



PRIMED FOR
GROWTH

ANNUAL REPORT 2022

MICRO-X

Over the past year, Micro-X has established the key building blocks to position itself for the next critical part of its journey.

We continue to be focused on building four distinct businesses with multiple commercial products, providing us with the confidence to realise our potential – strong, sustainable growth and profitability.

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WHO IS MICRO-X?

Micro-X Limited (ASX:MX1) is a hi-tech company developing and commercialising a range of innovative products for global health and security markets, based on proprietary cold cathode, carbon nanotube (CNT) emitter technology.

PROVEN TECHNOLOGY PLATFORM

Our world-leading technology revolutionises the potential uses and applications of x-ray technology with its far smaller size, reliability and quality digital images and is the common platform for all our products.

With a vertically integrated design and production facility in Adelaide, Australia and a growing technical and commercial team based in Seattle, we are rapidly expanding our commercial operations.



01
Our game-changing x-ray technology platform provides key advantages and has multiple applications

02
We are focused on four distinct product lines, with **total global addressable markets in excess of \$US30b**

03
Our technology is internationally recognised as world-leading, generating new opportunities for further commercialisation



04
Our commercialisation of products will be **simultaneously in healthcare and security imaging markets**



05
Our technology has now been proven with over **3 years in operation across 35 countries**

ONE COMPANY, FOUR BUSINESSES



MOBILE DR

- Delivered sales of \$3.8m and a growing global distribution network.
- Growing brand recognition and clinical support following global radiology industry meetings – RSNA, ECR and numerous regional conferences.
- Established high-quality sales network – including top two independent distributors in the US – MXR and Medlink – with a number of distributors for EMEA and APAC.
- Growing sales of core technology to enable further commercialisation.



IED X-RAY CAMERA

- Argus IED x-ray camera development nearing completion.
- Strong customer interest at multiple security trade shows – US State and Federal police and military.
- Building product awareness and customer interest ahead of global launch.
- Tender submitted for Australian Defence procurement Land 154.

over
US\$30B
addressable
markets



CHECKPOINTS

- CT baggage scanner and airport security checkpoint funded under two contracts by the US Department of Homeland Security for US\$4m.
- Key design milestones achieved for both miniaturised CT baggage scanner and passenger self-screening checkpoint.
- Prototype scanner due for delivery in early 2023 with preliminary commercial activities progressed across a range of airport and security markets.



BRAIN CT

- Brain CT scanner programme funded with \$8m from the Australian Stroke Alliance.
- Technical progress on time and on budget – met first milestones in 2022.
- Early work with Johns Hopkins University indicates imaging performance will exceed initial diagnostic objectives.
- Strong international interest in airborne applications with helicopter emergency medical services.

MOBILE DIGITAL RADIOLOGY

Micro-X's suite of Mobile DR imaging products addresses the medical, veterinary and OEM customer segments. The Rover is Micro-X's first fully integrated digital x-ray system for bedside imaging in hospitals, private practices, home care and temporary medical facilities. In 2021, the Rover was listed on the Australian Register of Therapeutic Goods and gained FDA clearance, with approval being sought for the device's sale in Europe.

Micro-X has a multi-channel commercial strategy with OEM suppliers continuing to sell first-generation Nano units for use in hospitals around the world, while a network of independent distributors sell the proprietary Micro-X Rover system. This includes agreements with the two largest independent radiology distributors in the US – Medlink and MXR. Micro-X's team is looking for new ways to commercialise its imaging technology, such as selling imaging chain components to DMS Imaging for incorporation in new imaging products.

With the Rover's key advantages in field deployable health solutions, mobile x-ray systems were delivered to Ukrainian hospitals, allowing point of care imaging of wounded civilians. In the US, Micro-X entered the elite sports market with the delivery of a Rover to Major League Baseball team the Seattle Mariners.

Future product evolution for the Micro-X Rover centres on the new x-ray tube and in-house developed generator, which extends the Rover's imaging capability into more demanding x-ray exams required in emergency departments and operating theatres. To be launched as Rover Plus, this product is now in the final stages of manufacturing validation and preparations are underway building stock to transition production into the new model.

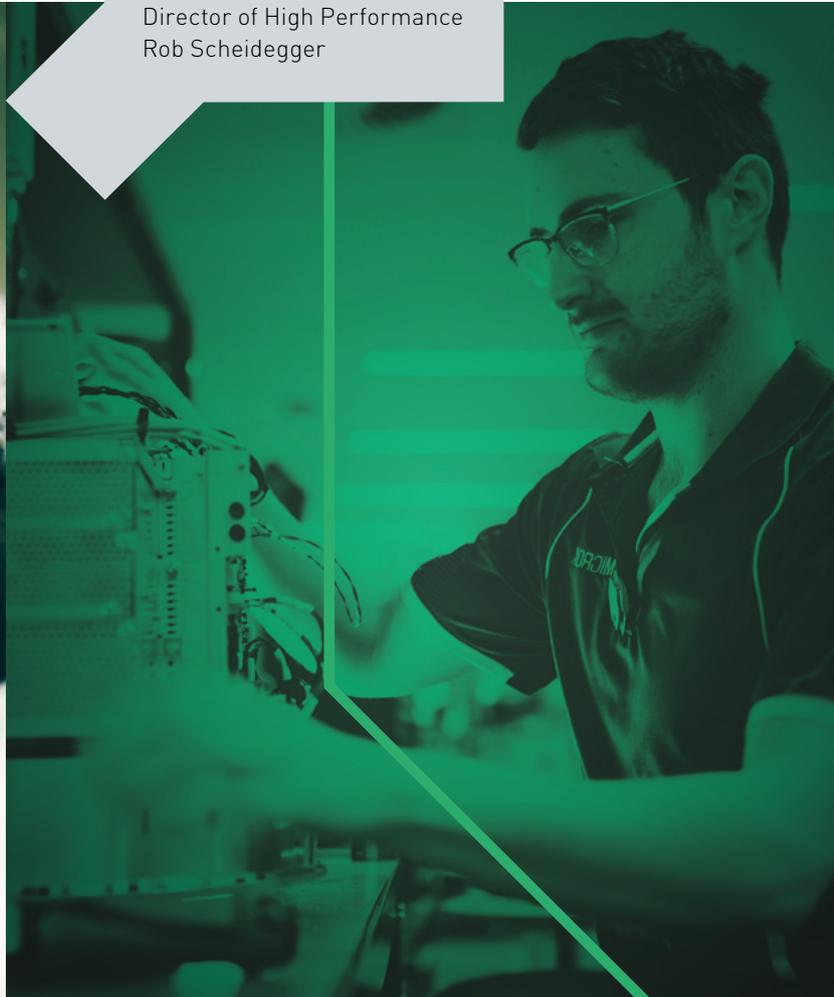


“Rovers will allow Ukrainian doctors to run point of care diagnostic procedures in a timely manner, saving critical minutes needed to treat wounded patients.”

Nova Ukraine's Dr Olena Stadnyuk

“The Rover is ideally suited for use in the professional sports environment. Having the ability to produce high-quality images from such a versatile and mobile unit right in our ballpark is a game changer for our medical team.”

Seattle Mariners Senior
Director of High Performance
Rob Scheidegger



IED X-RAY CAMERA

Our x-ray camera provides for the first time rapid assessment of improvised explosive devices. The Argus will transform how bomb disposal technicians work, providing greater safety by eliminating the need to go down range to place a detector behind the suspected bomb.

Micro-X has named the IED camera after Argus, a Greek mythological character with 100 eyes who was all-seeing. Micro-X's Argus combines NEX Technology with unique backscatter imaging enabling bomb disposal experts to deploy the Argus unit and identify the possible threat from a remote location. Its design substantially reduces or eliminates the critical time over target.

We were asked to solve this bomb imaging problem in a contract with the Australian Defence Force's Counter-IED Task Force, where we successfully developed and demonstrated proof-of-concept, high-resolution x-ray imaging using a self-contained x-ray camera. To enable Argus to be small and able to be deployed on a robot, Micro-X has pioneered the design of smaller electronic x-ray tubes, unique backscatter imaging and miniature high voltage generators manufactured in Adelaide.

Commercial launch and first sales expected FY2023

US\$1.8B

addressable market
with no similar
competing technology





Successful testing and images from an integrated Argus unit achieved

Argus enables scanning, allowing a rapid bomb/no bomb assessment to be made quickly by identifying the presence of explosive material and providing high definition imagery down to component level. This technology opens the way for many more applications, including contraband detection, maritime interdiction and border protection operations.

With successful first imaging of an integrated Argus system now achieved, the final integration of all the Argus sub-systems and refinement of high-voltage components are underway. This will be followed by verification and validation testing ahead of Argus' launch.

Demonstrations to defence, security and police agencies in coming months

CHECKPOINTS

Micro-X is changing the way passengers experience airport security, with our revolutionary x-ray technology forming part of a solution to make checkpoints easier, faster and safer.

MINIATURISED CT BAGGAGE SCANNER

Micro-X's patented carbon nanotube emitter technology is creating the next generation of miniaturised CT baggage scanners that will be able to scan all of a passenger's carry-on luggage, with no need to remove items such as liquids and electronics. The US Department of Homeland Security (DHS) has funded the development of the baggage scanner programme, with delivery of two prototype scanners planned for 2023.

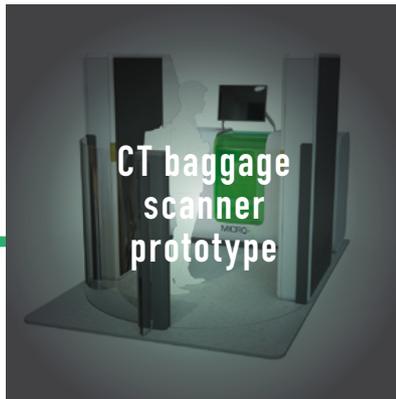
The US Transportation Security Administration (TSA) is an agency within DHS that currently manages approximately 2,200 conventional airport x-ray scanners for passenger carry-on luggage, deployed in 440 US airports.

Micro-X's miniaturised CT baggage scanner is a small modular self-contained device, 15 times shorter than a conventional x-ray conveyor system. The scanner performs a rapid 20-second scan of all of a passenger's luggage and personal items (up to 3 roller bags simultaneously) and produces a high-resolution dual-energy CT image that enables the application of fully automated threat detection algorithms. The combination of automation and compact scanner size enables multiple scanners to replace a single conventional x-ray scanner, increasing passenger throughput and improving security, while also reducing the burden on the operators.



First sales planned 2024





CT baggage scanner prototype

US\$24B
total addressable market



Development to commercial prototypes funded
US\$4M

The small modular design of the system enables flexible and scalable deployment. This broadens the application of the scanner to range from large international airports through to small regional airports; additionally, the scalable design enables deployment beyond the airport to other applications such as secure buildings, stadiums, prisons, and other transportation infrastructure such as trains, metros, and buses.

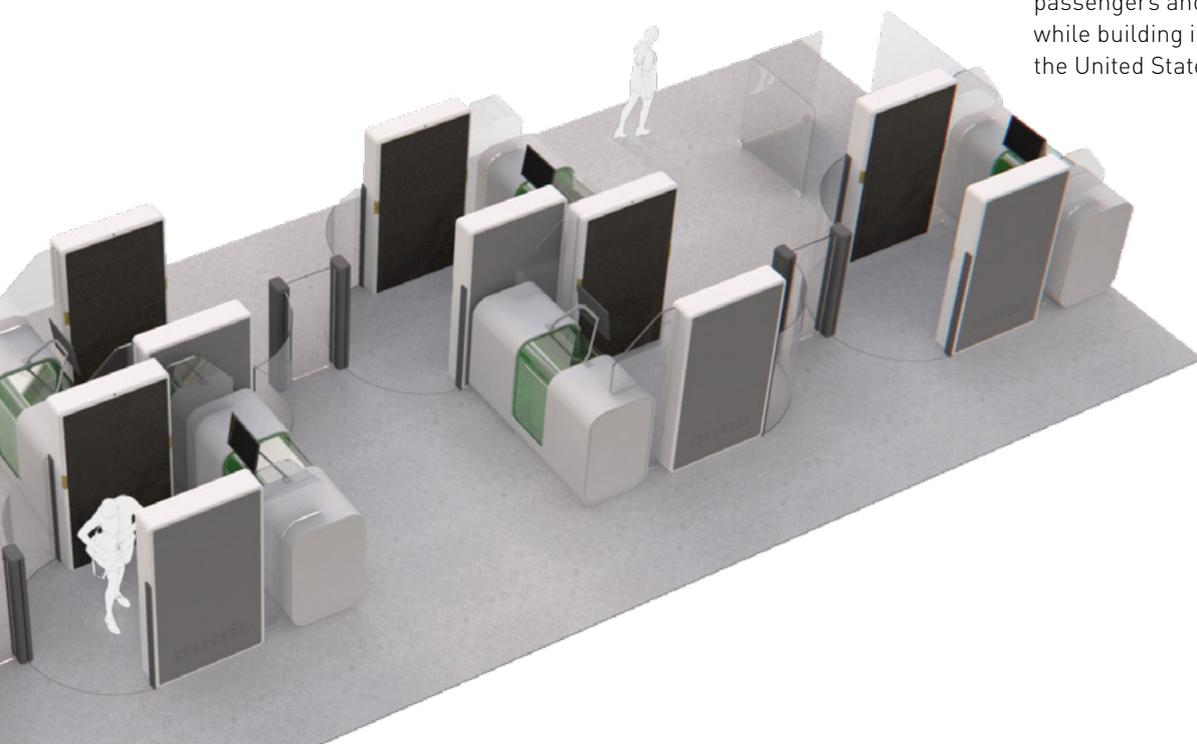
We are already building customer awareness of our scanner's capabilities for standalone airport checkpoint screening and in other potential applications outside the aviation industry.

INTEGRATED SELF-SCREENING AIRPORT CHECKPOINT

Micro-X is also leading a consortium of global experts to design a passenger self-screening airport checkpoint, funded by the US Department of Homeland Security. The checkpoint solution will revolutionise the airport travel experience, providing passengers with the ability to be fully screened for travel, with faster movement through the carry-on scanning checkpoint while increasing threat detection due to three-dimensional imaging.

The cornerstone of the checkpoint portal is Micro-X's miniaturised CT baggage scanner, which is then combined with real-time body screening, passport or ID checking, and automated threat detection technologies. This total package will allow airports to replace each of their current, traditional airport checkpoint lanes, with up to seven new Micro-X fully self-service portals in the same footprint.

In 2022, the US Department of Homeland Security accepted Micro-X's initial concept design for the self-service checkpoint solution. Micro-X has been working with a wide range of stakeholders to ensure the design meets the needs of airlines, passengers and security agencies, while building interest beyond the United States.



BRAIN CT

Our ambition is for every ambulance on land or in the air, to include a miniature brain CT scanner enabling point-of-care stroke diagnosis to save precious minutes for stroke patients.

Using our proprietary NEX Technology, Micro-X is working with the Australian Stroke Alliance to develop the world's first miniature brain CT scanner which will deliver diagnostic quality images in a unit that is small and light enough to be mounted in any road or air ambulance.

In stroke management, the goal is to diagnose the type of stroke and commence treatment within the first hour of the event, known as the Golden Hour. This faster treatment significantly improves patient outcomes, particularly in remote or rural locations where CT diagnosis is far away.

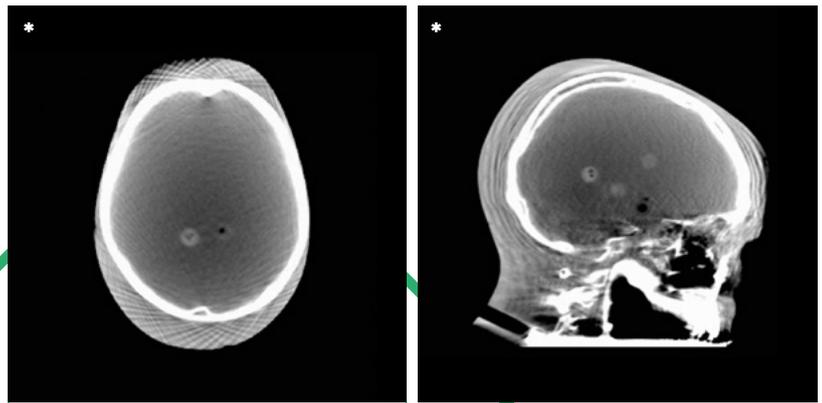
The CT scanner will use Micro-X's core technology, downsizing it from 150mm in diameter to 40mm in diameter. Unlike a large conventional CT with a rotating x-ray tube, Micro-X's scanner will provide three-dimensional images courtesy of a curved array of mini-tubes that are electronically directed to operate in quick succession.

The CT scanner contract was signed this year at the Royal Flying Doctor Service in Adelaide. The first two project milestones for the development of the Brain CT have been delivered on time, and on budget, with the commercial product launch to follow clinical trials and regulatory approval in 2024.

This year significant progress has been made to reduce core technology risk, including the testing of a novel curved x-ray detector supplied by partner Fujifilm, and demonstrating the possibility of achieving diagnostic quality images from research conducted by partner The Johns Hopkins University.

Funded by Australian Stroke Alliance with partners Fujifilm, Johns Hopkins University and Monash Design Health Collab





* Early imaging results from simulation and bench top testing by Johns Hopkins University demonstrate the image quality of Micro-X's Brain CT.

US\$5B
addressable
market



Development
funded with \$8m
from the Australian
Medical Research
Future Fund

CHAIR'S LETTER

We have achieved significant developmental growth this year, with advances in our product portfolio complemented by our strengthened commercial and sales capability.

Looking back over the year, the second in my role as Chair of the board, Micro-X has made progress over all four of our business units, with much more to be achieved over the coming 12 months.

Our team in Seattle has grown with the inclusion of a high-quality sales capability, driving engagement in the target market, while collaborations between the Tonsley and Seattle engineering teams successfully deliver milestones with our Department of Homeland Security contracts. Our strong presence in Seattle is a strategic decision, led by our manager of airport security, to drive connections with US customers and technology partners.

Our business has further matured over the past 12 months, including the formation of business units to drive innovation and the delivery of our world-leading technologies. Our next product to be launched, the Argus IED x-ray camera, is in final integration testing, with our compliant submission to an Australian Department of Defence Request for Tender providing confirmation that Argus' unique capability meets the needs of our target market.

The execution of our two development contracts with DHS for airport security is on time, and on budget, with DHS approving Micro-X's designs for the Baggage Scanner and the Self-Screening Checkpoint. Likewise, our brain CT scanner milestones have been met on schedule and on budget, with the first clinical trials due to commence in 2024.

Beyond these projects, a number of parties have expressed interest in a strategic relationship to leverage Micro-X's proprietary technology. Under the leadership of our Managing Director Peter Rowland, relationships with key industry players have remained strong, cementing our excellent reputation among the healthcare and security industries.

“Micro-X has matured this year, pivoting from a technology focus to one of commercialisation.”



It was a difficult year globally for companies, with instability in the stock market driven by supply constraints from China and the war in Ukraine, along with rising inflation and interest rates. Like most of our peers, this instability has affected us. While we expect this to be short-term pain, particularly with the delivery of new products to the market over the coming year, we have taken steps to ensure we remain financially strong. This year, management has cut overhead costs by 20 per cent on a like-for-like basis and will continue tight cost management as new products are developed and brought to market.

The development of our innovative technology continues, with new tube designs in development for our four business units and the successful development of Micro-X’s in-house high-voltage technology, providing generators for all our products. This is a big achievement which both underpins the next phase of development of our technology and reduces the costs of our existing products.

Our board has continued to expand its expertise and this year we were pleased to have Ilona Meyer join us as a non-executive director, with her wealth of experience in the areas of governance, healthcare and emerging technologies.

I would like to thank shareholders for their support as the company pivots from a technology development focus to one of commercialisation. I would also like to thank the entire team at Micro-X for continuing to innovate our technology while focussing on commercialisation and business development. I expect the pace of commercialisation to increase markedly in the coming 12 months.

David Knox

David Knox
Chair



CEO'S REPORT

'One company – four businesses' has been the strategy driving our focused execution this year and we are thrilled to be launching our first security product in the coming months.

I am pleased to report on another year in which Micro-X once again achieved many technical and commercial milestones which have broadened and strengthened the foundations of our business, in turn positioning us for strong future growth.

This has been the first full year for the Micro-X team operating in the four business units which have enabled customer-centric focussed development and growth in each. Our core technology, which supports all four business units, has also advanced significantly with the development of two new x-ray tubes, one for quadrupling the imaging capability of the Rover and a radically new x-ray tube to power both the

Argus IED x-ray camera and the Miniature Baggage CT Scanner. But perhaps the biggest advancement in our core technology was bringing in-house the capability that led us to successfully develop and now manufacture, our own unique high-voltage generators.

This has given us our own high-power generator for the Micro-X Rover which is world-leading in its small size, efficiency and extended battery life. This also enabled us to develop an ultra-miniature power generator for our Argus, using state-of-the-art techniques to miniaturise a 160kV power supply into the small form-factor we needed for the Argus camera package.



“This year laid the foundations for our future growth, delivering developmental pathways for our next three products, which will drive the future value in Micro-X.”

A FOUNDATIONAL YEAR FOR OUR NEW PATH IN MOBILE DIGITAL RADIOLOGY – SUCCESSFUL GLOBAL LAUNCH AT RSNA

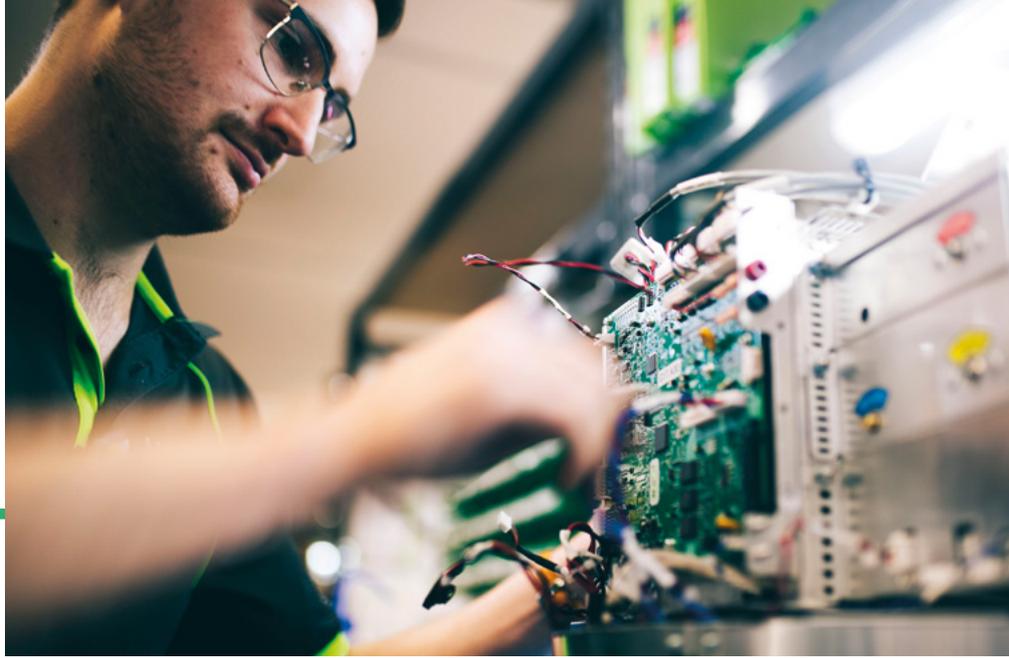
The strategy of multiple, parallel paths to market is critical to achieving our targeted market share in mobile digital radiology. We see this as a mixture of high-profile, independent distributors selling the Micro-X branded entire product, complemented by OEMs selling Rover carts under their own brand; imaging chain components being incorporated into new OEM products; and distribution partners selling Rover with their own software and detectors.

We carefully built a new, highly experienced sales and management team in the US and Europe, starting with the key appointment of our new Divisional Head, Charlie Hicks, in late 2021. This team then built out our own independent distribution network which I am pleased to report is almost complete. To achieve this, the key turning point came with our first corporate presence at the RSNA industry conference last December which provided the fillip in brand recognition we needed with customers and clinicians in global radiology markets. Crucially, this momentum enabled Micro-X to attract and engage much larger and more capable distributors for the Rover than was previously possible. This was particularly true in North America where, prior to RSNA, we were envisaging a large number of state-by-state dealers would be needed to attain a comprehensive geographic coverage.

Following RSNA and the radiology industry's new perception of Micro-X and the product's capabilities, we were able to sign up the two largest national distributors in the United States and we now have a truly nationwide US sales footprint which is not only more cost-effective to manage and support but much more in keeping with the brand positioning of the Rover.

Simultaneously in Europe, we established local sales management and now have five new distribution channels for the EMEA region signed up and waiting for, hopefully imminent, EU regulatory clearance. We initiated the process for CE marking of the Rover in January 2021 but the new MDR application process seems to be considerably more demanding and protracted than expected, as many medical device manufacturers have reported. Another seven European distributors are ready to commence sales of the Rover once CE marking is granted and we have established our first Asian distributors in Vietnam and Thailand.





From a humanitarian and social perspective, we were very proud during the year to work with non-government organisations to deliver eleven Rover units to hospitals in Ukraine, to assist with treating civilian war casualties and to help rebuild medical capabilities in that country.

While we have been working hard to develop a network of distributors this year in what has been a volatile period globally, we are of course impatient for more rapid sales growth. I really do believe that we now have laid the proper foundations with the right strategy and the right partners in place to deliver the long-term sales results for Rover. We are confident in the success of our new and still-growing distribution network.

COUNTER-IED X-RAY CAMERA 'ARGUS' SOON TO BE LAUNCHED

Our Argus sales and business development activities continue to be led by two former bomb disposal technicians in Australia and the US, whose customer connections and insights helped steer the development of the Argus product invaluable this year to increase features and useability. When a senior federal-level bomb technician is heard commenting on how long authorities have been waiting for a product like Argus, we feel confident it will be the sales success we have long hoped and planned for.

The engineering of the Argus program accelerated during the year to meet the challenges in development of our first 160kV x-ray system and the ambitious small weight and size targets for the product. At the time of writing Argus units are in the final stages of integration and refinement of the high-voltage components ahead of verification testing of the product. Pre-production Argus units will be made available for first customer demonstrations with the product sales to follow. A tender submission prepared for the Australian Department of Defence during the year will, if successful, provide a helpful launch customer for international sales in the coming year.

DESIGNS APPROVED FOR AIRPORT CHECKPOINT SOLUTIONS

This year, our strategy was to exceed DHS' expectations of our performance on the miniaturised CT baggage scanner and passenger self-screening checkpoint contracts. All our milestones have been achieved on time and on budget and with the design reviews passed, we are now focused on delivering a working prototype of the miniaturised CT baggage scanner and the next stage of modelling of the self-screening checkpoint design. As a result, we are now seeing greatly increased engagement and commitment by the DHS to this game-changing objective.

We have long believed, and it has now become clear, that our miniaturised CT baggage scanner has many applications outside the self-screening checkpoint at US airports. There is interest in the technology as a standalone security CT scanner in airports and a growing awareness in the broader aviation community of how Micro-X's technology can change the passenger experience at airports, which bodes well for planned future success.



INTERNATIONAL INTEREST IN AUSTRALIAN STROKE IMAGER

The development of our revolutionary Brain CT for pre-hospital stroke diagnosis continues to be funded by the Australian Stroke Alliance and progressed well during the year, meeting all milestones on-time and on budget. Importantly, the major Systems Imaging Architecture Review was passed this year and research work undertaken at The Johns Hopkins University in Baltimore confirmed that our design will achieve image quality which meets or exceed current diagnostic standards. We are pleased to report that the ASA remains confident that all of the project objectives will be realised.

Our progress in this unique and lifesaving product has also drawn interest internationally.

The Norwegian helicopter air ambulance service is expressing interest to acquire early prototypes which could be fitted to a helicopter and gather data to assist with regulatory approvals.

FUTURE OUTLOOK

We remain committed to our commercialisation plan to have four high-margin product lines in manufacturing by 2026. During the coming year, the second of those four products will achieve first sales and in the following year, so will our third product, each underpinning our strong security market credentials. The scale of opportunities that are within our grasp in airport checkpoints and mobile stroke diagnosis are truly enormous. As the Micro-X sales and commercialisation capability grows, I am confident we will achieve this plan and transform the scale of our business in the future.

In the coming year, our specific priorities are for sustained growth in sales of our Mobile DR range through an enlarged distributor network and the launch of the next generation Rover Plus; the launch and first sales of the Argus IED x-ray camera and the delivery to the DHS of the functioning prototype of the miniaturised baggage CT scanner. We have realigned our resources and capital management and believe we are well positioned to deliver on these objectives in 2023.

Thank you for your ongoing support for the company. We look forward to engaging with you at our Annual General Meeting, Investor Open Days and quarterly investor calls to update you on our progress over the year ahead.

Peter Rowland
Managing Director

ENVIRONMENT, SOCIAL AND GOVERNANCE

DIVERSITY AND INCLUSION



23%
female
employees



18
nationalities
represented

29% female directors

- › Diversity and Inclusion Policy in place.
- › Reconciliation Action Plan in development.

SAFETY

0

lost time injury cases
since December 2020

0

fatalities or serious injuries
since Micro-X founded

SUSTAINABILITY AND ENVIRONMENT



34%
reduction in electricity
usage in x-ray tube bakeout

**27% reduction in electricity
usage for x-ray component
processing furnaces**

- › Developed sustainable supply chain initiatives and recycling of waste.
- › Achieved reduction in usage of chemicals through changes in process and suppliers.
- › Lithium Iron Phosphate batteries in our products are non-polluting, longer life, recyclable.
- › Zero environmental incidents.

THINK, INNOVATE, CREATE

At Micro-X, our people and culture are the key to our ongoing innovation and success. Every day our team develops, manufactures and sells revolutionary technology and is passionate about creating high-quality products that improve and save lives. We are constantly learning and growing, but our customers remain at the heart of what we do. Our customer-led design methodology, dedication

to high-quality, vision for the future and world-leading manufacturing principles are what set us apart.

As a proudly Australian manufacturer, we work with local suppliers to source materials for our products wherever possible. Our new proprietary generator is made in-house, with locally sourced materials to deliver four times the output of our previously imported unit. Our new design of a lightweight and compact high-voltage generator platform has broader commercial applications beyond our x-ray technology.

We have continued to invest in developing a skilled workforce, through recruitment of talented engineers and mentoring students and graduate engineers beginning their career journey. Developing our in-house capability allows us to control manufacturing costs, drive innovation and build a sovereign manufacturing capability that all make Micro-X a stronger company and better positioned to pursue opportunities in the future.

COMMUNITY



Partnered with Non-Government Organisations to deliver Rover x-ray systems to Ukraine for humanitarian use for rebuilding medical capability



Lead industrial partner of STEM Fast Track to encourage young people interested in STEM careers through industry experience



Partnered with CSIRO to mentor STEM school teachers and students

GOVERNANCE



Strengthened and audited IT and cybersecurity protections

Expanded Audit and Risk Committee capabilities with new director appointment

ISO13485 QMS certification: successfully passed annual surveillance audit

No reportable product safety or quality events

FINANCIAL REPORT

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DIRECTORS' REPORT

Micro-X Limited
Directors' report
For the year ended 30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Micro-X Limited (referred to hereafter as Micro-X, the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

Peter Rowland (Managing Director)
David Knox (Non-Executive Chair)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
Patrick O'Brien (Non-Executive Director)
James McDowell (Non-Executive Director)
Ilona Meyer (Non-Executive Director) - Appointed 7th March 2022

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, manufacturing and commercialisation of products for the global healthcare and security markets utilising Micro-X's proprietary cold cathode X-ray technology.

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

Dividends

There were no dividends paid, recommended or declared during the current or previous Financial Year.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Review of operations

Micro-X Limited and its wholly owned subsidiaries (**Micro-X or the Group**) had four core areas of focus in the Financial Year ended 30 June 2022 (the **Financial Year**):

- Expanding its sales and commercialisation activities with respect to its Mobile Digital Radiology (**Mobile DR**) range of products, including completing development of its in-house high powered generator and second generation Rover Plus;
- Furthering the development and pre-launch commercialisation activities of the Argus IED X-ray Camera, including the in-house designed and manufactured x-ray tube and high powered generator;
- Development of the Miniaturised CT Baggage Scanner and associated Airport Passenger Self-Screening Portal under two contracts with US Department of Homeland Security; and
- Development of the mobile CT Brain Scanner under its contract with Australian Stroke Alliance.

At the commencement of the year, Micro-X re-organised its operations into four customer facing Business Units, each with operational responsibility for its product line. The Business Units are:

- Mobile Digital Radiology;
- X-ray Cameras;
- Checkpoints; and
- Brain CT.

Commercialisation – Mobile DR Products

During the year Micro-X built a new, highly experienced sales and management team in the US and Europe, commencing with the appointment of a new Divisional Head of Mobile DR. This sales team led a major launch at the Radiological Society of North America (RSNA) where Micro-X was an exhibitor in its own right for the first time, displaying the Rover Mobile DR product, together with its planned CT Stroke Imager. RSNA is the largest exhibition of its kind in the world and provided a significant opportunity for Micro-X to launch its brand and technology globally.

Building on the larger industry profile subsequent to the RSNA meeting, Micro-X has re-aligned its North American distribution strategy with the appointment of a network of highly qualified distributors, including the top two national distributors in the US. One of these distributors, Medlink, has committed to minimum sales orders once a Rover unit incorporating their detector and software receives regulatory approval from the U.S. Food and Drug Administration, expected in late 2022.

In addition, Micro-X continued to progress its MDR certification to allow it to sell Rover into the European market. A number of pre launch activities were also undertaken with a number of distributors appointed to commence selling the Rover on receipt of the CE mark accreditation.

Micro-X also completed the development of its in-house manufactured high powered generator this year, which produces four times the energy of its imported predecessor at significantly lower cost, improving both the product and its operating margins. This programme was announced in 2021 and funded with the proceeds of capital raised in March 2021. The high powered generator has been incorporated into a second generation of the Rover, to be marketed as the Rover Plus, which is expected to be launched commercially in 2022, following a self certification regulatory process.

Near term Commercialisation - Argus IED X-ray Camera

During the year, Micro-X continued to progress the development of its Argus X-ray Camera, including the in-house design and manufacturing of its bespoke x-ray tube and high powered generator. This development is in the final stages of completion with successful image testing of the integrated components of a prototype Argus X-ray camera. In the near term, Micro-X will commence customer demonstrations of a prototype Argus X-ray camera

In parallel with the completion of the product's development, Micro-X built industry and customer awareness in advance of Argus' global commercial launch by attending multiple trade shows and industry exhibitions with great interest from potential customers. Micro-X has also lodged a compliant submission in response to the Australian Defence Force's LAN 154 request for tender, which is to supply 64 units for detection of improvised explosive devices.

Future Products in Development

Micro-X's two future products in development, the Miniaturised CT Baggage Scanner and the Brain CT were both underpinned by the formal execution of development contracts in the Financial Year.

Micro-X executed two development agreements with U.S. Department of Homeland Security (**DHS**) for up to US\$4 million in 2021 and to date has met all milestones on time and on budget. These contracts provide for the design, testing and delivery of prototypes of a miniature baggage scanner for screening of passenger carry on luggage at airports; and a Passenger Self-Screening Checkpoint for the entire check in process including passenger identification and security screening. In August

Micro-X Limited
Directors' report
For the year ended 30 June 2022

2022 DHS formally extended the initial Airport Passenger Self-Screening Checkpoint contract, securing the balance of the work and US\$4 million contract amount.

Micro-X executed a development agreement with the Australian Stroke Alliance (ASA) for \$8 million in September 2021 and to date has met all milestones on time and on budget. The CT Brain Scanner is expected to commence clinical trials in 2024 and has received early commercial interest from a number of remote ambulance services in Australia and Europe.

Micro-X's commercial and engineering team in Seattle grew throughout the year, as planned. This is to support key development requirements of the DHS customer agreements and support the all four Micro-X products.

Environment, Social and Corporate Governance

Micro-X continued to develop its team of staff and management and foster a positive work environment throughout the Financial Year. This is intended to help support the innovative culture to drive the necessary engineering and development work and deliver life saving technology in healthcare and security with compassionate focus and on a highly ethical basis.

Micro-X has developed a range of ESG programmes and initiatives as part of a broad, company wide, commitment to these principles:

Environment and Sustainability

Micro-X has developed a range of sustainable supply chain initiatives and recycling of waste. During the Financial Year, this led to a significant reduction in usage of chemicals through changes in process and suppliers, and a 27% reduction in electricity usage for component processing furnace and a 34% reduction in electricity usage for bakeout furnace. The manufacturing facility in Tonsley, Adelaide is located in a high tech precinct which uses majority renewable power. There were also no environmental incidents or reportable incidents during the Financial Year.

The Micro-X product range are also being developed with recycling and sustainability objectives. The Rover Mobile DR product range use less power than conventional mobile X-ray units and the Lithium Iron Phosphate batteries are non-polluting, longer life and recyclable.

Social and Community

Micro-X has a Diversity and Inclusion Policy in place across all business units and a Reconciliation Action Plan is in development. At the end of the Financial Year, Micro-X employees included 20 different nationalities and females comprised 23% of all staff and leadership roles and 29% of board. As part of a commitment to community engagement, Micro-X has active programmes hosting school and university students, also partnering with the CSIRO to mentor STEM teachers and students.

Micro-X has a strong culture of safety and maintained its record of no serious injuries or fatalities. There were no lost time incidents during the Financial Year.

During the Financial Year, Micro-X worked with several non-government organisations to supply Rover Mobile DR units to Ukraine for humanitarian use in treating non-combat civilians.

Governance

Micro-X has active governance programmes, policies and procedures across all of its activities, as overseen by the Audit and Risk Committee of the Board of Directors. The experience of that Committee was enhanced during the Financial Year with the appointment of a new director, highly experienced in legal, regulatory and compliance matters in Australia and internationally.

The Mobile DR range of products are regulated as class two medical devices by the US FDA and the Australian TGA. In conjunction with that, the Tonsley manufacturing facility and the procedures employed have been certified as compliant with FDA good manufacturing practices; and have received TGA conformity assessment. Micro-X also holds ISO 13485 QMS certification and passed another surveillance audit during the year. Micro-X maintains policies to ensure ethical marketing of its medical products as well as post market surveillance. There were no product recalls or incidents reported during the Financial Year.

Micro-X has a range of measures to ensure its technology and programmes which are used in defence and security applications remain compliant and are protected from access, theft or destruction by unauthorised persons. IT auditing and cyber security measures are in place and were actively managed during the Financial Year.

DIRECTORS' REPORT CONT'D

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Financial Overview

The net loss for the Group for the Financial Year after providing for income tax was \$17.01 million, compared with a loss in the previous year of \$14.73 million. This net loss for the Financial Year included:

- \$3.8 million from the sales of the Mobile DR units and associated spares;
- \$5.2 million from engineering contract services in relation to the contracts with the Australian Stroke Alliance and the Department of Homeland Security.
- \$4.1 million of Other Income, including \$3.7 million in relation to the R&D tax rebate;
- \$4 million in cost of sale of goods;
- \$3.15 million expenditure on research and development activity, related to development work on the Mobile DR high powered generator; research and development related to the IED X-ray Camera; and development of the Miniaturised CT Baggage Scanner and CT Brain Scanner;
- \$15.9 million was spent on employee, consulting and director costs. This represented a \$5.4 million increase on the prior period, driven by additional engineering, sales and commercial personnel.
- \$2 million in equity compensation included within Employee and Director expenses in relation to the Company's Employee Equity Plan which comprises an STI and LTI component, subject to achievement of hurdles.

Financial Position

Net assets of the Group decreased by \$14.9 million from \$34.2 million at 30 June 2021 to \$19.3 million at 30 June 2022. Cash on hand and at the bank decreased to \$10.3 million at 30 June 2022 (\$30.1 million at 30 June 2021).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the Financial Year.

Matters subsequent to the end of the Financial Year

No matter or circumstance has arisen since 30 June 2022 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.

Likely developments and expected results of operations

The Group's main focus moving forward will be the continued development of its four business lines, notably:

- The continued growth in sales of its Mobile DR product lines through existing and new paths to market;
- The commencement of customer trials and subsequent commercialisation of its IED X-ray Camera;
- The ongoing development of its Miniaturised CT Baggage Scanner and associated Airport Passenger Self-Screening Portal; and
- The ongoing development of its Brain CT Scanner for mobile stroke imaging.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Information on directors

Name:	David Knox
Title:	Non-Executive Chair
Qualifications:	BSc (Hons) Mechanical Engineering. MBA, FIE Aust, FTSE, GAICD
Experience and expertise:	David is a highly experienced and respected business leader with senior leadership, engineering and public markets expertise gained in multi-national, domestic and Commonwealth companies. David was Managing Director & Chief Executive Officer of Australian Naval Infrastructure, a Government Business Enterprise responsible for the delivery of naval infrastructure required to support the Commonwealth's continuous shipbuilding programme. including the \$535m Osborne South Shipyard. David was previously Managing Director & Chief Executive Officer of Santos from March 2008 through until his retirement in December 2015. David Knox is currently Chair of Snowy Hydro Limited and The Australian Centre for Social Innovation (TACSI). He is also a board member of Commonwealth Scientific and Industrial Research Organisation (CSIRO), Redflow Limited (ASX - RFX), Migration Council of Australia, Adelaide Festival (AF) and the Royal Institution of Australia (RIAUS). David Knox is originally from Edinburgh, Scotland and has a BSc (Hons) in Mechanical Engineering (Edinburgh) and an MBA (Strathclyde). He is a Fellow of the Australian Institute of Mechanical Engineering and the Australian Academy of Technological Sciences and Engineering.
Other current directorships:	Redflow Ltd (ASX:RFX) - 2 March 2017 to Present
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of Board, and Member of Audit and Risk Committee and People and Remuneration Committee
Interests in shares:	376,802 fully paid ordinary shares
Interests in rights:	92,593
Name:	Peter Rowland
Title:	Managing Director
Qualifications:	BSc., MBA, MIET, CEng, FAICD
Experience and expertise:	Peter worked in the engineering design, development and project management of innovative, high-technology military & scientific equipment in his early career in Scotland. In Australia, Peter ran an engineering design consultancy group, was Director of business development at BAE Systems and then was Managing Director of ASX-listed Ellex Medical Lasers which designed and manufactured ophthalmic laser equipment. More recently he was vice president of Asia-Pacific operations for Biolase Technology Inc., a NASDAQ listed therapeutic medical device supplier. Peter was a founder of Micro-X.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	12,995,279 fully paid ordinary shares
Interests in rights:	2,648,948

DIRECTORS' REPORT CONT'D

Micro-X Limited Directors' report For the year ended 30 June 2022

Name:	Dr. Alexander Gosling AM
Title:	Non-Executive Director
Qualifications:	MA (Hones), DEng, MAICD, FTSE
Experience and expertise:	Alexander has been working in the field of process and product development and related research and development for 50 years. He was a founding director of Invetech and was part of the management team that led Invetech to a public listing (as Vision Systems) and then to its acquisition by Danaher Corp for \$800M. He currently works in the area of technology commercialisation, advising universities, mentoring start-ups and sitting on the Boards of early stage companies. Alexander is an engineer, with an Honours degree from Cambridge University. He is a Fellow of the Academy of Technology and Engineering, a Fellow of the Institute of Engineers Australia and a Governor of the Warren Centre for Advanced Engineering. He was awarded an Honorary Doctorate in Engineering from Swinburne University and made a Member of The Order of Australia for services to engineering. He is a Member of the Australian Institute of Company Directors.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of People and Remuneration Committee
Interests in shares:	532,151 fully paid ordinary shares
Interests in rights:	60,186
Name:	Yasmin King
Title:	Non-Executive Director
Qualifications:	BA (Econ)(Honours). MBA, FCPA, FAICD
Experience and expertise:	Yasmin is Chief Executive of SkillsIQ Limited, the organisation that develops the National Occupational Standards for vocational qualifications in the Services and Health and Community services sectors. Yasmin was the inaugural NSW Small Business Commissioner and an Associate Commissioner for the Australian Consumer and Competition Commission, both positions leading to her detailed knowledge and experience in the areas of compliance and regulation. Yasmin has extensive experience in negotiation having run a successful consultancy in this area, including acting as lead negotiator for numerous State and Federal Government procurement contracts. She worked as a principal consultant for an international negotiation organisation coaching major ASX companies and public sector agencies including Department of Defence in contract negotiation. She has also served on both public and private sector boards. She is a member of the Adjunct Faculty of the Australian Graduate School of Management, delivering the conflict resolution and negotiation component of the Women in Leadership program. Yasmin holds a Bachelor of Economics (Honours) and a Master of Business Administration. She is a Fellow of the Australian Institute of Company Directors and a Fellow Certified Practicing Accountant.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of Audit and Risk Committee
Interests in shares:	228,673 fully paid ordinary shares
Interests in rights:	60,186

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Name: Patrick O'Brien
 Title: Non-Executive Director
 Qualifications: LLB, B.Com, Grad Dip Applied Finance, MBA, GAICD
 Experience and expertise: Patrick is Managing Director of Patrick O'Brien & Associates and a director of Howjack Holdings, The Water & Carbon Group and O'Brien Capital. He also chairs and is a director of a number of not for profit organisations and foundations. Patrick has over 30 years' business experience in Australia, the UK, Europe, Asia and the US including as an executive director with Macquarie Group where he led teams in corporate finance (Melbourne 1996-2005) and private equity (London 2005-2009). In this later role Patrick was responsible for Macquarie's controlling stakes in, and chaired, large unlisted groups European Directories and National Grid Wireless. Prior to Macquarie, Patrick was a strategy consultant with McKinsey & Company and a lawyer with Minter Ellison.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Special responsibilities: Member of Audit and Risk Committee
 Interests in shares: 7,806,388
 Interests in rights: 60,186

Name: James McDowell
 Title: Non-Executive Director
 Qualifications: LL.B (Hons) D.Univ (honoris causa)
 Experience and expertise: Jim is Chief Executive of Nova Systems and has more than 30 years of experience in international defence and aerospace sectors and has lived and worked in the UK, the USA, Korea, Singapore, Hong Kong and Australia. Prior to this appointment Jim was Chief Executive of South Australia's Department of Premier and Cabinet. Jim joined BAE Systems in 1996 and his last executive appointment with the Group was as Chief Executive Officer of their A\$5 billion annual turnover business operations in Saudi Arabia. Prior to this he was Chief Executive Officer of BAE Systems Australia for 10 years. Based in Adelaide, he drove a major expansion program as the Group grew to become Australia's largest defence business. Prior to his time at BAE Systems Jim worked for 18 years at aerospace Group Bombardier Shorts in legal, commercial and marketing positions, making a major contribution to that Group's growth into the USA. In 2014, Jim was appointed by the Australian Federal Government to the team to conduct the First Principles Review of the Australian Department of Defence. The Team's 'One Defence' recommendations included transformational changes to structure, governance arrangements, accountabilities, processes and systems of Defence. Jim was also Chair of the Australian Nuclear Science & Technology Organisation which is a centre-of-excellence in Australia for radiation safety and nuclear medicine research.

Other current directorships: Nil
 Former directorships (last 3 years): Nil
 Special responsibilities: Member of People and Remuneration Committee
 Interests in shares: 281,637 fully paid ordinary shares
 Interests in rights: 60,186

DIRECTORS' REPORT CONT'D

Micro-X Limited Directors' report For the year ended 30 June 2022

Name:	Ilona Meyer
Title:	Non-Executive Director
Qualifications:	LLB., and LL.M (QUT), GradDipLegPrac, GIA (Cert) GAICD
Experience and expertise:	Ilona has over 25 years' experience as a senior executive in healthcare, agriculture and emerging technologies focusing on innovation and growth. Ilona is General Counsel for Nuix Limited and prior to this role had held multiple executive roles with private and public companies, including ASX-listed companies and high-growth start-ups, leading business transformation initiatives, managing multiple stakeholders, influencing industry bodies, as well as navigating complex litigation and regulatory disputes. Prior to commencing her current role at Nuix, Ilona was General Counsel and Head of Legal & Compliance of the Boehringer Ingelheim Group for the Australian and New Zealand division. She has previously held senior legal and general counsel roles at ResMed Limited, Ruralco Holdings Limited, Medtronic and 3M Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	50,000 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Kingsley Hall is a member of the Institute of Chartered Accountants and holds a Bachelor of Economics. Kingsley has over 25 years of experience in finance and operations with a diverse background across both private and public companies, private equity, media, tourism and education. His experience includes public markets, equity capital and debt raising activities having led a variety of fundraising initiatives in public and private placements. Kingsley is also the Chief Financial Officer for Micro-X and the Group.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		People and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Patrick O'Brien	8	9	-	-	5	5
Peter Rowland	9	9	-	-	-	-
Alexander Gosling	9	9	2	2	1	1
Yasmin King	9	9	-	-	5	5
David Knox	9	9	2	2	5	5
James McDowell	8	9	1	1	-	-
Ilona Meyer	2	2	-	-	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') aims to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness to attract, motivate and retain key talent;
- performance linkage and alignment of executive compensation and corporate objectives;
- transparency and reasonableness; and
- alignment to, and acceptability by, shareholders.

The Group has a People and Remuneration Committee which is responsible for determining and reviewing remuneration arrangements for directors, executives and all staff. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel and accordingly the People and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company.

The remuneration framework which has been adopted, is designed to align executive reward to shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives

Additionally, the remuneration framework should seek to align and incentivise executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive director remuneration

Fees and payments to non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of other non-Executive Directors based on comparative roles in the external market. The Chair is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate maximum non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held 19 November 2021, where the shareholders approved the Company's aggregate maximum Non Executive Directors' remuneration of \$700,000 per annum.

Executive remuneration

The Company aims to reward executives based on their responsibility and performance, with a level and mix of remuneration which has both fixed and variable components.

DIRECTORS' REPORT CONT'D

Micro-X Limited Directors' report For the year ended 30 June 2022

The executive remuneration and reward framework has five components:

- base pay and non-monetary benefits;
- short-term performance incentives, or STI;
- long-term performance incentives, or LTI;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the People and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Shareholders approved at the November 2020 AGM the Micro-X Limited Employee Incentive Plan, the key objectives of which are to:

- assist in the attraction and retention of high quality employees
- link the reward of key employees with the achievement of strategic goals and the long term performance of the Company; and
- align the financial interest of all participants of the Plan with those of Shareholders.

Executives may be invited to participate in the Company's Employee Equity Plan, where performance rights may be earned subject to the achievement of short term objectives (Short Term Incentives or STI) and/or subject to the achievement of longer term objectives (Long Term Incentives or LTI).

Company performance and link to remuneration

Remuneration of key management personnel is currently directly linked to the performance of the Company via the STI and LTI awards available to Executives invited to participate in the Employee Equity Plan.

Short Term Incentives

STI award achievement is assessed on a Balanced Scorecard approach, where Executive performance is measured against five key criteria, with weighting attached to each of criteria's outcomes. For the year ended 30 June 2022 the five criteria against which Executive performance was assessed were:

Criteria	% of Total STI
Quality and Safety	10%
Financial Performance	25%
Commercial Activities	25%
Project and Development Activities	30%
Culture and Compliance	10%
	100%

Long Term Incentives

There are two types of LTI awards made:

- LTI Service Rights; and
- LTI Performance Rights.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

LTI Service Rights vest after a predetermined period of continuous service with the Company. For the initial grant of Service Rights made in December 2020, one third of those rights granted vested on the twelve month anniversary of the date of grant, a second third will vest on the second anniversary of the date of grant and the final third will vest on the third anniversary of the date of grant. Subsequent and future grants of Service Rights will vest on the third anniversary of the date of the grant.

LTI Performance Rights vest upon the achievement of certain Total Shareholder Return (TSR) targets over the vesting period. The relevant TSR target is a 10% Compound Annual Growth Rate for the LTI performance rights to vest at 50%. If the TSR result met is a 20% Compound Annual Growth Rate then participants will be issued 100% of the relevant performance rights.

The vesting periods for the initial December 2020 grant are one third of the rights were assessed on the first anniversary of the grant, a second third will be assessed on the second anniversary of the grant and the final third will vest and be assessed on the third anniversary of the grant. Subsequent and future grants of Performance Rights will be wholly assessed and vest (if performance criteria is achieved) on the third anniversary of the date of those future grants.

Use of remuneration consultants

The Group retained the services of an independent, expert, remuneration consultant in February 2020 who provided advice on the structure of the equity compensation framework, including quantum and the recommended hurdles.

The Company also engaged an independent, expert remuneration consultant in January 2021 to provide a market based assessment of certain KMP remuneration. The engagement included a review of the remuneration of both Non Executive Directors and Executives.

No remuneration consultants were engaged for the 2022 Financial Year.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Company consisted of the following directors and management of the Group:

- David Knox (Non-Executive Chair)
- Peter Rowland (Managing Director)
- Alexander Gosling (Non-Executive Director)
- Yasmin King (Non-Executive Director)
- Patrick O'Brien (Non-Executive Director)
- James McDowell (Non-Executive Director)
- Ilona Meyer (Non-Executive Director) - Appointed 7 March 2022
- Kingsley Hall (Company Secretary & Chief Financial Officer)
- Anthony Skeats (Chief Engineer, General Manager Brain CT)
- Brian Gonzales (Chief Imaging Scientist, General Manager Checkpoints)
- Alexander Blackburn (Head of Strategy & Planning, General Manager X-ray Cameras)
- Daniel Pini (General Manager Core Technology)
- Charlie Hicks (General Manager Mobile Digital Radiology) - Appointed 17 September 2021

DIRECTORS' REPORT CONT'D

Micro-X Limited
Directors' report
For the year ended 30 June 2022

	Short-term benefits			Post-employment benefits	Long-term benefits ¹	Share-based payments - Rights ²	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Annual and Long Service leave	Equity-settled	
2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
D Knox	75,100	-	-	7,510	-	1,326	83,936
A Gosling	56,540	-	-	5,654	-	862	63,056
Y King	62,194	-	-	-	-	862	63,056
P O'Brien	62,194	-	-	-	-	862	63,056
J McDowell	62,194	-	-	-	-	862	63,056
I Meyer ³	18,802	-	-	1,880	-	-	20,682
<i>Executive Director:</i>							
P Rowland	332,559	-	-	33,256	18,889	242,019	626,723
<i>Other Key Management Personnel:</i>							
K Hall	294,310	-	-	29,431	22,135	199,094	544,970
B Gonzales ⁴	250,096	-	-	12,016	13,856	156,613	432,581
A Skeats	294,310	-	-	29,431	(3,145)	198,678	519,274
A Blackburn	200,864	-	-	20,086	13,690	135,662	370,302
D Pini ⁵	172,849	-	-	17,285	4,173	110,273	304,580
C Hicks ⁶	260,888	-	-	8,562	19,145	189,261	477,856
	<u>2,142,900</u>	<u>-</u>	<u>-</u>	<u>165,111</u>	<u>88,743</u>	<u>1,236,374</u>	<u>3,633,128</u>

1 Movement in provisions, does not have cash implication.

2 The share based payments above relate to the amortisation of the fair value of the grant of rights made to the KMP during the year and do not necessarily reflect the cash value that may be realised upon vesting and exercising of the rights.

3 I Meyer was appointed to the Board on 7 March 2022.

4 B Gonzales is employed by Micro-X Inc the Company's wholly owned US subsidiary and is based in Seattle. Remuneration and compulsory benefits have been translated from U.S. dollars to Australian dollars for the purpose of this Remuneration Report.

5 D Pini was appointed to Key Management Personnel on 1 July 2021.

6 C Hicks was appointed to Key Management Personnel on 17 September 2021. He is employed by Micro-X Inc the Company's wholly owned US subsidiary and is based in New York. His remuneration and compulsory benefits have been translated from US dollars to Australian dollars for the purposes of the Remuneration Report.

Subsequent to year end, the Board reviewed the achievement of the Executives' Short Term Incentive for the year ended 30 June 2022 and determined that the Short Term Incentive should be awarded at 75%.

Long Term Performance Rights achievement has been assumed at 50%, consistent with target.

Long Term Service Rights achievement has been assumed at 100%.

These levels of achievement are reflected in the share based payments amortisation in the table above.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments - Rights	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Annual and Long Service Leave	Equity-settled	
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
D Knox ¹	54,795	-	-	5,205	-	-	60,000
A Gosling	58,448	-	-	5,552	-	-	64,000
Y King	62,482	-	-	1,518	-	-	64,000
P O'Brien ¹	76,500	-	-	-	-	-	76,500
J McDowell ²	26,484	-	-	2,516	-	-	29,000
<i>Executive Director:</i>							
P Rowland	308,872	-	-	29,343	12,800	360,249	711,264
<i>Other Key Management Personnel:</i>							
K Hall	267,529	-	-	25,415	7,521	256,979	557,444
B Gonzales ³	210,868	66,507	-	20,421	-	172,431	470,227
A Skeats	266,861	-	-	25,352	9,904	229,853	531,970
A Blackburn	182,235	-	-	17,312	8,435	139,391	347,373
	<u>1,515,074</u>	<u>66,507</u>	<u>-</u>	<u>132,634</u>	<u>38,660</u>	<u>1,158,903</u>	<u>2,911,778</u>

1 P O'Brien was Chair from 1 July 2020 until 19 January 2021 and he remains a Non-Executive Director. D Knox was a Non-Executive Director until 19 January 2021 when he became Chair of the Board.

2 J McDowell was appointed to the Board on 1 January 2021.

3 B Gonzales is employed by Micro-X Inc the Company's wholly owned US subsidiary and is based in Seattle. Remuneration and compulsory benefits have been translated from U.S. dollars to Australian dollars for the purpose of this Remuneration Report. Share based payments via the issue of rights have not yet been issued but the expense has been recognised.

The share based payments above relate to the amortisation of the fair value of the grant of rights made to the KMP during the year and do not necessarily reflect the cash value that may be realised upon vesting and exercising of the rights.

Subsequent to year end, the Board reviewed the achievement of the Executives' Short Term Incentive for the year ended 30 June 2021 and determined that the Short Term Incentive should be awarded at 85%.

Long Term Performance Rights achievement has been assumed at 50%, consistent with target.

Long Term Service Rights achievement has been assumed at 100%.

These levels of achievement are reflected in the share based payments amortisation in the table above.

DIRECTORS' REPORT CONT'D

Micro-X Limited Directors' report For the year ended 30 June 2022

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
D Knox	98%	100%	-	-	2%	-
A Gosling	99%	100%	-	-	1%	-
P O'Brien	99%	100%	-	-	1%	-
Y King	99%	100%	-	-	1%	-
J McDowell	99%	100%	-	-	1%	-
I Meyer ¹	99%	-	-	-	1%	-
<i>Executive Director:</i>						
P Rowland	61%	49%	20%	43%	19%	8%
<i>Other Key Management Personnel:</i>						
K Hall	64%	54%	18%	37%	18%	9%
B Gonzales	64%	49%	18%	42%	18%	9%
A Skeats	62%	57%	19%	34%	19%	9%
A Blackburn	64%	60%	18%	30%	18%	10%
D Pini ²	64%	-	19%	-	17%	-
C Hicks ³	66%	-	19%	-	15%	-

1 I Meyer was appointed to the Board on 7 March 2022.

2 D Pini was appointed to Key Management Personnel on 1 July 2021.

3 C Hicks was appointed to Key Management Personnel on 17 September 2021.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Peter Rowland
Title:	Managing Director
Agreement commenced:	1 September 2014
Term of agreement:	No fixed term. Micro-X or Mr Rowland may terminate the employment contract at any time provided that either party gives 6 months' notice.
Details:	Annual salary is \$336,986.30 per annum plus 10.5% employer superannuation contributions (subject to annual review).
Name:	Kingsley Hall
Title:	Chief Financial Officer
Agreement commenced:	24 February 2020
Term of agreement:	No fixed term. Micro-X or Mr Hall may terminate the employment contract at any time provide that either party gives 2 months' notice.
Details:	Annual salary is \$302,054.55 per annum plus 10.5% employer superannuation contributions (subject to annual review).
Name:	Brian Gonzales
Title:	Chief Imaging Scientist, General Manager of Checkpoints
Agreement commenced:	1 January 2018
Term of agreement:	No fixed term. Micro-X or Mr Gonzales may terminate the employment contract at any time provided that either party gives 4 weeks' notice.
Details:	Annual salary is US\$184,473.38 per annum plus compulsory benefits.

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Name: Anthony Skeats
 Title: Chief Engineer, General Manager of Brain CT
 Agreement commenced: 8 June 2017
 Term of agreement: No fixed term. Micro-X or Mr Skeats may terminate the employment contract at any time provided that either party gives 2 months' notice.
 Details: Annual salary is \$302,054.55 per annum plus 10.5% employer superannuation contributions (subject to annual review).

Name: Alexander Blackburn
 Title: Head of Strategy & Planning, General Manager X-ray Cameras
 Agreement commenced: 1 September 2015
 Term of agreement: No fixed term. Micro-X or Mr Blackburn may terminate the employment contract at any time provided either party gives 2 months' notice.
 Details: Annual salary is \$206,134.35 per annum plus 10.5% employer superannuation contributions (subject to annual review).

Name: Daniel Pini
 Title: General Manager Core Technology
 Agreement commenced: 4 April 2016
 Term of agreement: No fixed term. Micro-X or Mr Pini may terminate the employment contract at any time provided that either party gives 4 weeks' notice
 Details: Annual salary is \$177,397.50 per annum plus 10.5% employer superannuation contributions (subject to annual review)

Name: Charlie Hicks
 Title: General Manager - Mobile Digital Radiology
 Agreement commenced: 17 September 2021
 Term of agreement: No fixed term. Micro-X or Mr Hicks may terminate the employment contract at any time provided that either party gives 4 weeks' notice.
 Details: Annual salary is US\$250,000 per annum plus compulsory benefits.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

DIRECTORS' REPORT CONT'D

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Share-based compensation

Issue of shares

Details of shares and Performance Rights issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below.

Performance Rights Held

The following table illustrates the movement of and closing balance of rights held by KMP during the Financial Year:

	Held at 1 July 2021	Granted as Remuneration	Exercised or Lapsed	Held at 30 June 2022
<i>Non-Executive Directors:</i>				
D Knox	-	92,593	-	92,593
A Gosling	-	60,186	-	60,186
P O'Brien	-	60,186	-	60,186
Y King	-	60,186	-	60,186
J McDowell	-	60,186	-	60,186
P Rowland	1,829,396	963,978	(144,426)	2,648,948
K Hall	1,403,567	799,086	(99,075)	2,103,578
A Skeats	1,314,373	799,086	(86,255)	2,027,204
B Gonzales	1,041,450	588,560	(562,386)	1,067,624
A Blackburn	841,892	545,408	(50,513)	1,336,787
D Pini ¹	619,089	469,306	(28,573)	1,059,822
C Hicks ²	-	1,022,767	(456,620)	566,147
	<u>7,049,767</u>	<u>5,521,528</u>	<u>(1,427,848)</u>	<u>11,143,447</u>

1. D Pini was appointed to Key Management Personnel on 1 July 2021 increasing the opening balance of rights held.

2. C Hicks was appointed to Key Management Personnel on 17 September 2021.

Issue of Performance Rights

The terms and conditions of each performance right affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Performance criteria	Value per right at grant date	Performance achieved	% Vested
23 December 2020	31 August 2021	23 December 2035	Short term performance	\$0.370	85% of target	85%
23 December 2020	30 November 2021	23 December 2035	Long term performance	\$0.219	200% of target	100%
23 December 2020	30 November 2022	23 December 2035	Long term performance	\$0.231	To be determined	N/A
23 December 2020	30 November 2023	23 December 2035	Long term performance	\$0.243	To be determined	N/A
23 December 2020	30 November 2021	23 December 2035	Long term service	\$0.370	100%	100%
23 December 2020	30 November 2022	23 December 2035	Long term service	\$0.370	To be determined	N/A
23 December 2020	30 November 2023	23 December 2035	Long term service	\$0.370	To be determined	N/A
30 September 2021	31 August 2022	30 September 2036	Short term performance	\$0.330	To be determined	N/A
30 September 2021	30 September 2024	30 September 2036	Long term performance	\$0.199	To be determined	N/A
30 September 2021	30 September 2024	30 September 2036	Long term service	\$0.330	To be determined	N/A
22 December 2021	21 December 2024	22 December 2036	Long term performance	\$0.152	To be determined	N/A

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the Financial Year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
D Knox ¹	290,279	86,523	-	-	376,802
A Gosling	532,151	-	-	-	532,151
Y King	228,673	-	-	-	228,673
P O'Brien	7,806,388	-	-	-	7,806,388
J McDowell ¹	218,566	63,071	-	-	281,637
I Meyer	-	-	50,000	-	50,000
P Rowland	12,995,279	-	-	-	12,995,279
K Hall	-	-	-	-	-
B Gonzales ²	-	-	438,659	-	438,659
A Skeats	-	-	-	-	-
A Blackburn	16,500	-	-	-	16,500
D Pinj ³	10,000	-	-	-	10,000
C Hicks ²	-	-	356,164	-	356,164
	<u>22,097,836</u>	<u>149,594</u>	<u>844,823</u>	<u>-</u>	<u>23,092,253</u>

Transactions and balances with Key Management Personnel and their Related Parties

Details and terms and conditions of other transactions with KMP and their related parties:

Purchases

During the Financial Year, purchases totalling \$50,000 at market prices have been made by the Company for marketing services provided by companies of which Anthony Skeat's wife is a director.

During the Financial Year, purchases totalling \$3,000 at market prices have been made by the Company for video and photography services provided by a company of which Peter Rowland's son is a Trustee.

During the Financial Year, Yasmin King's son was employed by the company as an Engineer on a full-time basis at market rates. He ceased employment on 9 May 2022.

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no ordinary shares of Micro-X Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the Financial Year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the Financial Year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the Financial Year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

DIRECTORS' REPORT CONT'D

Micro-X Limited
Directors' report
For the year ended 30 June 2022

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the Financial Year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the Financial Year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Knox
Non-Executive Chair

29 August 2022

AUDITOR'S INDEPENDENCE DECLARATION



Grant Thornton Audit Pty Ltd
Grant Thornton House
Level 3
170 Frome Street
Adelaide SA 5000
GPO Box 1270
Adelaide SA 5001
T +61 8 8372 6666

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 audit of Micro-X Ltd for the year ended 30 June 2022, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized blue signature of Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A blue ink signature of J. L. Humphrey.

J. L. Humphrey
Partner – Audit & Assurance

Adelaide, 29 August 2022

www.grantthornton.com.au
ACN-130 913 594

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Micro-X Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Revenue	5	8,970	3,771
Other Income	6	4,144	3,012
Expenses			
Change in inventory/ raw materials and consumables		(3,970)	(3,911)
Employee and director expenses		(15,894)	(10,493)
Selling and Distribution expenses		(856)	(210)
Office and administrative expenses		(779)	(304)
Professional fees		(749)	(759)
Corporate expenses		(360)	(341)
Quality and regulatory expenses		(253)	(132)
Project development expenses		(4,444)	(1,225)
Depreciation and amortisation expense		(1,432)	(2,329)
Other expenses		(1,170)	(1,130)
Finance expenses		(296)	(680)
Total expenses		<u>(30,203)</u>	<u>(17,603)</u>
Loss before income tax expense		(17,089)	(14,731)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Micro-X Limited		(17,089)	(14,731)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		18	-
Other comprehensive income for the year, net of tax		18	-
Total comprehensive income for the year attributable to the owners of Micro-X Limited		<u>(17,071)</u>	<u>(14,731)</u>
		Cents	Cents
Basic earnings per share	32	(3.71)	(3.70)
Diluted earnings per share	32	(3.71)	(3.70)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

Micro-X Limited
Statement of financial position
As at 30 June 2022

	Note	Consolidated 2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		10,303	30,135
Trade and other receivables	8	3,755	2,477
Contract assets	9	1,314	-
Inventories	10	5,783	2,841
Other Assets	11	1,589	362
Total current assets		<u>22,744</u>	<u>35,815</u>
Non-current assets			
Property, plant and equipment	12	3,081	2,738
Right-of-use assets and lease liabilities	13	5,308	5,999
Intangibles	14	144	129
Total non-current assets		<u>8,533</u>	<u>8,866</u>
Total assets		<u>31,277</u>	<u>44,681</u>
Liabilities			
Current liabilities			
Trade and other payables	15	4,366	2,628
Contract liabilities	16	459	501
Lease liabilities		633	599
Provisions	17	1,021	579
Total current liabilities		<u>6,479</u>	<u>4,307</u>
Non-current liabilities			
Lease liabilities		4,681	5,238
Provisions	18	828	923
Total non-current liabilities		<u>5,509</u>	<u>6,161</u>
Total liabilities		<u>11,988</u>	<u>10,468</u>
Net assets		<u>19,289</u>	<u>34,213</u>
Equity			
Issued capital	19	117,529	116,967
Foreign currency translation reserve	20	18	-
Convertible notes		65	65
Share based payments reserve	21	3,057	1,472
Accumulated losses		(101,380)	(84,291)
Total equity		<u>19,289</u>	<u>34,213</u>

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

Micro-X Limited
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Convertible notes \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	84,297	417	-	165	(69,977)	14,902
Loss after income tax expense for the year	-	-	-	-	(14,731)	(14,731)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(14,731)	(14,731)
Conversion of convertible notes (Note 19)	600	-	-	(100)	-	500
Issue of shares - placement	30,500	-	-	-	-	30,500
Capital raising costs	(1,971)	-	-	-	-	(1,971)
Issue of shares - share placement	3,500	-	-	-	-	3,500
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (Note 21)	-	(417)	-	-	417	-
Issue of rights under Employee Equity Plan (Note 21)	-	1,472	-	-	-	1,472
Issue of shares under Employee Gift Plan (Note 19)	41	-	-	-	-	41
Balance at 30 June 2021	<u>116,967</u>	<u>1,472</u>	<u>-</u>	<u>65</u>	<u>(84,291)</u>	<u>34,213</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Micro-X Limited
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital \$'000	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Convertible notes \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	116,967	1,472	-	65	(84,291)	34,213
Loss after income tax expense for the year	-	-	-	-	(17,089)	(17,089)
Other comprehensive income for the year, net of tax	-	-	18	-	-	18
Total comprehensive income for the year	-	-	18	-	(17,089)	(17,071)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of rights under Employee Equity Plan (Note 21)	-	2,047	-	-	-	2,047
Exercise of Rights under Employee Equity Plan (Note 19)	462	(462)	-	-	-	-
Issue of shares in lieu of Cash Payments (Note 19)	27	-	-	-	-	27
Issue of shares under Employee Gift Plan (Note 19)	73	-	-	-	-	73
Balance at 30 June 2022	<u>117,529</u>	<u>3,057</u>	<u>18</u>	<u>65</u>	<u>(101,380)</u>	<u>19,289</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

Micro-X Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		4,099	5,251
Payments to suppliers		(28,285)	(18,298)
Interest received		20	4
R&D incentive tax refunds		2,079	1,955
Interest paid		-	(195)
Grant funding received		378	1,426
Receipts in relation to the ASA MRFF Program		1,413	-
Receipts in relation to the DHS Checkpoint Program		2,468	-
Lease interest payments		(280)	(256)
Net cash used in operating activities	31	(18,108)	(10,113)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,056)	(783)
Payments for intangibles		(56)	(118)
Net cash used in investing activities		(1,112)	(901)
Cash flows from financing activities			
Proceeds from issue of shares		-	34,000
Payments for capital raising costs		-	(1,994)
Repayment of borrowings		-	(8,191)
Repayment of Lease liabilities		(612)	(984)
Net cash from/(used in) financing activities		(612)	22,831
Net increase/(decrease) in cash and cash equivalents		(19,832)	11,817
Cash and cash equivalents at the beginning of the Financial Year		30,135	18,318
Cash and cash equivalents at the end of the Financial Year		10,303	30,135

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 1. General information

The financial statements cover Micro-X Limited as a Group consisting of Micro-X Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Micro-X Limited's functional and presentation currency.

Registered office

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
SA 5042

Principal place of business

A14, 6 MAB Eastern Promenade
1284 South Road, Tonsley
SA 5042

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 29 August 2022.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Going concern

The Group incurred a net loss after tax for the Financial Year ended 30 June 2022 of \$17.1M (year ended June 2021: \$14.7M) and had net cash outflows from operating activities of \$18.1M (year ended June 2021: \$10.1M). The Group had net assets for the Financial Year ended 30 June 2022 of \$19.3M (year ended June 2021: \$34.2M).

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 for the year ended 30 June 2022 included one off investment in the development of the in-house manufactured high powered generator and associated x-ray tube and the Argus IED X-ray Camera which are largely completed;
- the Group has contracted revenues for development work due to be received in FY2023, subject to satisfaction of milestones, under the contracts with the Australian Stroke Alliance for the CT Brain scanner and U.S. Department of Homeland Security for the Miniature baggage scanner and Airport Self Service Portal;
- the Group has invested in building its commercial infrastructure for the Mobile DR division where it expects to generate increased product sales moving forward. The Group also expects to launch its Argus IED X-ray camera in the near term and generate product sales;
- the Group is due to receive approximately \$3.5M from the R&D tax incentive scheme in relation to FY2022 during Q2 FY2023;
- the Group completed a cost reduction programme in July 2022 to realign resources across all four business units and better manage cash resources moving forward. This has resulted in a reduction in corporate overheads of \$1.1M and an overall reduction in cash expenditure (net of engineering contract income) in FY2023 of \$4.5M, before any product sales;
- as the Group is an ASX-listed entity, it has the ability to seek to raise additional funds.

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 2022.

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.

Notwithstanding the above, there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Micro-X Ltd ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Micro-X Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue and Other income

The Group recognises revenue as follows:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally when delivery is organised. The normal credit term is 30 days upon delivery.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions. Refer to the accounting policy on warranty provisions at Note 3.

Engineering Contract Services

The Group recognises revenue from Engineering Contract Services over time.

For fixed-price contracts, such as with the Australian Stroke Alliance and the Department of Homeland Security, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. The Group uses an input method in measuring progress of the consulting services because there is a direct relationship between the Group's effort (i.e., based on the labour hours and project expenses incurred) and the transfer of service to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

When payment for services performed is not due until completion of a relevant project milestone, a contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed to date.

Government subsidies and Grants

Subsidies from the government such as R&D tax incentive rebate, AMGF and MMF Grants are recognised as other income at their fair value where there is reasonable assurance that the grant will be received, the Company will comply with attached conditions and the incentive is readily measurable.

In relation to R&D, as the estimate is reliably measurable, the R&D tax incentive is measured on an accruals basis. Grant funds paid during the year are also being treated on an accruals basis.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Property, plant and equipment

Fixed assets (leasehold improvements, plant & equipment, furniture & fittings and computer equipment) are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Fixtures and fittings	3-7 years
Computer equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The useful life of the DRX Revolution capitalised development costs has been linked to the life of the distribution contract.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

Significant costs associated with intellectual property are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the Financial Year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, rights, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using a Monte-Carlo pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Micro-X Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the Financial Year, adjusted for bonus elements in ordinary shares issued during the Financial Year.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Foreign Currency Translation

Functional and presentation currency:

The financial statements are presented in Australian dollars, which is Micro-X Ltd's functional and presentation currency.

Foreign currency transactions and balances:

Foreign currency transactions are translated into the functional currency of Micro-X Ltd, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations:

Assets and liabilities of the foreign entity are translated into \$AUD at the closing rate. Income and expenses have been translated into \$AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

Comparatives

The consolidated financial statements provide comparative information in respect of the previous period. Comparative figures have been adjusted to conform to changes in presentation for the current Financial Year.

The statement of profit of loss for the year ended 30 June 2022 includes selling and distribution costs. To provide consistent presentation, expenses totalling \$0.21M relating to selling and distribution activities for the year ended 30 June 2021 have been reallocated from office and administrative expenses & other expenses. As a result, \$0.11M and \$0.1M has been reclassified from office and administrative expenses and other expenses respectively.

The statement of cashflows for the year ended 30 June 2022 includes lease interest payments (cash flows from operating activities). To provide consistent presentation, cash outflows totalling \$0.26M relating to the lease interest payments for the year ended 30 June 2021 have been reallocated from repayment of lease liabilities (cash flows from financing activities) to lease interest payments (cashflows from operating activities).

In relation to Note 31, cash outflows totalling \$0.26M relating to lease interest payments for the year ended 30 June 2021 have been reallocated from non-cash finance costs resulting in net cash used in operating activities for 2021 to be (\$10,113.)

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2022. The implementation of these standards did not have a material impact. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Amendments to AASB 101: Classification of Liabilities as Current or Non-current

In January 2020, the AASB issued amendments to paragraphs 69 to 76 of AASB 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The implementation of the standard is not expected to have a material impact on the Group.

Reference to the Conceptual Framework – Amendments to AASB 3

In May 2020, the AASB issued Amendments to AASB 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively and are not expected to impact on the financial statements of the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to AASB 116

In May 2020, the AASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to AASB 137

In May 2020, the AASB issued amendments to AASB 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments

Definition of Accounting Estimates - Amendments to AASB 108

In February 2021, the AASB issued amendments to AASB 108, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

Disclosure of Accounting Policies - Amendments to AASB 101 and AASB Practice Statement 2

In February 2021, the AASB issued amendments to AASB 1 and AASB Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to AASB 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next Financial Year are discussed below.

Share-based payment transactions (Note 21)

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 determined by using the Monte-Carlo model considering the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax and audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Research and development (R&D) tax incentive

The Group is entitled to claim R&D tax incentives in Australia. The R&D tax incentive is calculated using the estimated R&D expenditure multiplied by a 43.5% refundable tax offset. The Group accounts for this incentive as other income within the Statement of Profit or Loss and Other Comprehensive Income.

Warranty provision

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

Note 4. Operating segments

The Group has operations in Australia and the United States (Micro-X Inc) and the UK (Micro-X UK Operation Limited).

The Executive Leadership Group is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business geographically for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Operating segment information

For management purposes, the Group has been split into geographical segments. Due to the fact it was established this Financial Year, Micro-X UK Operations Limited has been aggregated into the Parent Company.

	Micro-X Limited Australia \$'000	Micro-X Inc United States \$,000	Total
Revenue			
Sales to external customers	5,154	3,816	8,970
Other revenue	4,144	-	4,144
Total revenue	<u>9,298</u>	<u>3,816</u>	<u>13,114</u>
Expenses			
Depreciation and amortisation	(1,258)	(174)	(1,432)
Finance costs	(264)	(32)	(296)
Other expenses	(22,996)	(5,479)	(28,475)
Total expenses	<u>(24,518)</u>	<u>(5,685)</u>	<u>(30,203)</u>
Loss before income tax expense	<u>(15,220)</u>	<u>(1,869)</u>	<u>(17,089)</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 4. Operating segments (continued)

	Micro-X Limited Australia \$'000	Micro-X Inc United States \$'000	Total
Total assets	27,685	3,592	31,277
Total Liabilities	(10,454)	(1,534)	(11,988)
Net Assets	<u>17,231</u>	<u>2,058</u>	<u>19,289</u>

Major customers

During the Financial Year ended 30 June 2022 approximately \$2.5M being 28% (2021: N/A) was derived from engineering contract services to the Australian Stroke Alliance (ASA) and \$2.6M being 30% (2021: N/A) relating to engineering contract services to the U.S Department of Homeland Security (DHS).

In addition, 2022 approximately \$2.2M being 24% (2021: \$2.2M being 59%) of the Group's external revenue was derived from sales to Carestream Health.

In August 2022, Carestream announced it was voluntarily filing for reorganisation under Chapter 11 of the United States Bankruptcy Code. Carestream has stated it expects to continue to trade and honour all existing terms and conditions under its contract with the Company.

Note 5. Revenue

	Consolidated	
	2022 \$'000	2021 \$'000
Sale of Goods	3,781	3,642
Engineering contract services	5,189	-
Other Engineering Consulting	-	129
Revenue	<u>8,970</u>	<u>3,771</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2022 \$'000	2021 \$'000
<i>Major product lines</i>		
DRX Revolution Nano	1,614	1,862
Micro-X Rover	1,609	1,410
Engineering Contract Services	5,189	-
Engineering Consulting	-	129
Spare Parts	558	370
	<u>8,970</u>	<u>3,771</u>
<i>Geographical regions</i>		
United States	4,196	747
Asia-Pacific	4,047	2,293
Europe, Middle East & Africa	727	731
	<u>8,970</u>	<u>3,771</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	3,781	3,642
Services transferred over time	5,189	129
	<u>8,970</u>	<u>3,771</u>

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

6. Other Income

	Consolidated	
	2022	2021
	\$'000	\$'000
Interest Received	21	6
Research & Development Tax Incentive Refund	3,655	1,885
Other Government Grants	468	1,121
	<u>4,144</u>	<u>3,012</u>

Note 7. Income tax

	Consolidated	
	2022	2021
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(17,089)	(14,731)
Tax at the statutory tax rate of 25% (2021: 26%)	(4,272)	(3,830)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	1
Share-based payments	489	426
R&D tax incentive income	(914)	(490)
Feedstock adjustment	52	-
R&D expenditure	1,994	1,125
	(2,651)	(2,768)
Current year tax losses not recognised	2,842	2,913
Current year temporary differences not recognised	(191)	(145)
Income tax expense	<u>-</u>	<u>-</u>

The Group has tax losses that arose of \$40.3 million (2021: \$28.5 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the tax losses arose.

Deferred tax assets have not been recognised in respect of these losses as the Group has been loss-making for some time, and there is no evidence of recoverability in the near future.

Note 8. Current assets - trade and other receivables

	Consolidated	
	2022	2021
	\$'000	\$'000
Trade receivables	115	332
R&D tax incentive receivable	3,470	1,895
Other receivables	18	21
	<u>3,603</u>	<u>2,248</u>
GST receivable	152	229
	<u>3,755</u>	<u>2,477</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
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Note 9. Current assets - contract assets

	Consolidated	
	2022	2021
	\$'000	\$'000
Contract assets	1,314	-

Note 10. Current assets - inventories

	Consolidated	
	2022	2021
	\$'000	\$'000
Raw materials	4,395	2,841
Finished goods	1,388	-
	<u>5,783</u>	<u>2,841</u>

Note 11. Current assets - Other Assets

	Consolidated	
	2022	2021
	\$'000	\$'000
Prepayments and deposits	1,589	362

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2022	2021
	\$'000	\$'000
Leasehold improvements - at cost	1,749	1,696
Less: Accumulated depreciation	(535)	(362)
	<u>1,214</u>	<u>1,334</u>
Plant and equipment - at cost	2,446	2,030
Less: Accumulated depreciation	(1,195)	(885)
	<u>1,251</u>	<u>1,145</u>
Fixtures and fittings - at cost	216	128
Less: Accumulated depreciation	(74)	(52)
	<u>142</u>	<u>76</u>
Computer equipment - at cost	518	296
Less: Accumulated depreciation	(234)	(113)
	<u>284</u>	<u>183</u>
Work in progress - at cost	190	-
Total property, plant and equipment	<u>3,081</u>	<u>2,738</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 13. Non-current assets - Right-of-use assets and lease liabilities (continued)

	Consolidated	
	2022	2021
	\$'000	\$'000
As at 1 July	5,837	4,854
Additions/Exchange rate movements	52	646
Modification of lease terms	24	816
Accretion of interest	281	265
Payments	(880)	(744)
As at 30 June	5,314	5,837
Current	633	599
Non-Current	4,681	5,238

Factors considered in determining the life of lease liabilities is discussed at Note 3.

The following are the amounts recognised in profit & loss:

	Consolidated	
	2022	2021
	\$'000	\$'000
Depreciation expense - Right of use assets	715	602
Interest expense - lease liability	281	265
	996	867

Note 14. Non-current assets - intangibles

	Consolidated	
	2022	2021
	\$'000	\$'000
Intellectual property - at cost	59	-
Patents and trademarks - at amortised value	85	129
	144	129

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised development costs \$'000	Patents & Trademarks \$'000	Total \$'000
Balance at 1 July 2020	840	197	1,037
Additions	-	115	115
Amortisation expense	(840)	(183)	(1,023)
Balance at 30 June 2021	-	129	129
Additions	59	-	59
Amortisation expense	-	(44)	(44)
Balance at 30 June 2022	59	85	144

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2022	2021
	\$'000	\$'000
Trade payables	1,304	691
Other payables and accrued expenses	3,062	1,937
	<u>4,366</u>	<u>2,628</u>

Note 16. Current liabilities - contract liabilities

	Consolidated	
	2022	2021
	\$'000	\$'000
Grant funding in advance (AMGF & MMF)	459	501
	<u>459</u>	<u>501</u>

Note 17. Current liabilities - provisions

	Consolidated	
	2022	2021
	\$'000	\$'000
Employee Entitlements	1,021	579
	<u>1,021</u>	<u>579</u>

Note 18. Non-current liabilities - provisions

	Consolidated	
	2022	2021
	\$'000	\$'000
Long service leave	93	201
Lease make good	505	505
Warranties	230	217
	<u>828</u>	<u>923</u>

Note 19. Equity - Issued capital

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	461,454,266	459,701,740	117,529	116,967
	<u>461,454,266</u>	<u>459,701,740</u>	<u>117,529</u>	<u>116,967</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 19. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	357,167,839		84,297
Issue of shares - conversion of convertible notes - (\$0.23 represents conversion at floor price per terms of security)	16 Nov 2020	2,173,914	\$0.230	500
Issue of shares under Employee Gift Plan	23 Dec 2020	110,003	\$0.370	41
Issue of Shares - Placement	05 Feb 2021	89,705,883	\$0.340	30,500
Capital Raising Costs	05 Feb 2021	-	\$0.000	(1,971)
Issue of shares - share placement	24 Feb 2021	10,294,101	\$0.340	3,500
Issue of shares - conversion of convertible notes - (\$0.4 represents conversion per terms of security)	05 Mar 2021	125,000	\$0.400	50
Issue of shares - conversion of convertible notes - (\$0.4 represents conversion per terms of security)	10 Mar 2021	<u>125,000</u>	\$0.400	<u>50</u>
Balance	30 June 2021	459,701,740		116,967
Issue of shares under Employee Gift Plan	30 Sep 2021	223,891	\$0.326	73
Exercise of Rights under Employee Equity Plan	06 Oct 2021	202,114	\$0.370	75
Exercise of Rights under Employee Equity Plan	04 Jan 2022	13,210	\$0.370	5
Exercise of Rights under Employee Equity Plan	15 Feb 2022	178,336	\$0.370	66
Issue of shares in lieu of cash payments for Directors Fees	02 May 2022	149,594	\$0.180	27
Exercise of Rights under Employee Equity Plan	02 May 2022	<u>985,381</u>	\$0.320	<u>316</u>
Balance	30 June 2022	<u>461,454,266</u>		<u>117,529</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 20. Equity - Foreign currency translation reserve

	Consolidated	
	2022 \$'000	2021 \$'000
Exchange differences on translating foreign operations	<u>18</u>	<u>-</u>

Note 21. Equity - Share based payments reserve

	Consolidated	
	2022 \$'000	2021 \$'000
Share-based payments reserve	<u>3,057</u>	<u>1,472</u>

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 21. Equity - Share based payments reserve (continued)

Micro-X issued service rights to all staff and service rights and performance rights, inclusive of short term incentives (STI) and long term incentives (LTI) to Leadership and a subset of other staff under its Employee Equity Plan on 30 September 2021. The rights hold various service and performance conditions which vest over 3 years to 30 September 2024.

Consistent with the Resolutions passed at its AGM on 19 November 2021, Micro-X issued performance rights to its Directors on 22 December 2021. The rights hold various performance conditions which vest over 3 years to 22 December 2024.

The following assumptions have been used:

Valuation Inputs & Conclusions

Description	STI Performance Rights	LTI Service Rights	LTI Performance Rights	Non-Executive Director LTI Performance Rights
Valuation Date	30 Sep 2021	30 Sep 2021	30 Sep 2021	22 Dec 2021
Number of instruments issued	4,211,766	2,636,035	1,911,907	333,337
Spot Price	\$0.330	\$0.330	\$0.330	\$0.255
Exercise Price	Nil	Nil	Nil	Nil
Life (Years)	0.9	3	3	3
Volatility*	70%	70%	70%	70%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Risk Free Rate	0.03%	0.03% to 0.25%	0.25%	0.89%
Assessed Value	\$0.330	\$0.330	\$0.199	\$0.152

*Based on historical volatility of Micro-X shares and comparable companies.

The fair value of the rights expensed for the year ended June 2022 was \$2.047 million.

Set out below are the movements of rights held by Non-Executive Directors and Key Management Personnel during the Financial Year.

	Held at 1 July 2021	Granted as Remuneration	Exercised or Expired	Held at 30 June 2022	Average Fair Value per Right at Grant Date
Rights issued under Employee Equity Plan	7,049,767 ¹	5,521,628	(1,427,848)	11,143,447	\$0.298

1. D Pini was appointed to Key Management Personnel on 1 July 2021, increasing the opening value of rights held.

The following table illustrates the number and weighted average fair value (WAFV) at grant date of, and movement in, rights held by all participants during the Financial Year:

	2022 Number	2022 WAFV	2021 Number	2022 WAFV
Outstanding at 1 July	9,678,962	\$0.319	9,678,962	\$0.319
Granted during the Financial Year	9,093,045	\$0.300	-	\$0.000
Exercised during the Financial Year	(1,379,041)	\$0.334	-	\$0.000
Expired during the Financial year	(1,723,818)	\$0.355	-	\$0.000
Outstanding at 30 June	15,669,148	\$0.308	9,678,962	\$0.319

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and the directors as part of their remuneration, and other parties as part of their compensation for services.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 21. Equity - Share based payments reserve (continued)

Movements in reserves

Movements in each class of reserve during the current and previous Financial Year are set out below:

Consolidated	Share-based payment reserve \$'000	Total \$'000
Balance at 1 July 2020	417	417
Share rights expense ¹	1,472	1,472
Share option equity movement ²	(417)	(417)
	<hr/>	<hr/>
Balance at 30 June 2021	1,472	1,472
Share rights expense ¹	2,047	2,047
Share right equity movement ²	(462)	(462)
	<hr/>	<hr/>
Balance at 30 June 2022	<u>3,057</u>	<u>3,057</u>

1 Employee Equity Plan - amortisation expense of rights granted

2 Value of rights/options transferred to retained earnings on exercise or when lapsed due to expiry.

Note 22. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous Financial Year.

Note 23. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Unless otherwise stated, there have been no changes from the previous reporting period in the Company's exposures to risks related to financial instruments, or how those risks arise.

Market risk

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar (USD).

Price risk

The Group is not exposed to any significant price risk.

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 23. Financial instruments (continued)

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the company's cash deposits with floating interest rates. These financial assets with variable rates expose the Company to interest rate risk.

All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

At the balance date the company had the following financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Cash at bank of \$10.3M (2021: \$30.1M). The sensitivity of the cash at bank balance to changes in interest rate (of +/-1%) equates to +/- \$103,030 (2021: +/- \$301,350). The sensitivity of 1% is based on reasonable, possible changes, over a Financial Year, using the observed range of actual historical short-term deposit rate movements and management's expectation of future movements.

Credit risk

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables.

The cash balances are held in financial institutions with high ratings and the trade and other receivables relate to:

- (i) amounts receivable from a substantial trade debtor with a strong credit standing;
- (ii) goods and services tax receivable from the Australian Tax Office (ATO);
- (iii) estimated R&D tax incentive receivable from the ATO.

The company has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Trade payables are generally payable on 30-day terms.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 23. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,304	-	-	-	1,304
<i>Interest-bearing - variable</i>						
Lease liability	5.00%	633	719	1,870	2,092	5,314
Total non-derivatives		<u>1,937</u>	<u>719</u>	<u>1,870</u>	<u>2,092</u>	<u>6,618</u>

Consolidated - 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	691	-	-	-	691
<i>Interest-bearing - variable</i>						
Lease liability	5.00%	599	639	1,990	2,609	5,837
Total non-derivatives		<u>1,290</u>	<u>639</u>	<u>1,990</u>	<u>2,609</u>	<u>6,528</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	2,142,900	1,581,580
Post-employment benefits	253,854	171,296
Share-based payments	1,236,374	1,158,902
	<u>3,633,128</u>	<u>2,911,778</u>

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 24. Key management personnel disclosures (continued)

Consistent with the prior year. Key Management Personnel were granted rights under the Employee Equity Plan on 30 September 2021.

The Share-based payments above relate to the amortisation of the fair value of the grant of rights made to the KMP during the year and do not necessarily reflect the cash value that may be realised upon vesting and exercising of the rights.

Note 25. Remuneration of auditors

During the Financial Year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the Company:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	100,395	118,757
<i>Other services - Grant Thornton</i>		
Other services	-	12,965
	100,395	131,722

Note 26. Contingent liabilities

The company has no contingent liabilities as at 30 June 2022.

Note 27. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

There were no other transactions with related parties during the current and previous Financial Year.

Receivable from and payable to related parties

Noted as at reporting date, a \$62,194 payable to Patrick O'Brien is included within trade payables for director fees invoiced at 30 June 2022.

There were no other trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 28. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 \$'000	2021 \$'000
Loss after income tax	(17,131)	(14,731)
Total comprehensive income	(17,131)	(14,731)

Statement of financial position

	Parent	
	2022 \$'000	2021 \$'000
Total current assets	18,916	35,815
Total assets	27,674	44,681
Total current liabilities	7,309	4,307
Total liabilities	8,348	10,468
Equity		
Issued capital	117,529	116,967
Foreign currency translation reserve	97	-
Convertible notes	65	65
Share-based payments reserve	3,057	1,472
Accumulated losses	(101,422)	(84,291)
Total equity	19,326	34,213

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 2022 and 2021.

Capital commitments - Property, plant and equipment
The parent entity has no capital commitments for property, plant and equipment as at 2022.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Micro-X Incorporated	USA	100%	100%
Micro-X UK Operations Limited (Registered 2 September 2021)	United Kingdom	100%	-

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022	2021
	\$'000	\$'000
Loss after income tax expense for the year	(17,089)	(14,731)
Adjustments for:		
Depreciation and amortisation	1,432	2,294
Share-based payments	1,954	1,678
Non-cash finance costs	86	164
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,592)	2,433
Increase/(decrease) in trade and other payables	709	(1,585)
Increase in employee benefits	320	782
Increase in inventories	(2,887)	(1,026)
Increase in unearned income	(41)	(122)
Net cash used in operating activities	<u>(18,108)</u>	<u>(10,113)</u>

The statement of cashflows for the year ended 30 June 2022 includes lease interest payments (cash flows from operating activities). To provide consistent presentation, cash outflows totalling \$0.26M relating to lease interest payments for the year ended 30 June 2021 have been reallocated from non-cash finance costs resulting in net cash used in operating activities in 2021 being (\$10,113).

Note 32. Earnings per share

	Consolidated	
	2022	2021
	\$'000	\$'000
Loss after income tax attributable to the owners of Micro-X Limited	<u>(17,089)</u>	<u>(14,731)</u>
	Cents	Cents
Basic earnings per share	(3.71)	(3.70)
Diluted earnings per share	(3.71)	(3.70)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>460,277,186</u>	<u>398,120,343</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>460,277,186</u>	<u>398,120,343</u>

Micro-X Limited
Notes to the financial statements
For the year ended 30 June 2022

Note 32. Earnings per share (continued)

The weighted average number of shares does not include the potential number of ordinary shares upon take-up of rights and the conversion of the mandatorily convertible notes.

The potential number of shares on conversion of the April 2018 mandatorily convertible notes which are unconverted is 162,500 ordinary shares based on conversion prices of \$0.40 (Ceiling Cap).

Basic EPS is calculated by dividing the loss for the year attributable to ordinary equity holders of the group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. It is noted that diluted EPS cannot be calculated on the loss for the year and accordingly the diluted EPS equals the basic EPS.

DIRECTORS' DECLARATION

Micro-X Limited
Directors' declaration
For the year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the Financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Knox
Non-Executive Chair

29 August 2022

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Members of Micro-X Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Micro-X Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$17,089,000 during the year ended 30 June 2022 and operating cash outflows of \$18,108,000. 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 doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of research and development tax incentive – Notes 2, 3, 6 and 8</p> <p>The Group receives a research and development (R&D) refundable tax offset from the Australian government, which represents 43.5 cents in each dollar of eligible annual R&D expenditure if its turnover is less than \$20 million per annum. Registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.</p> <p>Management reviewed the Group's total R&D expenditure to estimate the refundable tax offset receivable under the R&D tax incentive legislation.</p> <p>This area is a key audit matter due to the size of the accrual and the degree of judgment and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • obtaining through discussions with management an understanding of the process to estimate the claim; • utilising an internal R&D tax specialist to; <ul style="list-style-type: none"> – review the expenditure methodology employed by management for consistency with the R&D tax offset rules; and – consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • comparing the nature of the R&D expenditure included in the current year estimate to the prior year's claim; • testing a sample of R&D expenditure and agreeing to supporting documentation to ensure appropriate classification, the validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria; • assessing the appropriateness of the financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report**Opinion on the remuneration report**

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Micro-X Ltd, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J. L. Humphrey
Partner - Audit & Assurance

Adelaide, 29 August 2022

SHAREHOLDER INFORMATION

Micro-X Limited Shareholder information For the year ended 30 June 2022

The shareholder information set out below was applicable as at 19 August 2022.

The total number of shareholders is 4,088 and there are 461,504,991 ordinary fully paid shares on issue.

There are a further 15,338,102 unquoted performance rights over fully paid ordinary shares issued under the Employee Equity Plan, which are held by 65 participants. During the year ended 30 June 2022 the following grants of performance rights were made:

Grant Date	Exercise Price	Number of Holders	Number on Issue	Number of Restricted Securities	Release Date (If Applicable)
30 September 2021 - Employee ¹	\$0.000	79	8,759,708	-	-
22 December 2021 - Non-Executive Directors ²	\$0.000	5	333,337	-	-

1. As part of the Employee Equity Plan including both short term incentives and long term incentives for employees, 8,759,708 rights (including performance rights and service rights) were issued on 30 September 2021. The rights hold various service and performance conditions which will be assessed and potentially vest on 31 August 2022 (short term incentives) and 30 September 2024 (long term incentives).

2. Consistent with the Resolutions passed at the AGM on 19 November 2021, the Company issued 333,337 performance rights to the five Non-Executive Directors who were appointed as at 22 December 2021 as part of the Employee Equity Plan. These performance rights hold various performance conditions which will be assessed and potentially vest on 22 December 2024.

Accounting for previous grants, as well as conversion and expiry of 3,433,905 performance rights on issue, there are 15,338,102 unquoted rights over fully paid ordinary shares issued which are held by 65 participants as at 19 August 2022

There are 650 unlisted convertible notes of face value \$100 per Note as follows:

Convertible Notes Maturity Date	Note Conversion Price	Number of Holders	Number on Issue	Number of Restricted Securities	Release Date (If Applicable)
Perpetuity	\$0.400	3	650	-	-

Distribution of Securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	86	-	-	-
1,001 to 5,000	1,088	0.72	-	-
5,001 to 10,000	675	1.17	-	-
10,001 to 100,000	1,753	14.21	-	-
100,001 and over	486	83.90	-	-
	<u>4,088</u>	<u>100.00</u>	<u>-</u>	<u>-</u>
Holding less than a marketable parcel	<u>799</u>	-	-	-

There are 799 holders (with a total of 1,699,500 shares) holding less than a marketable parcel.

SHAREHOLDER INFORMATION CONT'D

Micro-X Limited
Shareholder information
For the year ended 30 June 2022

Equity security holders

Twenty largest equity security holders

The names of the twenty largest security holders of equity securities are listed below:

	Ordinary shares	% of total
	Number held	shares
		issued
NATIONAL NOMINEES LIMITED	50,916,440	11.03
UBS NOMINEES PTY LTD	39,698,006	8.60
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	35,506,627	7.69
BNP PARIBAS NOMINEES PTY LTD (DRP)	22,775,429	4.94
CITICORP NOMINEES PTY LIMITED	22,445,512	4.86
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	18,277,935	3.96
MR PETER ROBIN ROWLAND	11,950,000	2.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,067,620	1.97
LONSDALE NOMINEES PTY LTD (THE LONSDALE FUND A/C)	5,904,601	1.28
MR LENNIE FRANKLIN DAVID	4,966,867	1.08
HARMAN NOMINEES PTY LTD (HARMANIS INVESTMENT)	4,816,556	1.04
BRONTE INVESTMENTS PTY LTD (MCMAHON SUPERANNUATION A/C)	4,600,279	1.00
MEDDISCOPE PTY LTD (PODESTA FAMILY A/C)	3,244,565	0.70
ANGLESEA INVESTMENTS PTY LIMITED (DAMIEN OBRIEN FAMILY A/C)	2,766,379	0.60
GOWING BROS LIMITED	2,752,858	0.60
VABEN PTY LTD (THE VABEN SUPERANNUATION A/C)	2,565,931	0.56
KANAT NOMINEES PTY LTD (AARON KANAT ML A/C)	2,420,828	0.52
CHARLI JORDAN PTY LIMITED (MOLLOY SETTLEMENT A/C)	2,400,000	0.52
ANTIPODEAN NOMINEES PTY LTD (ANTIPODEAN FAMILY A/C)	2,168,237	0.47
COMO GROUP HOLDINGS PTY LED (KIRKWOOD SUPER FUND A/C)	2,090,000	0.45
	<u>251,334,670</u>	<u>54.46</u>

Substantial holders in the company, as disclosed in substantial holding notices given to the company, are set out below:

	Ordinary shares	% of total
	Number held	Shares
		issued
Perennial Value Management Limited	67,472,215	14.62
TIGA Trading Pty Ltd and Thorney Technologies Limited	26,282,972	5.70
Acorn Capital Limited	24,324,957	5.27
AustralianSuper Pty Ltd	23,810,480	5.16

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shares subject to escrow (Restricted Securities)

Voting rights relating to shares subject to escrow are the same as for ordinary shares except that, during a breach of the ASX Listing Rules relating to Shares which are Restricted Securities, or a breach of a restriction agreement, the holder of the relevant Restricted Securities is not entitled to any voting rights in respect of those Restricted Securities.

Performance Rights, Service Rights, Options and Convertible Notes

Performance Rights, Service Rights, Options and Convertible Notes do not have voting rights attached
There are no other classes of equity securities.

CORPORATE DIRECTORY

DIRECTORS

David Knox (Chair)

Peter Rowland (Managing Director)

Alexander Gosling (Non-Executive Director)

Yasmin King (Non-Executive Director)

Patrick O'Brien (Non-Executive Director)

James McDowell (Non-Executive Director)

Ilona Meyer (Non-Executive Director) –
Appointed 7 March 2022

COMPANY SECRETARY

Kingsley Hall

REGISTERED OFFICE

A14, 6 MAB Eastern Promenade
1284 South Road
Tonsley SA 5042

PRINCIPAL PLACE OF BUSINESS

A14, 6 MAB Eastern Promenade
1284 South Road
Tonsley SA 5042

SHARE REGISTER

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067

Phone: 1300 555 159 (within Australia)

Phone: +61 3 9415 4000 (outside Australia)

AUDITOR

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide SA 5000

Phone: +61 8 8372 6666

LEGAL

Thompson Geer
Level 14, 60 Martin Place
Sydney NSW 2000

STOCK EXCHANGE LISTING

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

WEBSITE

www.micro-x.com

