRX Revolution Nano at the 102<sup>nd</sup> Scientific Meeting of Radiological Society of North America (RSNA) in Chicago on 27<sup>th</sup> November 2016.

During December Carestream performed an extensive radiographer blind comparison study of cadaver images taken with Carestream's market-leading Revolution mobile x-Ray unit and Nano at The University of Rochester Medical Center. The results confirmed diagnostic quality of the Nano x-ray images and the imaging comparisons were very favourable.

Tonsley Facility:

The Company moved into new premises at Tonsley, South Australia. The registered address for of the Company changed in conjunction to the move to permanent facilities.

Research and Development Tax Rebate:

The research and development tax incentive refund for \$8.2M was received in November 2016 for the 2015/2016 financial year.

**Micro-X Limited**  
**Directors' report**  
**31 December 2016**

Australian Department of Defence:

In November 2016 the Company conducted usability trials for a variant product of the Nano for military use ('Rover'). The trials were held with the 2<sup>nd</sup> General Health Battalion at the ADF Role 2 (Enhanced) Deployed Medical Facility in Enoggera Barracks, Queensland.

Reliability and Growth Testing:

The Company has set a high target for reliability to ensure that any systemic flaws in design or construction which might give rise to post-installation service calls are identified and corrected prior to First Customer Shipments. Carts are currently in system reliability testing at the Tonsley facility, each continually repeating a circuit of typical cart activities simulating operational use.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the entity 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 David Symons  
Non-Executive Director

28 February 2017

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### Auditor's Independence Declaration To The Directors of Micro-X Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Micro-X Ltd for the half-year ended 31 December 2016, 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 2017

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**Micro-X Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**

	<b>Note</b>	<b>31 December 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
<b>Revenue</b>	4	356	282
Share of losses of associates accounted for using the equity method	5	(85)	-
Research and development tax incentive refunds		4,117	6,057
Interest received		5	21
<b>Expenses</b>			
Research and development		(10,009)	(8,059)
Finance costs		(35)	(2,859)
Other expenses		(493)	(475)
Employment expenses		(849)	(253)
Depreciation and amortisation expense		(35)	(3)
Listing fees		-	(111)
Share based payment expense		(322)	(179)
<b>Loss before income tax expense</b>		(7,350)	(5,579)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Micro-X Limited</b>		(7,350)	(5,579)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Micro-X Limited</b>		<u>(7,350)</u>	<u>(5,579)</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 2016**

	Note	31 December 2016 \$'000	30 June 2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,600	4,169
Trade and other receivables	6	4,884	8,814
Other assets - prepayments		27	26
Total current assets		<u>10,511</u>	<u>13,009</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	7	8,985	9,070
Plant and equipment		375	165
Intangibles assets	8	2,049	2,017
Total non-current assets		<u>11,409</u>	<u>11,252</u>
<b>Total assets</b>		<u>21,920</u>	<u>24,261</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		7,735	6,012
Provisions		70	21
Borrowings	9	2,800	-
Total current liabilities		<u>10,605</u>	<u>6,033</u>
<b>Non-Current liabilities</b>			
Trade and other payables		2	-
Provisions		113	-
Total non-current liabilities		<u>115</u>	<u>-</u>
<b>Total liabilities</b>		<u>10,720</u>	<u>6,033</u>
<b>Net assets</b>		<u>11,200</u>	<u>18,228</u>
<b>Equity</b>			
Issued capital	10	38,720	38,720
Share based payment reserve	11	1,113	791
Accumulated losses		<u>(28,633)</u>	<u>(21,283)</u>
<b>Total equity</b>		<u>11,200</u>	<u>18,228</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 2016**

	<b>Issued capital \$'000</b>	<b>Share based payment reserve \$'000</b>	<b>Retained losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2015	1	265	(10,542)	(10,276)
Loss after income tax expense for the half-year	-	-	(5,579)	(5,579)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,579)	(5,579)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares through IPO	20,000	-	-	20,000
Conversion of converting preferred shares – Series A, B and C	18,273	-	-	18,273
Purchase of XinRay Systems Inc. investment	1,917	-	-	1,917
Capital raising costs	(1,471)	-	-	(1,471)
Shared based payments (note 10)	-	179	-	179
Balance at 31 December 2015	<u>38,720</u>	<u>444</u>	<u>(16,122)</u>	<u>23,042</u>

	<b>Issued capital \$'000</b>	<b>Share based payment Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	38,720	791	(21,283)	18,228
Loss after income tax expense for the half-year	-	-	(7,350)	(7,350)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(7,350)	(7,350)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 9)	-	-	-	-
Capital raising costs	-	-	-	-
Shared based payments (note 10)	-	322	-	322
Balance at 31 December 2016	<u>38,720</u>	<u>1,113</u>	<u>(28,633)</u>	<u>11,200</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 2016**

	<b>31 December 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from DSTO (inclusive of GST)	220	-
Payments to suppliers and employees (inclusive of GST)	(10,210)	(7,749)
Interest received	5	21
GST refunds received	761	400
Research and development incentive tax refunds	8,219	3,104
Interest paid	(53)	-
Rent expense	(35)	-
	<hr/>	<hr/>
Net cash used in operating activities	(1,093)	(4,224)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for investments in associates	-	(1,392)
Payments for fixed assets	(244)	(35)
Payments for intangibles	(32)	(26)
	<hr/>	<hr/>
Net cash used in investing activities	(276)	(1,453)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	20,000
Capital raising costs	-	(1,471)
Proceeds from the issue of converting preferred shares	-	2,916
Proceeds from borrowings	2,800	-
	<hr/>	<hr/>
Net cash from investing activities	2,800	21,445
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,431	15,768
Cash and cash equivalents at the beginning of the financial half-year	4,169	2,592
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>5,600</u>	<u>18,360</u>

*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 2016**

**Note 1. General information**

The financial statements cover Micro-X Limited as an individual entity. 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 Company'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 2017.

**Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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, unless otherwise stated.

**Going concern**

The Company incurred a net loss after tax for the half year ended 31 December 2016 of \$7.4M (half year ended December 2015: \$5.6M) and had net cash outflows from operating activities of \$1.1M (half year ended December 2015: \$4.2M).

Notwithstanding these results, the directors believe that the company 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 company is a going concern for the following reasons:

- the operating loss and operating cash flow outcomes for the half year ended 31 December 2016 reflect the results of the Company's major activity during that period, which was not directly revenue-generating nor cash-flow positive. The continuation and finalisation of research and development activities on the DRX Revolution Nano, which the Company is undertaking with the objective that the outcomes of these activities be profitable and generate positive operating cash flows;
- the Company planning to consolidate its operating activities at a profitable and cash flow-positive level going forward;
- as the Company is an ASX-listed entity, it has the ability to raise additional funds if required;
- the Company has requested an extension to the repayment of the the SAFA loan to coincide with the Company earning its first Revenues;
- the Board is of the opinion that the Company has sufficient funds to meet the planned corporate activities, research and development activities and working capital requirements; 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 report as at 31 December 2016.

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 Company not continue as a going concern.

**Micro-X Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 3. Operating segments**

The entity is organised into one operating segment being 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. 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**

	<b>31 December 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
Sale of goods	156	82
Contract revenue	200	200
	<u>356</u>	<u>282</u>

**Note 5. Share of loss of associates accounted for using the equity method**

	<b>31 December 2016 \$'000</b>	<b>31 December 2015 \$'000</b>
Share of losses - associates	(85)	-

**Note 6. Current assets - Trade & Other Receivables**

	<b>31 December 2016 \$'000</b>	<b>30 June 2016 \$'000</b>
Trade receivables	377	10
Research and Development tax incentive refund	4,100	8,201
Deferred lease incentive	18	-
	<u>4,495</u>	<u>8,211</u>
GST Receivable	389	603
	<u>4,884</u>	<u>8,814</u>

**Note 7. Non-current assets - Investments in Associates**

	<b>31 December 2016 \$'000</b>	<b>30 June 2016 \$'000</b>
XinRay Inc. Investment	8,985	9,070

At 31 December 2016, the Company had a 30% (30 June 2016: 30%) equity holding in XinRay Systems Inc. ('XinRay'), a Company incorporated in Delaware, United States.

**Note 8. Non-current assets - Intangibles**

	31 December 2016 \$'000	30 June 2016 \$'000
Capitalised development costs	1,980	1,980
Patents and trademarks – at cost	69	37
	<u>2,049</u>	<u>2,017</u>

**Note 9. Current liabilities - Borrowings**

	31 December 2016 \$'000	30 June 2016 \$'000
Short term loan – South Australian Government Financing Authority	2,800	-
	<u>2,800</u>	<u>-</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. The drawdown of the loan is based on milestone achievements.

**Note 10. Equity - Issued Capital**

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$'000	30 June 2016 \$'000
Ordinary shares - fully paid	119,409,725	119,409,725	38,720	38,720

**Note 11. Equity - Share based payment reserve**

	31 December 2016 \$'000	30 June 2016 \$'000
Share-based payments reserve	1,113	791

**Note 12. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2016 and 30 June 2016.

**Note 13. Events after the reporting period**

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

**Micro-X Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 14. Share-based payments**

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

31 December 2016

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	-	-	-	4,100,002
05/12/2016	01/12/2020	TBA*	-	320,000	-	-	320,000
			<u>10,329,340</u>	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>10,649,340</u>

\*These options were agreed to be issued on 5<sup>th</sup> December 2016 as part of the non-executive director agreement with Yasmin King. Exercise price will be the higher of \$0.625 or in the event of a capital raising before the ratification of this grant of options by the shareholders, a 25% premium to the share price at which the first such capital raising immediately following the appointment takes place. The grant of the unlisted options is subject to shareholder approval at the Company's 2017 Annual General Meeting.



**Micro-X Limited**  
**Directors' declaration**  
**31 December 2016**

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 company's financial position as at 31 December 2016 and of its performance for the financial half-year 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



Mr David Symons  
Non-Executive Director

28 February 2017

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## Independent Auditor's Review Report to the Members of Micro-X Limited

We have reviewed the accompanying half-year financial report of Micro-X Limited (the Company), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration.

### Directors' Responsibility for the Half-year Financial Report

The Directors of Micro-X Limited 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 controls 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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the 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 Micro-X Limited financial position as at 31 December 2016 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.

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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 complied with the independence requirements of the *Corporations Act 2001*.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Micro-X Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Material uncertainty related to going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the financial report which indicates that the Company incurred a net loss of \$7,350,000 during the period ended 31 December 2016, and, as of that date, the Company's cash outflows from operating activities equates to \$1,093,000. These conditions, along with other matters as set forth in Note 2, 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M. A. Cunningham  
Partner - Audit & Assurance

Melbourne, 28 February 2017