MICRO-X

Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Micro-X Ltd
ABN:	21 153 273 735
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	120%	to	4,251
Loss from ordinary activities after tax attributable to the owners of Micro-X Ltd	up	2%	to	(10,067)
Loss for the year attributable to the owners of Micro-X Ltd	up	2%	to	(10,067)

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

Comments
The loss for the Group after providing for income tax amounted to $10,067,000 (30 June 2019: $9,834,000).

Refer to the Director's report in the 2020 Annual Report for additional information in the results during the financial year.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.60	(3.08)

The Group has treated the Right of Use asset as an intangible asset when calculating the Net tangible assets per ordinary security.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding: Reporting period %	Reporting entity's percentage holding: Previous period %	Contribution to profit/(loss) (where material): Reporting period $'000	Contribution to profit/(loss) (where material): Previous period $'000
XinRay Systems Inc.	-	-	-	(231)
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	(231)
Income tax on operating activities			-	-

The Group disposed of the investment in XinRay Systems Inc during the prior period.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Financial Report of Micro-X Ltd for the year ended 30 June 2020 is attached.

12. Signed

Signed ______________________________ Date: 28 August 2020

Patrick O'Brien
Non-Executive Chairman

FAST BECOMING A COMMERCIAL SUCCESS

MICRO-X

ANNUAL REPORT 2020

ABOUT MICRO-X

Micro-X Limited (ASX: MX1) is a technology and product manufacturing company focused on global medical and security markets. We have developed world-leading, proprietary technology for miniaturising X-ray sources. Our technology has the potential to revolutionise the use and applications of X-ray imaging across the world and will be used as the platform for all Micro-X's future product developments.

Micro-X's first suite of X-ray products, currently in production and in use in 14 countries around the world provides mobile medical diagnostic imaging in acute hospitals, clinics and in deployed military medical facilities.

Micro-X is proudly an Australian company with a state-of-the-art manufacturing facility in Adelaide supported by a highly skilled team of scientists, engineers, technicians and management.

Contents

The world has changed markedly this year with the COVID-19 pandemic — a catalyst for much disruption to the global economy and everyone's lives.

For Micro-X as a producer of equipment for diagnostic lung imaging, this health crisis has accelerated our transition to become a commercially successful and recognised supplier of high-technology medical devices.

This Annual Report highlights:

> How we achieved success in 2020

> How we will build and strengthen our commercial position

> Why we are confident that we will continue to create long term value

A NEW ERA IN X-RAY

A world first

X-ray tubes really haven't changed since Willhelm Röntgen X-rayed his wife's hand in 1895 – they all use a heated filament like the old-fashioned incandescent light bulb, to generate electrons inside a vacuum tube to create X-rays. The hotter the filament, the more electrons you get and the more X-rays you get. And, like light bulbs, the hot filament often breaks.

Micro-X was the first company to bring a medical product to market using an X-ray tube with a cold electron source material, simply controlled by a small voltage. This tube technology gives Micro-X's product designers a number of huge advantages over using conventional technology tubes: much lower weight (great for portable equipment); much smaller size (great for making equipment smaller) and more energy efficient (great if you're running off batteries). But most importantly the precise and instantaneous electronic control of X-ray generation opens up a world of new applications that X-ray tubes can now do with new products that can be created.

5x

Smaller than a traditional mobile X-ray

$10.6b

The **global market** for mobile X-ray was estimated at US$5.4b at the end of 2019 and forecast to grow to US$10.6b by 2024

↓ **500kg**

Lighter than many mobile X-ray units

Thinking small is big

Our technology allows us to drive the size of X-ray imaging equipment smaller and smaller, offering customers new ways and new uses for X-ray imaging.

But the most exciting new applications involve arrays of miniature X-ray sources which can be electronically switched in sequence to produce a moving X-ray beam from stationary components. Conventional CT scanners rotate a giant X-ray tube quickly in a gantry to scan patients and Micro-X's technology can do this with no moving parts.

Our CNT emitter and X-ray tube technology developed and manufactured in Adelaide ushers in a new era in X-ray.

WORLD-CLASS PRODUCTS IN GROWING MARKETS

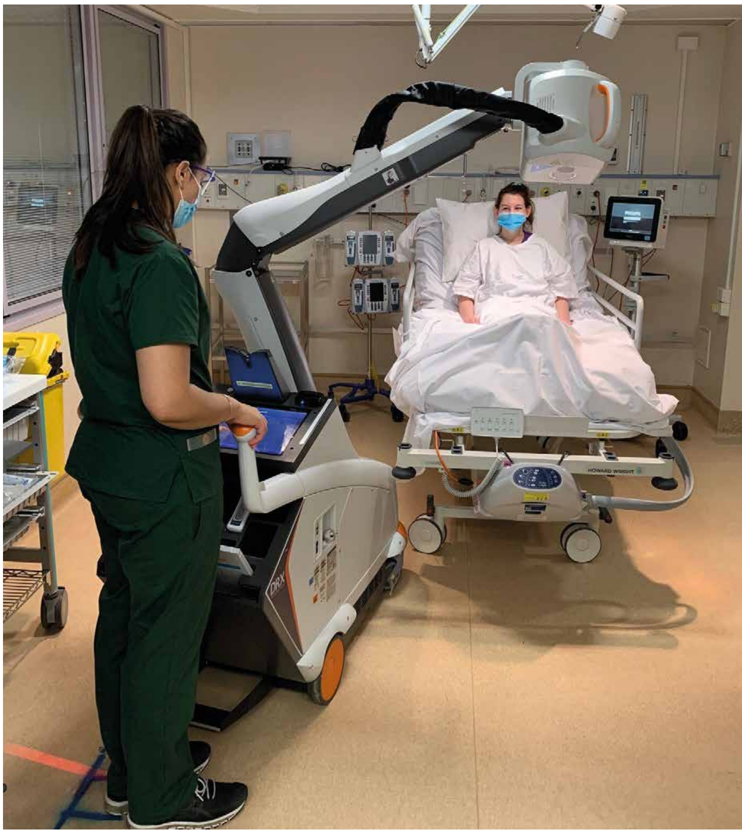
Driven by international demand

NANO

Now operating in 14 countries

The Carestream DRX-Revolution Nano, known as 'Nano' is an ultra-lightweight, fully integrated digital mobile X-ray for bedside imaging in hospital wards and intensive care units. Bedside imaging was first introduced because of the risks of moving an ICU patient on life support to a radiology room, but its use has been growing steadily in other areas of the hospitals with increasing efficiencies in staff workflow from performing imaging on the wards. The recent coronavirus pandemic has accelerated the trend towards in-bed imaging due to the cross-infection risks posed by moving even ambulatory patients around a hospital.

The Nano was designed for high-intensity workflow such as the daily early morning rush to get fresh radiology available for Doctors' ward rounds. The small size, ease of manoeuvrability and positioning with many features to speed the imaging procedure have generated much admiration amongst users, one commenting "this unit was obviously designed by radiographers".



> Small & portable – 95kgs compared to 350 to 600kgs

> Approvals – FDA, CE Mark and TGA

> Sold into global markets ~ 14 countries already

> Proven reliability + strong customer feedback

$500m

Addressable global market and approved for sale in 40 countries

ROVER

Purpose-designed for military deployed hospitals and humanitarian aid

Hospital-grade medical imaging hasn't been available to the military for deployable facilities because the limitations of the floor surface in tented hospitals prevents the use of 350 – 600kg X-ray units. Equipment originally designed for small-animal veterinary applications is currently found in most such deployed facilities and unsatisfactory diagnostic imaging is commonly reported.

Rover now offers full diagnostic imaging capability in a package around 95kg. The unit is ruggedised and optimised for the high-intensity use associated with mass casualty situations in difficult environments. Specific features desired by military users include: high ground clearance; battery operation with 10hr endurance and swappable battery pack; increased X-ray power for challenging trauma exams; lifting handles and a reinforced belly for moving around warships; and flexible image communication options.

> Originally developed under a contract from the Australian Department of Defence

> Limited competition

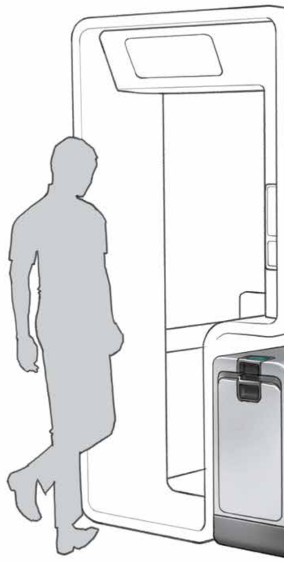
> Used in remote and difficult conflict areas and humanitarian disasters

> FDA Approval received

$170m

Addressable global market in NATO countries

Addresses the unmet need for a full performance digital mobile X-ray imager in deployed facilities.



AN INNOVATIVE PIPELINE OF PRODUCTS

New products in early stage development for security and new medical markets

BACKSCATTER IMAGING

Counter-terrorism X-ray bomb imager carried by robots

Micro-X's concept for this new, remote-viewing X-ray imaging 'camera' designed to save bomb disposal technicians lives was proven under a contract from the Australian Department of Defence.

Many terrorist bombs or Improvised Explosive Devices, are designed to be victim-initiated so the normal X-ray assessment process is hazardous. This X-ray 'camera' can be carried by a robot and a high-resolution X-ray image viewed remotely to guide make-safe disruption by the technician.

> **Low competition and currently unaddressed market**

$1.8b

Addressable global market

FUTURE AIRPORT CHECKPOINT PORTAL

The self-service checkpoint of the future

Based on the work Micro-X is already undertaking for the UK Government's Department for Transport, a blend of backscatter and transmission X-ray provides three-dimensional imaging of carry-on luggage which can be used for automated threat detection. Micro-X's unique technology makes an X-ray unit small enough to be integrated with a body-scanner and passport reader in an access control gate for a fully automated checkpoint requiring security staff only for alarm resolution.

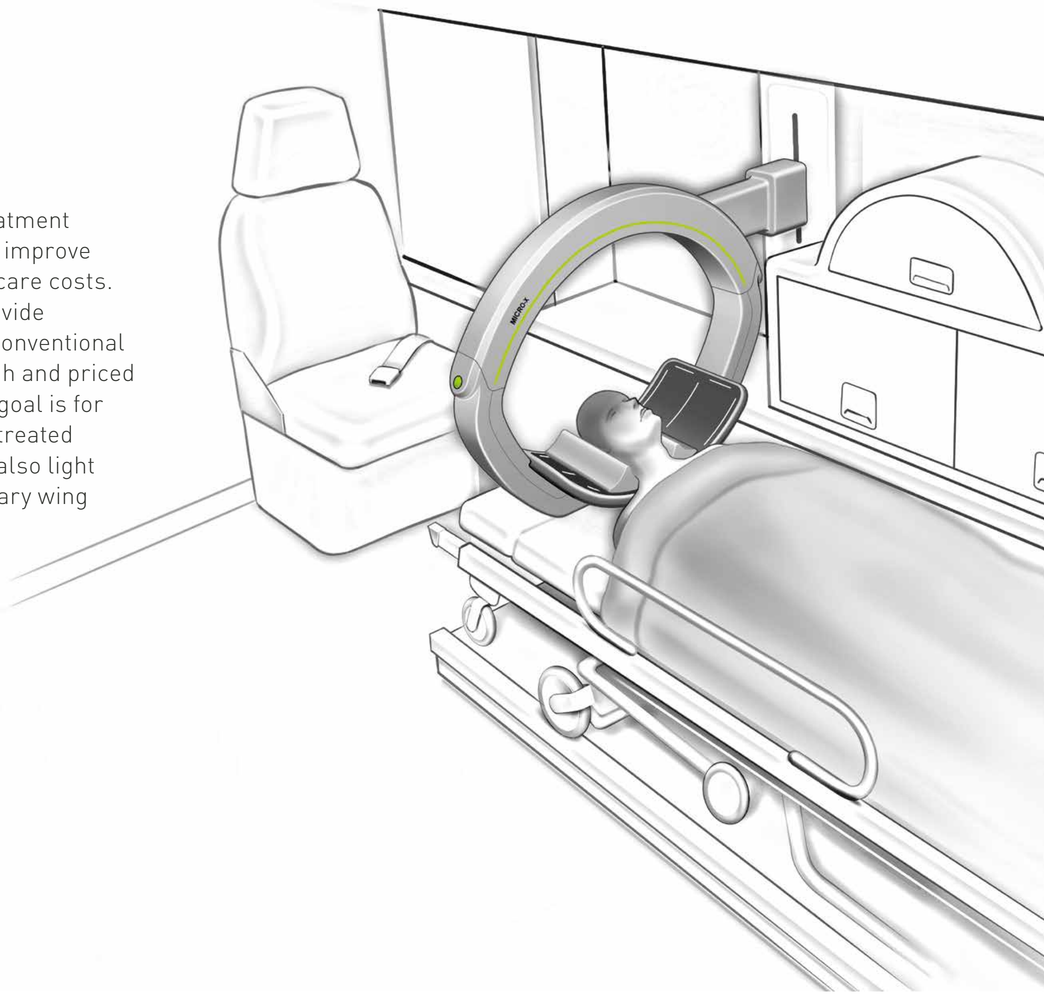
> **Concept reimagines the future of airport checkpoints based on self-service model**

TOMO

Affordable stroke diagnosis in ambulances

Early diagnosis and pre-hospital treatment of strokes has been shown to hugely improve patient outcomes and reduce healthcare costs. Micro-X's 'Ring Scanner' aims to provide comparable diagnostic images to a conventional helical CT scan in a unit small enough and priced to be fitted in every ambulance. The goal is for the majority of stroke patients to be treated within the 'Golden Hour'. The unit is also light enough to be deployed in fixed or rotary wing air ambulances.

> **Potential to be a game changer in modern day stroke treatment**



$25b

Addressable global market

WORLD CLASS MANUFACTURING

Quality and efficiency learned from the automotive industry

Micro-X's state-of-the-art advanced manufacturing facility which now spans over 2,000m^2 is located in the award-winning South Australian Tonsley Innovation District. Established in 2015, the facility houses design, production and testing of Micro-X's suite of products and operates a quality management system accredited to ISO 13485.

Micro-X has taken the world leading principles of the automotive industry such as lean manufacturing, continuous improvement and built-in quality and applied them to medical device manufacturing.

Micro-X's highly skilled production operators are cross-trained throughout multiple areas. This allows us to react flexibly to high demand with short notice.

The application of global best practices along with our highly skilled workforce has resulted in a lower cost, high yield production line.

Micro-X is proud to have established and will maintain Australian manufacturing operations as the core of our business to reduce supply chain risk, maintain quality and ensure the continual development of optimal manufacturing processes. Our goal is to have 95% of our supply chain Australian.

Expansion Features

> $4 million invested to meet demand as a result of COVID-19

> Multiple production lines with capacity to upscale further

> Flexible production lines integrating Nano and Rover so that customer demand is easily met

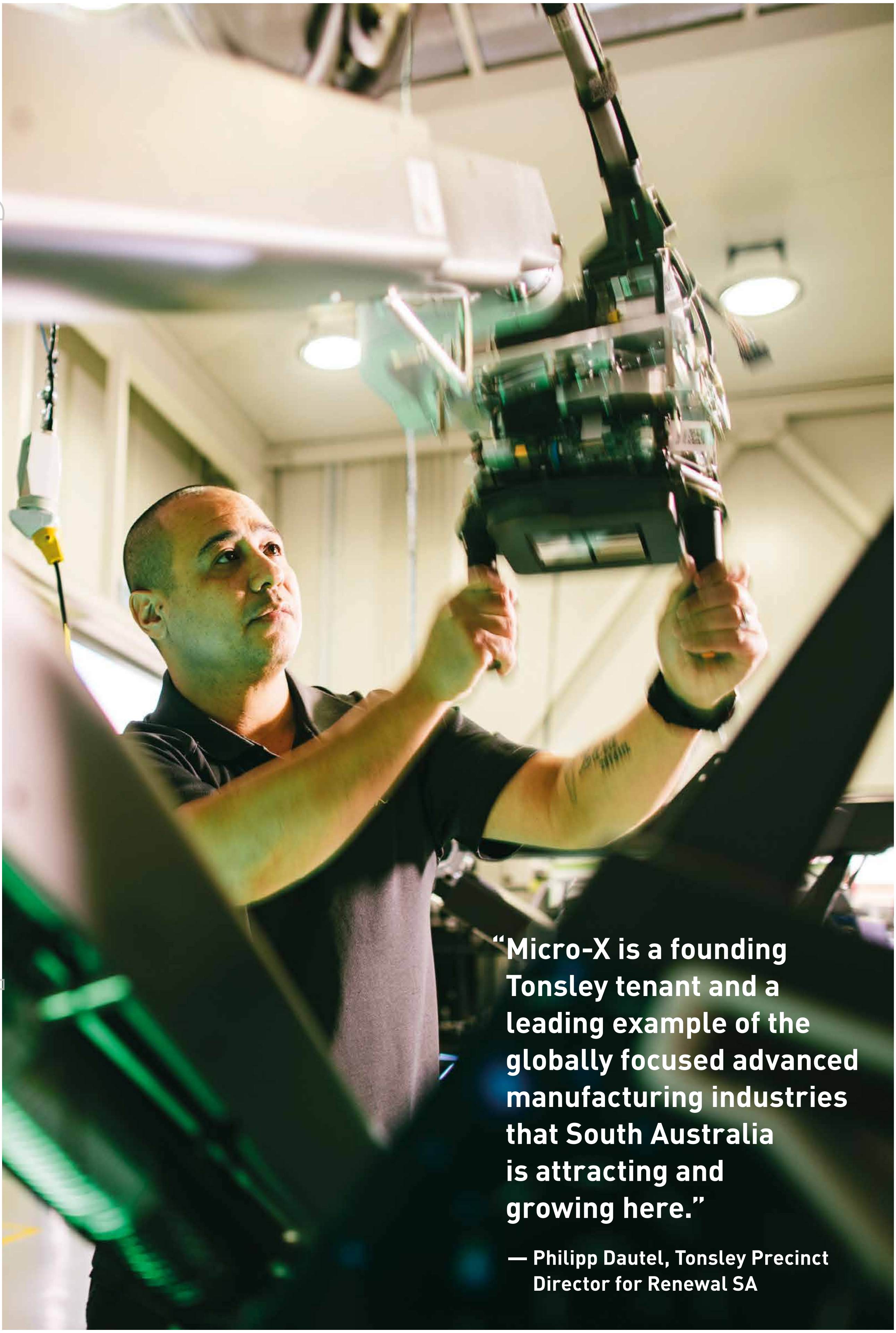
> Engineering, production and warehousing under a single roof

0

Warranty claims since production began

2 Nanos

Production capacity a day


"Micro-X is a founding Tonsley tenant and a leading example of the globally focused advanced manufacturing industries that South Australia is attracting and growing here."
— Philipp Dautel, Tonsley Precinct Director for Renewal SA

FY2020 KEY ACHIEVEMENTS

$3.8m
Nano sales

14
Countries where Nano is operating

In-sourcing new proprietary X-ray technology

Rover US FDA **submission and clearance**

2 Nanos
Daily capacity

$30m
Balance sheet strengthened

Expansion
of Tonsley facility for future proofing

Strengthened
leadership and Board expertise

FY2021 MILESTONES

Increasing
sales to deliver on COVID-19 demand

Rover Sales
to other buyers

High power generator — complete and installed

First Rover
commercial sales to US Military

Airport Security
operational imaging prototype

Mobile backscatter imager
initial imaging demonstration

Rover Mk II
New product with increased performance capability

CHAIRMAN'S LETTER

Patrick O'Brien

This year has been one of important achievements for Micro-X across the board, as we delivered our Nano mobile X-ray to customers around the world and have underpinned our future with production expansion and approval for sale of our second mobile X-ray product.

It is my great pleasure to report on the significant commercial and technical progress that Micro-X has made during the year. These developments stand us in good stead as we work towards creating substantial value for our shareholders.

Since our founding in 2012 we have remained convinced of the huge opportunity that our next generation technology offers in global medical and security markets. The product differentiation which our carbon nanotube technology brings is unique and we see increasingly frequent global recognition of our leadership position in this area. We have a clear product roadmap and the performance of our products, now in service around the world, shows that our design and manufacturing teams have the capability to deliver enviable quality.

Our most important achievement this year was being able to rapidly expand to deliver the increased volumes of the Carestream DRX-Revolution Nano required to support medical communities around the world as they fought the evolving COVID-19 pandemic. We were proactive in adjusting our strategy to the rapid changes which occurred in the market demand for mobile X-rays; increasing production capacity and capabilities, holding more inventory to meet increased demand and positioning ourselves to react to shortened delivery times. We are now far better placed to react to further Nano sales opportunities.

The importance of our policy to vertically integrate and maximise local procurement also brought benefits this year with the disruption in supply chains and air freight brought about by the pandemic. After our success in 2019 in-sourcing X-ray tube manufacture, this year we commenced the engineering design for an in-house high voltage generator. Once fitted to both Nano and Rover products in early 2021,

We have been proactive in our approach to the rapidly changing market for mobile X-rays, adjusting our strategy as required to meet the evolving challenges.

this will bring our total Australian manufactured content to over 95% and further improve our margins.

Last September we were very pleased to have the Premier of South Australia, The Hon Steven Marshall MP, officially open the expansion of our Tonsley facility in Adelaide and simultaneously to welcome a large number of shareholders to our Investor Open Day. This extra space has been vital as we moved to ramp up manufacturing, new product development and testing.

In the immediate term, however, our focus remains on sales and commercial progress, capitalising on the recent rapid expansion in the global installed base of Nano units. Receiving our US FDA clearance for the Rover allows our recently enlarged marketing and sales team to move up a gear in their pursuit of early sales of this highly differentiated product.

In order to deliver on these goals, we have strengthened our balance sheet and our leadership team so that we can drive future growth. We appreciate the support of investors, both longstanding and new, who have provided us with over $30 million in deployable funds this year and the Company is now well capitalised for the journey to break-even. The expansion of our board and expertise is an ongoing process and this year we were very pleased to have David Knox join us as a non-executive director, with his wealth of commercial experience domestically and internationally.

Finally, I would like to thank our strong management team led by the Managing Director, Peter Rowland, who continue to work tirelessly to deliver for you, the shareholders of Micro-X.

Patrick O'Brien
Chairman

CEO'S REPORT

Peter Rowland

This year Micro-X has transformed into a true commercial-stage company. With a strong balance sheet and two products now commercial, we have set our sights to capture the opportunity before us and drive shareholder returns in 2021 and beyond.

I believe the stage has been set for us to enjoy an exceptional future.

Transforming Micro-X into a commercial success

I am very pleased to report on a successful year for Micro-X, in which we achieved many significant strategic and tactical milestones across our business. These included the commercialisation of Nano moving up a gear with increased production and sales; first regulatory approval of Rover; expansion of our Tonsley facility; tripling of production throughput capacity; in-sourcing of our own proprietary CNT emitter and X-ray tube manufacturing and ending an unhappy history with our former supplier; a second development contract from the UK Government on airport checkpoint security; a design start on in-sourcing our own high-voltage generator; a major technological advancement on our counter-terrorism backscatter imaging technology and a major leap in proving motionless CT imaging for stroke diagnosis.

I believe the stage has been set for us to enjoy an exceptional future as the scale of commercial value which our technology can deliver through novel products becomes evident. For both Micro-X and the global environment in which we operate, the beginning and end of this last financial year look so very different. The year began with Nano sales growing modestly for the first two quarters. This all changed drastically as the coronavirus pandemic spread across continents and we began to receive a surge of Nano orders.

As demand outstripped supply the whole market for mobile radiography changed almost overnight.

We changed strategy to capture as much of this new market demand as we could by rapidly ramping up production and drastically reducing delivery times.

We then raised capital to better position ourselves to take advantage of the market disruption as we transitioned Micro-X from a technology developer into a fully-fledged commercial enterprise.

The year also saw the emergence of our second commercial product, the Rover, as we transitioned through design completion and safety testing early in the year to achieving FDA approval in July 2020. The credibility attaching to Rover's genesis with the Australian Army underpins our sales strategy for close engagement with related military users in the United States and the armed forces in other NATO countries. There is a growing realisation also among the military medical fraternity that now, for the first time, hospital-grade radiology that they have always wanted is available in a deployable size and weight.

In parallel with expanding commercial activities this year we made a design breakthrough on our Mobile Backscatter Imager for robotic imaging of potential IED threats and we are also very excited to see the imaging performance results of our brain CT scanner, designed for stroke diagnosis in ambulances.

I am pleased therefore to present a report on the progress made throughout the year and on the future plans and outlook for the Company.

Building Nano sales in a global pandemic

During the year we were very proud that our Australian-born technology, the DRX-Revolution Nano, helped play a small part in the global fight against COVID-19. The rapid development of this health crisis meant that existing radiology assets were quickly overwhelmed and hospitals and health authorities were issuing tenders for mobile X ray units, looking for almost immediate delivery times. Suppliers offering anything beyond 4 weeks were excluded from consideration, contrasting with the normal hospital procurement cycle which is often 90 days from first demonstration to installation.

In many patients with COVID-19 infection, an inflammatory response to the virus in the lungs causes a build-up of fluid there which, like pneumonia symptoms, can be easily and rapidly seen as 'ground glass' on a chest X-ray. Thus patients presenting at hospitals with any breathing difficulties will be given a chest X-ray which, long before blood or saliva tests can confirm the presence of the virus, will ascertain if pulmonary infiltration is present and severe enough to warrant either admission or an ICU bed. Thereafter chest X-rays are used daily to monitor the progression of the disease.

The World Health Organisation has recommended mobile units for chest X-ray imaging since use of fixed-room projection or CT X-ray is not only unnecessary but also ties up these valuable assets for the long periods associated with disinfection of such large equipment after each procedure. The global surge in patients in hospitals, intensive care units and temporary COVID isolation wards has led to a rapidly growing need for bedside radiology and improved isolation of contagious patients from the rest of the hospital.

The feedback from Nano users dealing with COVID-19 patients has been very positive – with the small size, efficient workflow, long battery life and ease of infection-control cleaning making it an ideal choice.

This surge in global demand began in January, and Micro-X received $3.8 million of Nano purchase orders during the financial year with $2.1 million of Nano units built and shipped in the June 2020 quarter alone.

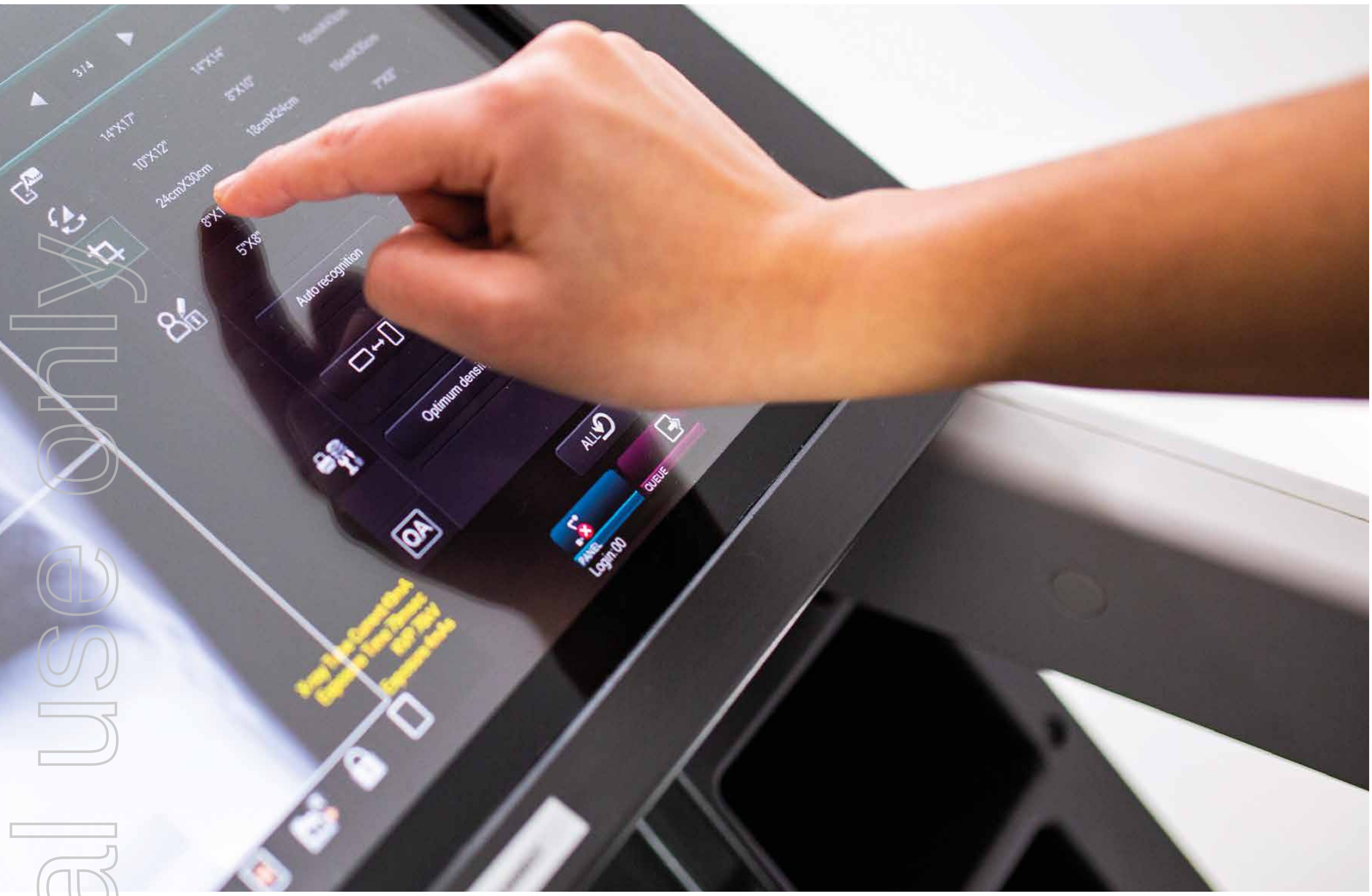
Our Nano is now operating in 14 countries worldwide and we were also very proud that in April this year, the first units were ordered in quantity for Australian hospitals, particularly in NSW. Australian uptake was helped by strong product endorsement from the radiology staff at The Alfred Hospital in Melbourne which not only acted as a reference site for other Australian state government agencies but came back for additional purchases of units.

Expanding production capabilities and technology developments

In-sourcing proprietary X-ray tube technology

In a year of many achievements, the completion in July 2019 of the insourcing of our own, proprietary carbon nanotube (CNT) emitter technology, plus the establishment of our own vacuum X-ray tube design and manufacturing capability is one that will help underpin Micro X's fundamental value and ability to deliver unique X-ray products for many years to come.

A two year, $3 million, 'skunk works' type project was initiated in 2017, involving all elements of design, process engineering, production, validation and testing. With our own team of talented physicists, chemical engineering and nanomaterials science experts, assisted by Flinders and Adelaide Universities, we developed a new proprietary



Micro-X CNT emitter. This emitter, offering superior performance, quality and reliability has been fully validated in both testing and high-volume production in our Tonsley facility and will power every future Micro-X product.

Next stage manufacturing expansion at Tonsley

Last September we were pleased to host the South Australian Premier, The Hon Steven Marshall MP to officially open the second stage of our facility expansion at Tonsley. This was combined with an Investor Open Day where we hosted over 65 visitors to meet Micro-X staff and showcase our facilities and achievements.

The expansion which includes an additional 700m^2 of production and office space provided us with the ability to upscale our production (fortuitously with the arrival only six months later of the COVID-19 related surge) as well as dedicated space for development and test activities for our upcoming product range.

Ramp up in response to COVID-19

As the global demand for mobile X-rays surged in February our order book grew much more rapidly than we had the parts or capacity to deliver. We undertook major investment in two areas: relieving processing equipment bottlenecks in our tube production facility and having the parts, inventory and labour to re-rate our delivery capability to two Nano units a day.

I must pay special tribute to our supply chain partners who responded magnificently when asked and our supply chain management team who worked the phones tirelessly around the clock, to source all these components in far greater quantities and then to find ways to get them to Adelaide. The flexibility of our manufacturing team was also a highlight as they worked additional shifts while simultaneously training new assembly staff and partially-building Nano carts which were completed when the parts in shortage were finally received.

This increase to meet sales demand was one of the foundations for our $15 million capital raising in the second quarter, with $4 million invested to scaling up production and inventory levels. The investment was highly successful and we reduced our order backlog, which peaked at over nine weeks, to almost nothing.

With additional inventory on our shelves, three parallel production lines operating and improved multi-shift operations, we believe we are better placed to manage whatever demand profile emerges as the second wave of the pandemic expands globally.

2020 saw first local sales into Australian hospitals.

Higher power development

Another key project initiated on the back of our recent capital raising was the implementation of a new high-powered X-ray tube together with matching upgraded generator (high-voltage power supply) which will be used for second generations of both our Rover and Nano products.

Some years ago the Australian Department of Defence contracted us to demonstrate the feasibility of extending the power of our X-ray tube output beyond what is required in a typical hospital bedside setting, to include the more demanding X-ray exams associated with trauma imaging as one would expect in a deployed military hospital. The imaging tests were highly successful but to implement this new X-ray tube in our product we needed to increase the capacity of the high-voltage generator to deliver this extra power to the tube.

The high-powered generator programme now underway is budgeted to cost $3.5 million and be completed by early 2021 when the first production units will be available for integration. As well as increasing utility of our products, having our in-house generator will also give us greater control of the supply chain, reduce cycle times and further increase product margins.

Commercial launch of Rover for military use

While the Nano is our initial product for the medical bedside imaging market, we are now poised to commercially launch our follow on, military grade, medical X-ray, the Rover. This product allows us to move on to our next growth stage focused on specialist markets with higher returns deriving from customer applications where conventional X-ray technology cannot compete.

Earlier in the year, partly as a marketing initiative, we sought additional 'voice-of-customer' input to our design of Rover from a number of military medical practitioners, particularly during demonstrations of the Rover to the US Joint Defense Health Agency in Fort Detrick, near Washington DC. This provided ideas for a number of new design features which we were able to incorporate and which will increase the product's appeal to both Army and Navy users.

We finalised the design and detector integration in February 2020, completed safety testing and lodged our 510(k) submission to the US FDA in May, our first ever application with Micro-X as the manufacturer-of-record. We were very pleased to receive regulatory clearance after only five weeks.

We plan to conduct sales of Rover through our own direct sales resources. Our sales team and advisors in Washington DC are now setting up the patient imaging demonstrations which FDA approval now permits, with a number of operational Army and Navy units across the USA. We anticipate this direct sales channel will allow us to showcase the product to its full capabilities and give us greater control of the sales process and increased margins as a result of not using distributors.

Apart from the US, our sales team has also been actively targeting the British Army in the UK and plans to expand into other NATO countries whose armed forces have deployable hospitals.

We were very pleased to receive FDA approval in only 5 weeks.

Broadening our product range

Micro-X is the only company in the world with mature and proven CNT X-ray technology. Our strategy is to find unique customer applications in which our product solutions have no competitors – we can then be price makers not price takers. Without distracting from the current commercial priorities, Micro-X's R&D team are working on positioning a number of early-stage projects which will yield both medium and long term future products with attractive margins.

Bomb detection – the Mobile Backscatter Imager

It was the Counter-IED Task Force of the Australian Department of Defence who first articulated to us the need for an X-ray 'camera' which could be carried by a robot and remotely image a potential Improvised Explosive Device without the need to place a separate detector behind it – clearly hazardous for bomb disposal technicians.

When we postulated how our CNT technology could form an image in this way, we received a $2.5 million contract from the Department of Defence to design and construct a bench-top prototype to prove the concept. This imaging trial to Defence officials generated much excitement as it showed we could resolve better than half-millimetre objects and also how explosive material becomes highlighted in the backscatter image.

Micro-X has been advancing the development of this product trying to make it as small and lightweight as possible to meet the operational user's needs.

During the year our R&D team came up with an exciting new way of producing the backscatter image. Initial tests with immediately available components indicate we can achieve better resolution this way in a much smaller and lighter package. We believe this innovation also has the potential to greatly simplify and shorten the product development and reduce complexity and cost of the final product.

We are waiting for delivery of a new bespoke detector to run more definitive proving tests on this concept in coming months.

We are excited to be on the brink of such cutting edge technology and aim to launch the product in 2022.

Mobile stroke diagnosis – saving lives in the Golden Hour

When a stroke occurs the elapsed time, before diagnosis of the nature of the stroke is confirmed by a CT scan in a hospital and when treatment can begin, is a critical determinant of patient survival and the extent of possible permanent disability.

Micro-X has been working with the Melbourne Brain Centre of the Royal Melbourne Hospital (RMH) to determine if our CNT technology could be used in a new lightweight scanner with no moving parts which could be small enough and inexpensive enough to be fitted to every ambulance to provide diagnosis at the point-of-care.

Working closely with the RMH during the year we used a mock-up of a multi-beam CNT X-ray product using cone-beam tomography to perform successful cadaver imaging trials. We also partnered with Johns Hopkins University Hospital in Maryland, USA to undertake further image reconstruction algorithm development which has helped us to improve the contrast and resolution of brain scans to the point where our simple device now gives comparable diagnostic images to a conventional, large, helical CT scan.

Micro-X is a member of the Australian Stroke Alliance which has submitted a funding proposal to government. If successful , Micro X will receive funding in 2021 to develop a scanner over two years which can then be used in patient imaging trials. Fujifilm in Tokyo has committed to partner with us to produce a bespoke curved detector for the scanner and Johns Hopkins is also keen to remain involved with this product development which they see as revolutionising stroke care globally.

Future Aviation Security Solutions

In 2018 Micro-X completed a contract for the UK Government's Department for Transport (DfT) aimed at finding explosives hidden in electronic items. In that work we showed how a combination of normal transmission X-ray and the backscatter X-ray techniques developed for MBI gave a powerful and compact solution to airport checkpoint threat detection. In 2019 the DfT awarded Micro-X a follow-on contract for "Enhanced Threat Detection" by upgrading the earlier work to operate with three-dimensional imaging. The UK's DfT is working very closely with the US Government's Transportation Safety Administration on next generation checkpoint security technology and Micro-X's CNT X-ray solution fits uniquely with their joint vision for un-manned 'self service' gateways as an alternative to the choke point of current X-ray security lanes.

Strengthening the Micro-X team

As Micro-X continues its planned evolution from technology development into a commercial business, we have recognised the need to add to our team to support this transition.

We were very pleased to welcome David Knox to our Board of Directors, and his commercial expertise and strategic experience in public markets has already been much appreciated as we continue to build on our technology platform and expand our commercial activities internationally. We also welcomed Kingsley Hall as our new CFO and Company Secretary after an extensive Australia-wide search. He has been a great addition to our leadership team with extensive experience in finance and operations.

Much of our recent recruitment has been to build our sales and marketing capabilities as we move from an OEM sales model for our first product, the Nano, where Carestream is responsible for marketing and sales activities, to one where we will be doing that ourselves for subsequent products. Tennille Reed joined our Leadership Team as Head of Strategic Marketing from a background with an electronics product company where she successfully built sales and distribution channels internationally as well as launching the company's business in Defence. Alongside her, we have introduced two product specialist sales roles for Nano and Rover.

With this energetic new team now in place we hope to continue to build sales revenue strongly and set us up strategically for the best paths to market for our products.

Our Future Outlook is strong

Our business model is simple: to grow strong cashflows by manufacturing products for global medical and security markets – profitable because they are differentiated by our unique, proprietary technology. We aim to become a trusted brand for world-class product function and quality.

Our corporate goal is to become an ASX 300 company by 2022. Already we have the technology, a team of amazing and committed people, the facilities, the design and manufacturing capabilities and the products in place to do this. Our focus now, at this pivotal point in the Company's evolution, is on execution.

In this coming year our priorities are:

> Increasing sales of Nano with immediate delivery readiness to respond to any further pandemic driven procurement

> Initiating first sales of Rover

> Delivering the new high-powered generator and X-ray tube for Rover

> Successful imaging tests of the MBI

> Raising the Micro-X profile with new branding and marketing

> Achieving compliance with the EU Medical Device Regulation

Thank you for your ongoing interest and support for the Company. We look forward to engaging with you on our quarterly investor calls to update you with progress during this exciting year ahead.

Peter Rowland
Managing Director

Over the year we have made immense strides and we plan to maintain this momentum as we grow towards becoming an ASX 300 company by 2022.


MICRO-X

FINANCIAL STATEMENTS

Micro-X Ltd
ABN 21 153 273 735
for the year ended 30 June 2020

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Micro-X Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

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

Peter Rowland (Managing Director)
Patrick O'Brien (Non-Executive Chairman)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
David Knox (Non-Executive Director) - Appointed 7 April 2020

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 and manufacturing of ultra-lightweight carbon nano tube based X-ray products for the global healthcare and security (improvised explosive device imaging) markets.

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 Ltd
Directors' report
For the year ended 30 June 2020

Review of operations
Micro-X Limited and its wholly owned subsidiary (**Micro-X** or **the Group**) had three core areas of focus in the 2020 financial year (the **Financial Year**):

- Expanding product revenues and commercialisation activities, including:
  - building sales of the CARESTREAM DRX-Revolution Nano; and
  - obtaining regulatory approval to commence selling the Rover Mobile X-ray for military use;
- Expanding manufacturing capacity, infrastructure and technology in-sourcing to support commercial activities; and
- Advancing future product development of the Mobile Backscatter Imager and Brain Tomography products.

Commercialisation – CARESTREAM DRX-Revolution Nano
Micro-X greatly increased widespread distribution of the Nano into 14 countries over the Financial Year including the first sales into Australian hospitals. Overall, Nano related Sales Revenues for the Financial Year grew to a total of $3.8 million (2019: $1.9 million).

The COVID-19 pandemic saw international demand for mobile X-ray units surge in the second half of the Financial Year. This in turn saw demand for the Nano increase as a result of its enhanced mobility and ease of use – both key factors in enabling maximum throughput in the COVID-19 environment.

In order to meet demand, Micro-X materially increased it production capacity and strengthened its supply chain management and remains well positioned to take advantage of additional demand for the Nano.

All Nanos sold during the Financial Year included Micro-X’s own manufactured CNT (carbon nano tube) emitter and X-ray tube which was insourced in 1Q FY2020. With significant increase in Nano units sold and in use throughout the world, it is pleasing to note that service calls and warranty claims remained very low throughout the Financial Year.

Completion of development of Rover Mobile X-ray
Micro-X completed the final steps to commence commercialisation of its second product, the Rover Mobile X-ray. This occurred with receipt of United States Food and Drug Administration or FDA, 510(k) regulatory approval for the Rover in July 2020. The development of the Rover has been driven by strong interest from both the US and Australian military and Micro-X remains in commercial discussions with both governments’ military agencies.

The Rover addresses a niche market in the military hospital market and represents an opportunity for increased revenues at higher margins. A development programme has also commenced for a high power generator which will be integrated as a product enhancement in the next generation of the Rover from 3Q FY2021.

Operations and Manufacturing
During the Financial Year, Micro-X increased the size of its premises to accommodate increased production requirements associated with the Nano and Rover, together with development needs for the MBI (Mobile Backscatter Imager) project.

The completion of the insourced CNT emitter tube project in 1Q FY2020 delivered greater product margins, together with an increased ability to meet short term demand through improvements to both product quality and cycle time. In 4Q FY2020, Micro-X commenced a significant ramp up in production capacity of Nano, enabling it to reduce delivery times considerably as demand increased in response to COVID-19.

Throughout the pandemic, Micro-X has adapted its workforce and WHS arrangements to comply with government health and travel restrictions. While there were some supply chain delays, arrangements have been put in place to manage disruption. International and interstate travel to meet with potential partners and attend conferences has been impacted.

Future Products in Development
During the Financial Year, Micro-X continued to progress the MBI, targeted to worldwide security markets for assessment of Improvised Explosive Devices (IEDs). This work has focussed on the development of a new imaging design which has the potential to simplify product development for the MBI and reduce the cost and complexity of the product. Micro-X expects to undertake bench testing of the MBI in 1H FY2021.

Additionally, Micro-X is building its future product portfolio for stroke detection. In June 2020, Micro-X progressed to Phase Two of the Australian Stroke Alliance consortium’s “Golden Hour” programme run by the Australian Government’s Medical Research Future Fund. Micro-X’s component of the submission is for $14.6 million of funding for the development and testing of lightweight, mobile stroke diagnostic imaging technology, incorporating Micro-X’s proprietary CNT X-ray tube technology.

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

Financial Overview
The net loss for the Group for the Financial Year after providing for income tax was $10.07 million, compared with a loss in the previous year of $9.83 million. This net loss for the Financial Year included:

- $3.8 million from the sales of the Nano;
- $3.3 million of Other Income, including $1.2 million from the Advanced Manufacturing Growth Fund and $2.0 million in R&D tax refund;
- $3.6 million in Cost of Sales;
- $2.5 million in expenditure on research and development activity, related to development work on emitter and tube technology, commercialisation of the Rover product, and research and development related on the MBI; and
- $6.4 million spent on employee, consulting and director costs. This represented a $1.3 million increase on the prior period, driven by additional engineering and development personnel.

Financial Position
During the Financial Year, the Group raised funds including:

- $31.50 million via two separate capital raising transactions, being a $16.5 million private placement in November and December 2019, and then a $15.0 million raise in 2020, consisting of $8.75 million placement in April 2020 and a $6.25M fully underwritten rights issue completed in May 2020;
- $5 million via a convertible loan security from Thales AVS SAS.

Net assets of the Group increased by $17.9 million from $(3.0) million at 30 June 2019 to $14.9 million at 30 June 2020. Cash on hand and at the bank increased to $18.3 million at 30 June 2020 ($1.6 million at 30 June 2019).

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
On 18 July 2020, Micro-X received 510(k) approval from the FDA for its Rover mobile X-ray product, a Class 2 medical device.

No other matter or circumstance has arisen since 30 June 2020 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 is the commercialisation and growing sales revenues of its two current products, the Nano and the Rover. Nano revenues will be derived through the appointed distributor and Rover sales will be driven by a direct sales channel with military procurement agencies. There will be an emphasis on maximising gross margins on both of these products through cost down and re-engineering initiatives.

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

Information on directors

Name:	Patrick O'Brien
Title:	Non-Executive Chairman
Qualifications:	LLB, B.Com, Grad Dip Applied Finance, MBA, GAICD
Experience and expertise:	Patrick is managing director of Patrick O'Brien & Associates, chairman of Howjack Holdings and a director of The Water & Carbon Group and O'Brien Capital. 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 latter 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 People and Remuneration Committee and Member of Audit and Risk Committee
Interests in shares:	7,766,109 fully paid ordinary shares
Interests in options:	Nil

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, he 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.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	12,955,000 fully paid ordinary shares
Interests in options:	Nil

Name:	Dr. Alexander Gosling AM
Title:	Non-Executive Director
Qualifications:	AM, MA, DEng, 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:	Chairperson of People and Remuneration Committee and Member of Audit and Risk Committee
Interests in shares:	456,429 fully paid ordinary shares
Interests in options:	Nil

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Name:	Yasmin King
Title:	Non-Executive Director
Qualifications:	BA (Econ)(Honours). MBA
Experience and expertise:	Yasmin is CEO 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 director of Australian Health Care and Hospitals Association and 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:	Member of People and Remuneration Committee and Chairperson of Audit and Risk Committee
Interests in shares:	63,394 fully paid ordinary shares
Interests in options:	320,000 Unlisted Options exercisable at $0.625 (62.5 cents) on or before 01/12/20

Name:	David Knox
Title:	Non-Executive Director
Qualifications:	BSc (Hons) Mechanical Engineering. MBA
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 MD and CEO 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 MD & CEO of Santos from March 2008 through until his retirement in December 2015. David 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, Migration Council of Australia, Adelaide Festival (AF) and the Royal Institution of Australia (RiAUS), 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 - 2 March 2017 to Present
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of Audit and Risk Committee
Interests in shares:	250,000 fully paid ordinary shares
Interests in options:	Nil

'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 a 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. Kingsley is the Chief Financial Officer for Micro-X.

Kingsley Hall was appointed on 24 February 2020. Georgina Carpendale resigned on 29 May 2020.

Meetings of directors
The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, 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	15	15	3	3	7	7
Peter Rowland	15	15	-	-	-	-
Alexander Gosling	15	15	3	3	7	7
Yasmin King	15	15	3	3	7	7
David Knox	5	5	-	-	2	2

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.

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') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The People and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the entity 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 Group.

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

The remuneration framework is designed to align executive reward to shareholders' interests. The Board is in the process of refining the remuneration framework, and as part of this process will seek to further align 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
- 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
- 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 directors 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 People and Remuneration Committee. The People 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 chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive directors were issued Award Options, as described in the Group's Prospectus dated 25 November 2015, on 17 December 2015, following the completion of the Group's Initial Public Offer. Apart from the Award Options, Non-executive directors present from the Initial Public Offer do not receive share options or other incentives. New non-executive directors since this period may be offered share options upon their appointment.

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 prior to the Group's ASX listing, where the shareholders approved the Group's Constitution which provides for an aggregate maximum remuneration of $300,000 per annum.

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- 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 remuneration.

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.

Micro-X Ltd
Directors' report
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Company performance and link to remuneration
Remuneration of key management personnel is not currently directly linked to the performance of the Group other than via Award Options the value of which is linked to its share price. The Group is investigating an appropriate mechanism for such linkage.

Use of remuneration consultants
The Group did not engage any remuneration consultants in relation to remuneration paid or derived during the financial year ended 30 June 2020.

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 Group consisted of the following directors and management of the Group:
- Patrick O'Brien (Non-Executive Chairman)
- Peter Rowland (Managing Director)
- Alexander Gosling (Non-Executive Director)
- Yasmin King (Non-Executive Director)
- David Knox (Non-Executive Director)
- Kingsley Hall (Company Secretary & Chief Financial Officer)
- Georgina Carpendale (Company Secretary & Chief Financial Officer) - Resigned 29 May 2020
- Brian Gonzales - Key Management Personnel responsibilities began 1 July 2019
- Anthony Skeats - Key Management Personnel responsibilities began 1 July 2019
- Alexander Blackburn - Key Management Personnel responsibilities began 1 July 2019

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments - Options	
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
P O'Brien	77,500	-	-	-	-	-	77,500
A Gosling	50,228	-	-	4,772	-	-	55,000
Y King	53,265	-	-	1,735	-	6,976	61,976
D Knox*	14,155	-	-	1,345	-	-	15,500
Executive Directors:							
P Rowland	291,110	28,097	-	30,325	-	-	349,532
Other Key Management Personnel:							
G Carpendale**	192,449	-	-	16,689	-	-	209,138
K Hall***	81,731	-	-	7,764	-	-	89,495
B Gonzales****	220,162	-	-	22,373	-	-	242,535
A Skeats*****	244,662	-	-	23,789	-	-	268,451
A Blackburn*****	167,329	-	-	16,577	-	-	183,906
	1,392,591	28,097	-	125,369	-	6,976	1,553,033

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

*	Mr Knox was appointed as Non-Executive Director on 7 April 2020.
**	Ms Carpendale resigned as Company Secretary on 29 May 2020. Short term salary & fees includes $24,779 paid in lieu of unused Annual Leave.
***	Mr Hall was appointed as Chief Financial Officer on 24 February 2020.
****	Joined Key Management Personnel on 1 July 2019. Mr Gonzales is employed by MX Inc. His remuneration and compulsory benefits have been translated to AUD for the purpose of this report.
*****	Joined Key Management Personnel on 1 July 2019.

During the financial year a bonus was paid to Peter Rowland (Managing Director) upon meeting set key performance indicators ('KPI'). This bonus was approved by the Board of Directors following a recommendation from the People & Remuneration Committee on 10 December 2019. Mr Rowland was granted a bonus for the 2018 and 2019 financial years representing 20% of his bonus entitlement for each year.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments - Options	
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
P O'Brien	60,000	-	-	-	-	4,353	64,353
A Gosling	36,529	-	-	3,470	-	2,902	42,901
D Symons*	15,000	-	-	-	-	(53,867)	(38,867)
Y King	36,529	-	-	3,470	-	10,808	50,807
J McDowell**	6,088	-	-	578	-	(13,504)	(6,838)
Executive Directors:							
P Rowland	277,500	-	-	26,363	-	-	303,863
R Hannebery***	253,333	-	-	-	-	-	253,333
Other Key Management Personnel:							
G Carpendale	168,000	-	-	15,200	-	-	183,200
	852,979	-	-	49,081	-	(49,308)	852,752

*	Mr Symons resigned as Non-Executive Director on 21 November 2018. Share-based payment movement based on expiry of options upon 6 month anniversary of resignation.
**	Mr McDowell resigned as Non-Executive Director on 31 August 2018. Share-based payment movement based on expiry of options upon 6 month anniversary of resignation.
***	Mr Hannebery resigned as Executive Director on 15 April 2019. Included in the cash salary amount is $220k for work performed in an Executive Director capacity.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2020	2019	2020	2019	2020	2019
Non-Executive Directors:						
P O'Brien	100%	93%	-	-	-	7%
A Gosling	100%	93%	-	-	-	7%
D Symons*	-	100%	-	-	-	-
Y King	89%	79%	-	-	11%	21%
J McDowell*	-	100%	-	-	-	-
Executive Directors:						
P Rowland	92%	100%	8%	-	-	-
R Hannebery*	-	100%	-	-	-	-
Other Key Management Personnel:						
G Carpendale**	100%	100%	-	-	-	-
Kingsley Hall	100%	-	-	-	-	-
B Gonzales***	100%	-	-	-	-	-
A Skeats***	100%	-	-	-	-	-
A Blackburn***	100%	-	-	-	-	-

* Mr Symons, Mr McDowell (Non-Executive Directors) and Mr Hannebery (Executive Director) resigned during the year ended 30 June 2019. Share-based payment movement based on expiry of options upon 6 month anniversary of resignation and is not shown above.

** Ms Carpendale resigned as Company Secretary on 29 May 2020.

*** Joined Key Management Personnel on 1 July 2019.

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 $291,548 per annum plus 9.5% employer superannuation contributions (subject to annual review). Mr Rowland is entitled to an incentive payment of: • either 50% of his salary where all KPIs set by the Group are achieved, or • a relative percentage of his salary where one or more but not all KPIs are achieved.

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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 notice as follows: • on or before 24 February 2022 – 1 months' notice; and • on or before 24 February 2024 – 2 months' notice.
Details:	Annual salary is $250,000 per annum plus 9.5% employer superannuation contributions (subject to annual review). Mr Hall is entitled to an incentive payment of: • either 40% of his salary where all KPIs set by the Group are achieved, or • a relative percentage of his salary where one or more but not all KPIs are achieved.

Name:	Brian Gonzales
Title:	Chief Scientist
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 $147,290 USD per annum plus compulsory benefits. Mr Gonzales is entitled to an incentive payment of: • either 35% of his salary where all KPIs set by the Group are achieved, or • a relative percentage of his salary where one or more but not all KPIs are achieved.

Name:	Anthony Skeats
Title:	Engineering Manager
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 $248,745 per annum plus 9.5% employer superannuation contributions (subject to annual review). Mr Skeats is entitled to an incentive payment of: • either 35% of his salary where all KPIs set by the Group are achieved, or • a relative percentage of his salary where one or more but not all KPIs are achieved.

Name:	Alexander Blackburn
Title:	Programs Manager
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 $169,950 per annum plus 9.5% employer superannuation contributions (subject to annual review). Mr Blackburn is entitled to an incentive payment of: • either 30% of his salary where all KPIs set by the Group are achieved, or • a relative percentage of his salary where one or more but not all KPIs are achieved.

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

Share-based compensation

Issue of shares
There were no shares issued to the directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
1 September 2014*	21 December 2015	31 December 2019	$0.575	$0.151
1 September 2014*	1 September 2016	31 December 2019	$0.625	$0.136
1 September 2014*	1 September 2017	31 December 2019	$0.625	$0.136
21 December 2015*	21 December 2016	31 December 2019	$0.575	$0.151
21 December 2015*	21 December 2017	31 December 2019	$0.625	$0.136
21 December 2015*	21 December 2018	31 December 2019	$0.625	$0.136
5 December 2016**	1 December 2018	1 December 2020	$0.625	$0.142
5 December 2016**	1 December 2019	1 December 2020	$0.625	$0.142
1 April 2017***	1 April 2018	1 April 2021	$0.625	$0.149
1 April 2017***	1 April 2019	1 April 2021	$0.625	$0.149
1 April 2017***	1 April 2020	1 April 2021	$0.625	$0.149

* Expired 31 December 2019.
** These options were agreed to be issued on 5th December 2016 as part of the non-executive director agreement with Yasmin King.
*** These options were agreed to be issued on 1st April 2017 as part of the employment agreement with Brian Gonzales

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested to directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
P O'Brien	-	-	-	200,000
A Gosling	-	-	-	133,334
D Symons	-	-	-	133,334
Y King	-	-	160,000	160,000
B Gonzales*	-	-	416,667	-

*Joined Key Management Personnel on 1 July 2019. Amounts have only been disclosed in relation to the year ended 30 June 2020.

No amount was paid or payable by the recipients for these options.

All service criteria in relation to the vesting of options have been met.

The granting and vesting of the options is not dependent upon the satisfaction of a performance condition as the Group is of the view that the service criteria, and the contribution by the recipient to the increase in the Group's share price, and therefore the value of their options, is currently a sufficient basis for the granting and vesting of those options.

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Group 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
Ordinary shares					
P Rowland	12,425,000	-	530,000	-	12,955,000
P O'Brien	4,625,380	-	3,140,729	-	7,766,109
A Gosling	110,000	-	346,429	-	456,429
Y King	50,000	-	13,394	-	63,394
G Carpendale*	19,000	-	-	(19,000)	-
D Knox	-	-	250,000	-	250,000
A Blackburn**	-	-	2,500	14,000	16,500
	17,229,380	-	4,283,052	(5,000)	21,507,432

* 'Disposals/ Other' is to recognise resignation of Ms Carpendale on 29 May 2020 and hence removal of shareholding from disclosure as at 30 June 2020.
** A Blackburn joined Key Management Personnel 1 July 2019. 'Disposals/Other' denotes balance held prior to joining Key Management Personnel.

Option holding
The number of options over ordinary shares in the Group 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	Granted as remuneration	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
P Rowland*	2,089,670	-	-	(2,089,670)	-
P O'Brien*	600,000	-	-	(600,000)	-
A Gosling*	400,000	-	-	(400,000)	-
Y King	320,000	-	-	-	320,000
B Gonzales**	-	-	-	1,250,000	1,250,000
	3,409,670	-	-	(1,839,670)	1,570,000

* Cancellation shown is to recognise expiry of unlisted options.
** B Gonzales joined Key Management Personnel 1 July 2019. 'Expired/Forfeited/Other' denotes balance held prior to joining Key Management Personnel.

In a prior period, the Group completed a successful private placement of 50,000 Unsecured Mandatorily Convertible Notes for $5,000,000. Each of the directors of the Group participated in this capital raising; in aggregate subscribing for $450,000.

The number of Convertible Notes purchased and still held by each director as at balance date, is set out below:

P. Rowland - 200 Unlisted Convertible Notes for $20,000;
P. O'Brien* - Nil held as at the reporting date;
A. Gosling* - Nil held as at the reporting date;
Y. King - 500 Unlisted Convertible Notes for $50,000;

* Convertible notes redeemed as part of capital raise on 19 December 2019. Nil held as at the reporting date.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Micro-X Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
5 December 2016	1 December 2020	$0.625	320,000
1 April 2017	1 April 2021	$0.625	2,500,000
			2,820,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Group or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Micro-X Ltd issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group 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 Group paid a premium in respect of a contract to insure the directors and executives of the Group 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 Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group 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 27 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 Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Micro-X Ltd
Directors' report
For the year ended 30 June 2020

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

Rounding of amounts
The Group 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

____
Patrick O'Brien
Non-Executive Chairman

28 August 2020

Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Auditor's Independence Declaration

To the Directors of Micro-X Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Micro-X Limited for the year ended 30 June 2020, 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.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 28 August 2020

Micro-X Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Revenue	5	4,251	1,931
Total revenue		4,251	1,931
Expenses			
Loss on disposal of assets		(3)	(3)
Cost of sales		(3,551)	(1,762)
Employee and director costs		(6,426)	(5,132)
Office and administrative expenses		(398)	(703)
Professional fees		(588)	(841)
Corporate expenses		(487)	(121)
Quality and regulatory		(61)	(52)
Project development costs		(2,463)	(4,755)
Depreciation and amortisation expense		(1,966)	(744)
Other expenses		(823)	(1,067)
Finance costs		(856)	(495)
Total expenses		(17,622)	(15,675)
Operating loss		(13,371)	(13,744)
Other income	6	3,304	4,141
Share of profits of associates accounted for using the equity method	7	-	(231)
Loss before income tax expense		(10,067)	(9,834)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Micro-X Ltd		(10,067)	(9,834)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	132
Other comprehensive income for the year, net of tax		-	132
Total comprehensive income for the year attributable to the owners of Micro-X Ltd		(10,067)	(9,702)
		Cents	**Cents**
Basic earnings per share	35	(4.35)	(6.63)
Diluted earnings per share	35	(4.35)	(6.63)

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

Micro-X Ltd
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents		18,318	1,606
Trade and other receivables	9	5,198	3,406
Inventories		1,815	1,272
Other		73	11
Total current assets		25,404	6,295
Non-current assets			
Property, plant and equipment	10	2,678	1,748
Right-of-use assets	11	4,582	-
Intangibles	12	1,037	1,828
Total non-current assets		8,297	3,576
Total assets		33,701	9,871
Liabilities			
Current liabilities			
Trade and other payables	13	4,704	4,269
Borrowings	14	3,000	3,000
Lease liabilities	15	581	-
Provisions	16	460	323
Total current liabilities		8,745	7,592
Non-current liabilities			
Borrowings and other financial liabilities	17	4,715	3,000
Lease liabilities	18	4,273	-
Derivative financial instruments	19	811	2,000
Provisions	20	255	257
Total non-current liabilities		10,054	5,257
Total liabilities		18,799	12,849
Net assets/(liabilities)		14,902	(2,978)
Equity			
Issued capital	21	84,297	51,249
Convertible notes	22	165	5,000
Share based payments reserve	23	417	1,405
Accumulated losses		(69,977)	(60,632)
Total equity/(deficiency)		14,902	(2,978)

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

Micro-X Ltd
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Convertible notes $'000	Accumulated losses $'000	Total deficiency in equity $'000
Balance at 1 July 2018	48,024	1,621	426	-	(50,798)	(727)
Loss after income tax expense for the year	-	-	-	-	(9,834)	(9,834)
Other comprehensive income for the year, net of tax	-	-	132	-	-	132
Total comprehensive income for the year	-	-	132	-	(9,834)	(9,702)
Reclassification of convertible notes	-	-	-	5,000	-	5,000
Conversion of convertible notes	1,000	-	-	-	-	1,000
Disposal of investment*	-	-	(558)	-	-	(558)
Finance costs on conversion of convertible notes	225	-	-	-	-	225
Issue of shares - placement	2,000	-	-	-	-	2,000
Transactions with owners in their capacity as owners:						
Share-based payments (note 36)	-	(216)	-	-	-	(216)
Balance at 30 June 2019	51,249	1,405	-	5,000	(60,632)	(2,978)

*During the prior year the Group disposed of its 30% shareholding in XinRay Systems Inc.

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

Micro-X Ltd
Statement of changes in equity
For the year ended 30 June 2020

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 2019	51,249	1,405	-	5,000	(60,632)	(2,978)
Loss after income tax expense for the year	-	-	-	-	(10,067)	(10,067)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(10,067)	(10,067)
Redemption of convertible notes (note 22)	-	-	-	(2,812)	-	(2,812)
Conversion of convertible notes (notes 19 and 22)	3,523	-	-	(2,023)	-	1,500
Finance costs on conversion of convertible notes (note 21)	241	-	-	-	-	241
Issue of shares - placement	31,501	-	-	-	-	31,501
Capital raising costs	(2,217)	-	-	-	-	(2,217)
Transactions with owners in their capacity as owners:						
Share-based payments (note 36)	-	(988)	-	-	722	(266)
Balance at 30 June 2020	84,297	417	-	165	(69,977)	14,902

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

Micro-X Ltd
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,569	1,818
Payments to suppliers (inclusive of GST)		(15,855)	(14,617)
Interest received		7	10
R&D incentive tax refunds		3,153	3,840
Interest paid		(390)	(259)
Net GST receipts		594	649
Grant funding received		466	1,405
Net cash used in operating activities	34	(9,456)	(7,154)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,133)	(1,636)
Payments for intangibles		(66)	(72)
Net cash used in investing activities		(2,199)	(1,708)
Cash flows from financing activities			
Proceeds from issue of shares		31,501	2,000
Capital raising costs		(2,218)	-
Proceeds from issue of convertible notes		-	3,000
Proceeds from borrowings		-	3,000
Proceeds from convertible loan		5,000	-
Repayment of borrowings		(3,000)	(1,600)
Repayment of lease liabilities		(104)	-
Repayments of convertible notes		(2,812)	-
Net cash from financing activities		28,367	6,400
Net increase/(decrease) in cash and cash equivalents		16,712	(2,462)
Cash and cash equivalents at the beginning of the financial year		1,606	4,068
Cash and cash equivalents at the end of the financial year		18,318	1,606

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

Note 1. General information

The financial statements cover Micro-X Ltd as a Group consisting of Micro-X Ltd 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 Ltd'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 28 August 2020.

Micro-X Ltd
Notes to the financial statements
For the year ended 30 June 2020

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.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

There are no accounting standards that have not been early adopted for the year ended 30 June 2020 but will be applicable to the Group in future reporting periods.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases
Transition to AASB 16
The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 17 and AASB Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$'000
Assets	
Right-of-use assets	1,205
Liabilities	
Lease liabilities	(1,335)
Deferred Rent	130
Total adjustment on current year earnings	-

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Note 2. Significant accounting policies (continued)

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Operating lease commitments as at 30 June 2019	**3,117**
Weighted average incremental borrowing rate as at 1 July 2019	5.0%
Discounted operating lease commitments as at 1 July 2019	2,768
Commitments not ready for use at 30 June 2019	(1,433)
Lease liabilities as at 1 July 2019	**1,335**

Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements for the financial year ended 30 June 2020:

	Right of use assets Leases $'000	Lease liabilities $'000
As at 1 July 2019	1,205	1,335
Additions	3,866	3,917
Depreciation expense	(489)	-
Interest expense	-	188
Payments	-	(586)
As at 30 June 2020	**4,582**	**4,854**

Micro-X Ltd
Notes to the financial statements
For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, and has assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined that it is probable that its tax treatments (including those for the subsidiary) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Going concern
The Group incurred a net loss after tax for the financial year ended 30 June 2020 of $10.1M (year ended June 2019: $9.8M) and had net cash outflows from operating activities of $9.5M (year ended June 2019: $7.2M). The Group had net assets for the financial year ended 30 June 2020 of $14.9M (year ended June 2019: ($3.0M)). The increase in net assets was primarily driven by capital raising of $16.5M in December 2019 and $15M in April 2020.

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 and operating cash flow outcomes for the year ended 30 June 2020 reflect the results of the group's major activities during that period, including securing the in-house supply of Micro-X CNT tubes for the Nano and commercialising the Rover;
- the group recently completed two capital raises securing a total of $31.5 million in funds, which are being used to commercialise the Rover, increase its manufacturing capability and develop the MBI;
- securing the 510(k) for Rover enabling the Group to sell into the United States. The Group is currently working with potential customers to generate sales during CY2020;
- significant sales of Carestream DRX Nano units used in the Global response to the COVID-19 Pandemic;
- as the Group is an ASX-listed entity, it has the ability to raise additional funds if required;
- the Group is due to receive approximately $2M from the R&D tax incentive scheme in relation to FY2020 during Q2 FY2021;
- the Group has become eligible for the Government's Jobkeeper program after year end. It is expected that the Jobkeeper scheme should cover a portion of the Group's payroll expenditure through to the end of September 2020; and
- the Board is of the opinion that the Group has sufficient funds to meet the planned corporate activities, research and development activities and working capital requirements.

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 2020.

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.

Note 2. Significant accounting policies (continued)

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, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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.

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 2020 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.

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 recognition
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 60 days upon delivery.

Micro-X Ltd
Notes to the financial statements
For the year ended 30 June 2020

Note 2. Significant accounting policies (continued)

Warranty obligations
The Group typically provides warranties for general service of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as warranty provisions.

Engineering Consulting
The Group recognises revenue from Engineering Consulting over time. 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 incurred) and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Government subsidies
Subsidies from the government such as R&D tax incentive income and AMGF Grant income, are recognised as other income at their fair value where there is reasonable assurance that the grant will be received, the Group 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. AMGF Grants 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.

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.

Note 2. Significant accounting policies (continued)

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 60 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.

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, and, where applicable, transfers from cash flow hedging reserves in equity. 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.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

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 Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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Note 2. Significant accounting policies (continued)

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, except where included in the cost of inventories, 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.

Right-of-use assets that meet the definition of investment property are measured at fair value where the Group has adopted a fair value measurement basis for investment property assets.

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 Nano 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.

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

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.

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.

Note 2. Significant accounting policies (continued)

Borrowings and other financial liabilities
Recognition and recognition
Financial liabilities are recognised at the fair value of the consideration received, when the Group becomes a party to the contractual provisions of the financial instrument.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

The Group has designated its convertible note liabilities at FVPL in order to provide the most relevant information to users, and furthermore to keep consistency with initial recognition on inception of these instruments. An assessment will be made at each reporting period in regard to underlying valuation of this liability in regard to share price upon conversion of the convertible notes.

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.

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

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.

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Note 2. Significant accounting policies (continued)

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.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, 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 Black-Scholes option 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 Group 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.

Note 2. Significant accounting policies (continued)

Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Micro-X Ltd, 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.

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:
Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and 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.

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
There are no accounting standards that have not been early adopted for the year ended 30 June 2020 but will be applicable to the Group in future reporting periods.

Micro-X Ltd
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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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions (Note 36)
The Group 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 Black-Scholes 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.

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.

Lease – Incremental Borrowing Rate
The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

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% non-refundable tax offset. The Group accounts for this incentive as other income within the Statement of Profit or Loss and Other Comprehensive Income.

Note 4. Operating segments

The Group is organised into one operating segment being the design, development and manufacturing of ultra-lightweight carbon nano tube based X-ray products for the global healthcare and security (improvised explosive device imaging) markets. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Major customers
During the year ended 30 June 2020 approximately $4.16M or 98% (2019: $1.93M or 100%) of the Group's external revenue was derived from sales to Carestream.

Note 5. Revenue

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Sale of Goods	3,789	1,931
Engineering Consulting	462	-
Revenue	4,251	1,931

Micro-X Ltd
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Note 5. Revenue (continued)

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

	Consolidated	
	2020 $'000	2019 $'000
Major product lines		
DRX Revolution Nano	3,789	1,931
Engineering Consulting	462	-
	4,251	1,931
Geographical regions		
United States	1,036	1,153
Asia-Pacific	2,605	186
Europe	610	592
	4,251	1,931
Timing of revenue recognition		
Goods transferred at a point in time	3,789	1,931
Services transferred over time	462	-
	4,251	1,931

Note 6. Other income

	Consolidated	
	2020 $'000	2019 $'000
Interest received	7	10
R&D tax incentive refund*	2,042	3,076
Net foreign exchange gain/(loss)	-	(115)
Government grants income recognised per AASB 120**	1,255	296
Net gain/(loss) on disposal of investments (note 30)	-	874
	3,304	4,141

*The R&D tax incentive refund is calculated based on combined eligible costs of $4.8M (2019: $8.0M) which consist of direct development costs and direct employee compensation costs.
**The Government grants income recognised per AASB 120 relates to the Advanced Manufacturing Growth Funding received.

Note 7. Share of profits of associates accounted for using the equity method

	Consolidated	
	2020 $'000	2019 $'000
Share of profits/(losses) of associates accounted for using the equity method	-	(231)

The investment which was equity accounted was sold during the 2019 financial year.

Note 8. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(10,067)	(9,834)
Tax at the statutory tax rate of 30%	(3,020)	(2,950)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	1	2
Share-based payments	(80)	(65)
Share of profits - associates	-	69
R&D tax incentive income	(613)	(923)
Feedstock adjustment	-	5
Other non-deductible expenses	9	-
R&D expenditure	1,420	2,427
Disposal of investment in associate	-	(262)
Finance costs	72	68
Non-assessable income	-	(13)
	(2,211)	(1,642)
Current year tax losses not recognised	1,683	1,565
Current year temporary differences not recognised	528	77
Income tax expense	-	-

The Group has tax losses that arose of $17.5 million (2019: $11.9 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 9. Current assets - trade and other receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade receivables	2,350	268
R&D tax incentive refund	1,965	3,076
Other receivables	417	-
	4,732	3,344
GST receivable	466	62
	5,198	3,406

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Note 10. Non-current assets - property, plant and equipment

	Consolidated 2020 $'000	Consolidated 2019 $'000
Leasehold improvements - at cost	1,642	244
Less: Accumulated depreciation	(199)	(70)
	1,443	174
Plant and equipment - at cost	1,681	1,110
Less: Accumulated depreciation	(608)	(187)
	1,073	923
Fixtures and fittings - at cost	94	83
Less: Accumulated depreciation	(77)	(61)
	17	22
Motor vehicles - at cost	-	10
Less: Accumulated depreciation	-	(3)
	-	7
Computer equipment - at cost	388	218
Less: Accumulated depreciation	(243)	(166)
	145	52
Work in progress - at cost	-	570
	2,678	1,748

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

Consolidated	Leasehold improvements $'000	Plant & equipment $'000	Fixtures & fittings $'000	Computer Equipment $'000	Motor vehicles $'000	Work in progess $'000	Total $'000
Balance at 1 July 2018	199	83	28	56	27	-	393
Additions	-	980	19	67	-	570	1,636
Disposals	-	(1)	(2)	(2)	(15)	-	(20)
Depreciation expense	(25)	(138)	(24)	(69)	(5)	-	(261)
Balance at 30 June 2019	174	924	21	52	7	570	1,748
Additions	828	571	12	170	-	-	1,581
Disposals	-	-	-	-	(7)	-	(7)
Transfers in/(out)	570	-	-	-	-	(570)	-
Depreciation expense	(129)	(422)	(16)	(77)	-	-	(644)
Balance at 30 June 2020	1,443	1,073	17	145	-	-	2,678

Note 11. Non-current assets - right-of-use assets

The Group leases land and buildings for its offices and production facilities under agreements of between 5 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases machinery under agreements of between 1 to 5 years.

Note 11. Non-current assets - right-of-use assets (continued)

	Consolidated 2020 $'000	2019 $'000
Right-of-use	5,071	-
Less: Accumulated depreciation	(489)	-
	4,582	-

Set out below are the carrying amounts of lease liabilities (disclosed as current and non-current lease liabilities) and the movements during the period:

	Consolidated 2020 $'000	2019 $'000
As at 1 July 2019	1,335	-
Additions	3,917	-
Accretion of interest	188	-
Payments	(586)	-
As at 30 June 2020	4,854	-
Current (Note 15)	581	-
Non-Current (Note 18)	4,273	-

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

The following are the amounts recognised in profit & loss:

	Consolidated 2020 $'000	2019 $'000
Depreciation expense on Right of use assets	489	-
Interest expense on lease liability	188	-
	677	-

Note 12. Non-current assets - intangibles

	Consolidated 2020 $'000	2019 $'000
Development - at amortised value	840	1,560
Patents and trademarks - at amortised value	197	268
	1,037	1,828

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Note 12. Non-current assets - intangibles (continued)

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 2018	1,980	259	2,239
Additions	-	72	72
Amortisation expense	(420)	(63)	(483)
Balance at 30 June 2019	1,560	268	1,828
Additions	-	43	43
Amortisation expense	(720)	(114)	(834)
Balance at 30 June 2020	840	197	1,037

Capitalised development costs

For the purpose of ongoing annual impairment testing, the carrying value of capitalised development costs is allocated to the *DRX Revolution Nano*, which is expected to benefit from the work, knowledge, intellectual property and other information attributable to the relevant expenditure.

As a result of the impairment assessment at 30 June 2020, the directors and management of the Group determined that since commercial launch of the *DRX Revolution Nano*, there were no triggers for impairment.

Note 13. Current liabilities - trade and other payables

	Consolidated 2020 $'000	2019 $'000
Trade payables	1,543	2,060
Accrued payroll	105	103
PAYG	709	126
Unearned grant income	623	1,108
Payroll tax	44	16
Other payables	1,680	856
	4,704	4,269

Note 14. Current liabilities - borrowings

	Consolidated 2020 $'000	2019 $'000
South Australian Government Financing Authority (SAFA)*	3,000	-
R&D Capital Loan	-	3,000
	3,000	3,000

Note 14. Current liabilities - borrowings (continued)

*South Australian Government Financing Authority (SAFA) Loan is considered a current liability at 30 June 2020 as the repayment date is 31 December 2020.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Total facilities		
South Australian Financing Authority (SAFA) Loan*	3,000	3,000
R&D Capital Loan	-	3,000
	3,000	6,000
Used at the reporting date		
South Australian Financing Authority (SAFA) Loan*	3,000	3,000
R&D Capital Loan	-	3,000
	3,000	6,000
Unused at the reporting date		
South Australian Financing Authority (SAFA) Loan*	-	-
R&D Capital Loan	-	-
	-	-

*South Australian Government Financing Authority (SAFA) Loan was considered a non-current liability in 2019, as the repayment date was 31 December 2020.

Note 15. Current liabilities - lease liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease liability	581	-

Refer to note 11 for further information on lease liabilities.

Note 16. Current liabilities - provisions

	Consolidated 2020 $'000	Consolidated 2019 $'000
Annual leave	460	322
Deferred lease incentives	-	1
	460	323

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Note 17. Non-current liabilities - borrowings and other financial liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
South Australian Government Financing Authority (SAFA) Loan*	-	3,000
Thales Convertible Loan – Host Debt**	4,715	-
	4,715	3,000

*South Australian Government Financing Authority (SAFA) Loan was considered a non-current liability in 2019, as the repayment date was 31 December 2020.

**The Group drew down a $5 million loan with Thales in July 2019. The loan attracts an annual interest rate of 185 bps above the 6-month BBSW.

Under the terms of the convertible loan deed, there currently lies an obligation to deliver a variable, and not fixed, number of shares to Thales on conversion and hence the balance is recognised as a liability as at 30 June 2020.

Due to the uncertain nature of the conversion at the expiration of the convertible loan, the instrument has been split into two components, being the host debt disclosed above and the conversion factor which is disclosed in note 19.

Upon initial recognition, the value of the host debt was $4.35 million. $0.2 million implied interest was accrued on the host debt instrument to 30 June 2020.

The closing balance of the host debt at 30 June 2020 also includes accrued interest payable of $0.13 million owing to Thales.

Note 18. Non-current liabilities - lease liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Lease liability	4,273	-

Refer to note 11 for further information on lease liabilities.

Note 19. Non-current liabilities - derivative financial instruments

	Consolidated 2020 $'000	Consolidated 2019 $'000
Convertible notes payable*	500	2,000
Thales Convertible Loan – Conversion feature**	311	-
	811	2,000

Note 19. Non-current liabilities - derivative financial instruments (continued)

*October 2018 Convertible Note:

In order to classify this note, the Group assessed AASB9 and made assessment that the notes were derivative in nature as all characteristics under this section were met.

The 'fixed for fixed' test per AASB9 was then consequently assessed to determine whether the notes were of an equity or liability nature. Per the terms of the note, the continued variable nature of the conversion price and hence number of shares issued on conversion, indicates that the fixed-for-fixed test as noted above was failed and notes have been recognised as a financial liability and within scope of AASB 9. Per the terms of the notes, there is a floor price on conversion of $0.23/share, and a ceiling price on conversion of $0.40/share which has led to the above classification. The notes are perpetual in nature with no expiry date.

In relation to the fair value of these notes, the Group has made the assessment to recognise the notes at the sum of consideration paid as at time of completion of convertible note capital raising being $3.0M, less amounts converted into shares to balance date. During the financial year ended 30 June 2020, $1.5M of notes were converted (equating to 6,639,150 new ordinary shares), as per note 20, leaving a closing fair value of $0.5M as at reporting date.

**The fair value of the conversion feature of the Thales convertible loan was split from the underlying host debt disclosed at 17 above. On recognition, the fair value of the conversion feature was $0.6 million. The fair value was calculated under the Black-Scholes valuation principle using a Monte-Carlo simulation model.

Per the convertible loan deed, there is an implied cost of finance being a 20% discount on the share price on conversion of the notes to ordinary shares. The closing balance of $0.3 million includes a $0.3 million finance gain which has been recognised against the convertible loan.

Note 20. Non-current liabilities - provisions

	Consolidated	
	2020 $'000	2019 $'000
Long service leave	111	45
Deferred lease incentives	-	164
Warranties	144	48
	255	257

Note 21. Equity - Issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares - fully paid	357,167,839	156,093,707	84,297	51,249

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Note 21. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	144,350,698		48,024
Issue of shares - placement	2 January 2019	7,407,401	$0.270	2,000
Issue of shares - conversion of convertible notes ($0.231 represents conversion at 20% discount to 20-day VWAP prior to conversion date per terms of security)	4 June 2019	2,161,695	$0.231	500
Finance cost on conversion of convertible notes	4 June 2019	-	$0.000	97
Issue of shares - conversion of convertible notes ($0.23 represents conversion at floor price per terms of security)	14 June 2019	2,173,913	$0.230	500
Finance cost on conversion of convertible notes	14 June 2019	-	$0.000	128
Balance	30 June 2019	156,093,707		51,249
Issue of shares - conversion of convertible notes ($0.23 represents conversion at floor price per terms of security)	10 July 2019	2,173,913	$0.230	500
Finance cost on conversion of convertible notes	10 July 2019	-	$0.000	8
Issue of shares - conversion of convertible notes ($0.4 represents conversion per terms of security	29 July 2019	2,500,000	$0.400	1,000
Issue of shares - conversion of convertible notes ($0.23 represents conversion at floor price per terms of security)	30 July 2019	1,956,521	$0.230	450
Finance cost on conversion of convertible notes	30 July 2019	-	$0.000	95
Issue of shares - conversion of convertible notes ($0.239 represents conversion at 20% discount to 20-day VWAP prior to conversion date per terms of security)	1 August 2019	1,463,823	$0.239	350
Finance cost on conversion of convertible notes	1 August 2019	-	$0.000	88
Issue of shares - conversion of convertible notes ($0.4 represents conversion per terms of security	3 September 2019	57,500	$0.400	23
Issue of shares - conversion of convertible notes ($0.258 represents conversion at 20% discount to 20-day VWAP prior to conversion date per terms of security)	3 September 2019	774,893	$0.258	200
Finance cost on conversion of convertible notes		-	$0.000	50
Issue of shares - placement	25 November 2019	12,473,406	$0.200	2,495
Issue of shares - placement	24 December 2019	70,026,694	$0.200	14,005
Capital Raising Costs	24 December 2019	-	$0.000	(995)
Issue of shares - conversion of convertible notes ($0.4 represents conversion per terms of security	2 January 2020	2,500,000	$0.400	1,000
Issue of shares - placement	23 April 2020	62,500,000	$0.140	8,750
Issue of shares – rights issue	13 May 2020	44,647,382	$0.140	6,251
Capital Raising Costs	13 May 2020	-	$0.000	(1,222)
Balance	30 June 2020	357,167,839		84,297

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group 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.

Note 21. Equity - Issued capital (continued)

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 22. Equity - Convertible notes

	Consolidated	
	2020 $'000	2019 $'000
Convertible notes*	165	5,000

*April 2018 Convertible Note:

In order to classify this note, the Group assessed AASB9 and made assessment that the notes were derivative in nature as all characteristics under this section were met.

The 'fixed for fixed' test per AASB9 was then consequently assessed to determine whether the notes were of an equity or liability nature. Per the terms of the note, as a qualifying capital raise did not occur before 30 September 2018, on maturity conversion the notes will convert into ordinary shares at a fixed price, indicating that this test is now passed. The notes are recognised as equity.

In relation to the fair value of these notes, the Group has made the assessment to recognise the notes at the sum of consideration paid as at time of completion of convertible note capital raising. No fair value adjustments have been made to this instrument during the current reporting period.

During the financial year ended 30 June 2020, $2,812,000 of convertible notes were redeemed, per Note 20. $2,023,000 of convertible notes were also converted, equating to 5,057,500 new ordinary shares during the year.

Note 23. Equity - Share based payments reserve

	Consolidated	
	2020 $'000	2019 $'000
Share-based payments reserve	417	1,405

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.

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Note 23. 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 2018	1,621	1,621
Share option expense (note 36)	(216)	(216)
Balance at 30 June 2019	1,405	1,405
Share option expense*	(266)	(266)
Share option equity movement**	(722)	(722)
Balance at 30 June 2020	417	417

* Cancellation of unquoted options held by a previous Director, upon the 6 month anniversary of his cessation of employment with the Group.
** Expiry of unlisted options issued in connection with MX1's initial public offering of the ASX.

Note 24. Equity - dividends

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

Note 25. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group 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 Group'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 Group's functional currency. The Group 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.

Note 25. Financial instruments (continued)

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

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

In regard to its interest rate risk, the Group 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 Group 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 $18.3M (2019: $1.6M). The sensitivity of the cash at bank balance to changes in interest rate (of +/-1%) equates to +/-$183,176 (2019: +/-$16,063). 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 Group 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.

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Note 25. 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 - 2020	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						
Interest-bearing - variable						
Thales Convertible loan - Host Debt*	2.03%	105	107	5,024	-	5,236
Interest-bearing - fixed rate						
SAFA Loan**	7.75%	3,117	-	-	-	3,117
Total non-derivatives		3,222	107	5,024	-	8,353
Derivatives						
Convertible notes payable***	-	665	-	-	-	665
Thales Convertible Loan – Conversion Feature*	2.03%	-	-	311	-	311
Total derivatives		665	-	311	-	976

* Debt to Equity ratio covenant exists in relation to this facility and has been met at all times. Lender holds security over present and after-acquired property of the Group. Refer Note 17 for further disclosure of facility.

** Lender holds security over present and after-acquired property of the Group. Refer Note 14 for further disclosure of facility.

*** There is no contractual cashflow for the mandatorily convertible notes, there is no cash redemption for the convertible notes.

Consolidated - 2019	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						
Interest-bearing - fixed rate						
SAFA Loan*	6.75%	-	3,335	-	-	3,335
R&D Capital Loan**	9.00%	3,150	-	-	-	3,150
Total non-derivatives		3,150	3,335	-	-	6,485
Derivatives						
Convertible notes payable***	-	7,000	-	-	-	7,000
Total derivatives		7,000	-	-	-	7,000

Note 25. Financial instruments (continued)

* No debt covenants exist in relation to this facility.
Lender holds security over all present and after-acquired property of the Group, except the FY19 R&D refund from the ATO which is held by R&D Capital Pty Ltd as below.
Refer Note 14 for further disclosure of facility.

** Facility taken out with R&D Capital in relation to a prepayment loan on FY19 R&D Refund from ATO.
No principal repayment due until the Group receives its FY19 refund or 31 December 2019, whichever is first.
Interest @1.25%/month for amounts drawn, @0.25%/month for amounts undrawn.
No debt covenants exist in relation to this facility.
Lender holds security over the cash refund for the FY19 R&D refund from the ATO.
Refer Note 14 for further disclosure of facility.

*** No debt covenants exist in relation to this facility.
There is no contractual cashflow for the mandatorily convertible notes, there is no cash redemption for the convertible notes.

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 26. Key management personnel disclosures

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

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	1,420,689	852,979
Post-employment benefits	125,368	49,081
Share-based payments	6,976	(49,308)
	1,553,033	852,752

The Group's Key Management Personnel increased by 3 members during the year ended 30 June 2020. Refer to the Details of Remuneration in the Director's Report for further details.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the Group:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - Grant Thornton		
Audit or review of the financial statements	89,656	89,500
Other services - Grant Thornton		
Other services	24,409	13,750
	114,065	103,250

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Note 28. Contingent liabilities

The Group has no contingent liabilities as at 30 June 2020.

Note 29. Commitments

	Consolidated	
	2020	**2019**
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	1,798

Note 30. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 32.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
Noted as at reporting date, a $77,500 payable to Patrick O'Brien is included within trade payables for director fees during the year (2019: $60,000).

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.

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	**2019**
	$'000	**$'000**
Loss after income tax	(10,067)	(9,835)
Total comprehensive income	(10,067)	(9,835)

Note 31. Parent entity information (continued)

Statement of financial position

	Parent 2020 $'000	Parent 2019 $'000
Total current assets	25,404	6,295
Total assets	33,701	9,871
Total current liabilities	8,745	7,592
Total liabilities	18,799	12,849
Equity		
Issued capital	84,297	51,250
Convertible notes	165	5,000
Share-based payments reserve	417	1,405
Accumulated losses	(69,977)	(60,633)
Total equity/(deficiency)	14,902	(2,978)

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 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 2020 and 2019.

Capital commitments - Property, plant and equipment
The parent entity has no capital commitments for property, plant and equipment as at 2020.

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

Note 32. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Micro-X Incorporated	USA	100%	100%

Note 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

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Note 34. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020 $'000	2019 $'000
Loss after income tax expense for the year	(10,067)	(9,834)
Adjustments for:		
Depreciation and amortisation	1,966	744
Net loss on disposal of property, plant and equipment	-	19
Share of loss - associates	-	231
Share-based payments	(265)	(216)
Non-cash finance costs	593	225
Lease Incentive	-	5
Gain on disposal of XinRay investment	-	(874)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,852)	1,076
Increase/(decrease) in trade and other payables	896	(40)
Increase in employee benefits	301	124
Increase in inventories	(543)	278
Increase in unearned income	(485)	1,108
Net cash used in operating activities	(9,456)	(7,154)

Note 35. Earnings per share

	Consolidated	
	2020 $'000	2019 $'000
Loss after income tax attributable to the owners of Micro-X Ltd	(10,067)	(9,834)
	Cents	**Cents**
Basic earnings per share	(4.35)	(6.63)
Diluted earnings per share	(4.35)	(6.63)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	231,566,308	148,264,820
Weighted average number of ordinary shares used in calculating diluted earnings per share	231,566,308	148,264,820

Note 35. Earnings per share (continued)

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

The total number of options granted and outstanding is 2,820,000 all of which were vested at 30 June 2020.

The potential number of shares on conversion of the April 2018 mandatorily convertible notes which are unconverted is 412,500 ordinary shares based on conversion prices of $0.40 (Ceiling Cap).

The potential number of shares on conversion of the October 2018 mandatorily convertible notes which are unconverted ranges from 2,173,913 ordinary shares to 1,250,000 ordinary shares based on conversion prices ranging from $0.23 (Floor Cap) to $0.40 (Ceiling Cap) respectively.

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.

Note 36. Share-based payments

Share based payments relate to Award Options as outlined in the Group's Prospectus dated 25 November 2015. These options were issued to directors and nominated employees and consultants of the Group.

The general terms and conditions of the Award Options are:

Basis for issues of options:

- issues to Non-Executive Directors and other employees - to incentivise performance and further align interests with shareholders;

- issues to consultants - award for contribution to product development of the DRX Revolution Nano;

- no amount was payable by the holders on the issues of the options;

- vesting arrangements:

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Note 36. Share-based payments (continued)

Issues to Non-Executive Directors (during 2017 financial year):
- one half (Tranche 1) vest on 1 December 2018, provided the holder remains employed by the Group on that date;
- one half (Tranche 2) vest on 1 December 2019, provided the holder remains employed by the Group on that date;

- exercise price for Tranche 1 and 2 is $0.625 (62.5 cents) per option.

- these options expire on 1 December 2020;

Issues to other employees (during 2017 financial year):
- one third (Tranche 1) vested on 1 April 2018, provided the holder remains employed by the Group on that date;
- one third (Tranche 2) vest on 1 April 2019, provided the holder remains employed by the Group on that date;
- one third (Tranche 3) vest on 1 April 2020, provided the holder remains employed by the Group on that date;

Issues to consultants (during 2017 financial year):
- one third (Tranche 1) vested on 1 April 2018;
- one third (Tranche 2) vest on 1 April 2019;
- one third (Tranche 3) vest on 1 April 2020;

- exercise prices to other employee and consultants issued during the year for Tranche 1, 2 and 3 is $0.625 (62.5 cents) per option

- these options expire on 1 April 2021;

- all options will be settled by issues of fully paid ordinary shares in the Group.

During the year the share-based payments expense recognised was a credit of $0.3M. This was driven by the forfeiture of options held by a previous director, upon the 6 month anniversary from resignation.

Set out below are the options outstanding at the end of the financial year (the options shown on the first and second lines are those issued to the Executive Directors, and the options on the lines below are those issued to Non-Executive Directors, other employees and consultants):

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/09/2014	31/12/2019	$0.000	1,393,112	-	-	(1,393,112)	-
01/09/2014	31/12/2019	$0.000	2,786,228	-	-	(2,786,228)	-
21/12/2015	31/12/2019	$0.000	1,000,001	-	-	(1,000,001)	-
21/12/2015	31/12/2019	$0.000	1,999,999	-	-	(1,999,999)	-
05/12/2016	01/12/2020	$0.000	320,000	-	-	-	320,000
01/04/2017	01/04/2021	$0.000	2,500,000	-	-	-	2,500,000
			9,999,340	-	-	(7,179,340)	2,820,000
Weighted average exercise price			$0.613	$0.000	$0.000	$0.254	$0.625

Note 36. Share-based payments (continued)

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/09/2014	31/12/2019	$0.575	1,393,112	-	-	-	1,393,112
01/09/2014	31/12/2019	$0.625	2,786,228	-	-	-	2,786,228
21/12/2015	31/12/2019	$0.575	1,800,000	-	-	(799,999)	1,000,001
21/12/2015	31/12/2019	$0.625	3,600,000	-	-	(1,600,001)	1,999,999
05/12/2016	01/12/2020	$0.625	320,000	-	-	-	320,000
01/04/2017	01/04/2021	$0.625	2,500,000	-	-	-	2,500,000
11/09/2017	01/09/2021	$0.625	320,000	-	-	(320,000)	-
			12,719,340	-	-	(2,720,000)	9,999,340
Weighted average exercise price			$0.612	$0.000	$0.000	$0.537	$0.613

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
01/09/2014	31/12/2019	-	4,179,340
21/12/2015	31/12/2019	-	3,000,000
05/12/2016	01/12/2020	320,000	160,000
01/04/2017	01/04/2021	2,500,000	1,666,666
		2,820,000	9,006,006

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.71 years (2019: 0.84 years).

The fair values of the Award Options will be recognised as an expense by the Group over the following periods:
- options issued to the Executive Directors: from 1 September 2014, being the commencement date of their executive contracts with the Group, to the respective vesting dates; and
- all other options: from grant dates in December 2015, December 2016, April 2017 and September 2017 to the respective vesting dates.

Micro-X Ltd
Directors' declaration
For the year ended 30 June 2020

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 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Group 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

____
Patrick O'Brien
Non-Executive Chairman

28 August 2020

Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T +61 8 8372 6666

Independent Auditor's Report

To the Members of Micro-X Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Micro-X Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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* (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.

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 $10.1 million during the year ended 30 June 2020, and as of that date, the Group's net cash outflows from operating activities totalled $9.5 million. 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.

Micro-X Ltd
Independent auditor's report to the members of Micro-X Ltd

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
Recognition of research and development tax incentive – Notes 2, 3, 6 and 9	
Under the research and development (R&D) tax incentive scheme, the Group receives a 43.5% refundable tax offset for eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management have performed a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. The receivable at year-end for the incentive was $2.0 million. This represents an estimated claim for the period 1 July 2019 to 30 June 2020. We have placed audit focus on the R&D tax incentive given the significant degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This area is a key audit matter due to the inherent complexities and judgement required of management to determine their receivable reimbursement.	Our procedures included, amongst others: • enquiry with management to obtain and document an understanding of the process to estimate the claim; • engaged our R&D tax expert to 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; • compared the nature of the R&D expenditure included in the current year estimate to the prior year claim; • compared the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger; • considered the Group's history of successful claims; • agreed a sample of individual expenditure items included in the estimate to underlying supporting documentation to ensure that they have been appropriately recognised in the accounting records and that they are eligible expenditures; • inspected copies of relevant correspondence with AusIndustry and the Australian Tax Office related to the claims; and • assessed the adequacy of disclosures in the financial statements.

GrantThornton

Financial instruments – Notes 2, 17, 19 and 22

The Company has three tranches of Convertible instruments on issue:

- April 2018, the Company issued 50,000 convertible notes with a collective face value of $5.0 million. The majority of these notes have been converted, and met the fixed-for-fixed criteria to be classified as equity.
- October 2018, the Company issued 30,000 convertible notes with a face value of $3.0 million, with similar conversion options to those issued in April 2018, but a modified window of time for a successful Qualifying Capital Raise. Those notes still on hand continue to be carried as derivative financial liabilities.
- July 2019 saw the initial draw down of the convertible loan facility with Thales totalling $5.0 million. These are carried as derivative financial liabilities.

Accordingly, management must consider the ongoing classification of the existing notes, as well as the new notes and assess their classification and fair value in accordance with AASB 132 *Financial Instruments: Presentation* and AASB 9 *Financial Instruments*, respectively.

There were some conversion of tranches into issued capital, as well as redemptions that occurred during the financial year.

The assessments associated with the classification and measurement of the instruments, can be complex and involve management judgement. These judgements include:

- whether the instrument includes an embedded or standalone derivative to be separately accounted for;
- determining the appropriate classification of the instrument within the financial statements as defined in accounting standard AASB 132 *Financial Instruments: Presentation*;
- determining the fair value of the upon initial recognition of the instrument, considering the following:
  - instrument as a whole;
  - liability component;
  - conversion features; and, if applicable
  - derivative component; and
- determining the fair value of each component at 30 June 2020.

This area is a key audit matter due to the management judgements involved and valuation complexities of the instruments.

Our procedures included, amongst others:

- For the July 2019 Thales convertible loan:
  - obtained the convertible loan agreement to understand the terms and conditions of the contract;
  - performed enquiries with management to understand the substance of the transaction in order to identify any surrounding circumstances that would influence the fair value of the convertible loan at 30 June 2020;
  - assessed the appropriateness of management's classification of the financial instrument in accordance with AASB 132;
  - assessed management's conclusions on identification of the separate components implied within the instrument;
  - engaged our Corporate Finance team to assess if the assumptions and judgements within the valuation appear reasonable; and
  - evaluated the reasonableness of management's assigned fair value of each component upon initial recognition of the instrument.
- For all convertible instruments:
  - assessed measurement of fair value at the reporting date;
  - reviewed movements in existing notes during the year, including the conversion or redemption of convertible notes; and
  - assessed the adequacy of disclosures in the financial statements.

Micro-X Ltd
Independent auditor's report to the members of Micro-X Ltd

Grant Thornton

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 2020, 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: https://www.auasb.gov.au/auditors_responsibilites/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 2020.

In our opinion, the Remuneration Report of Micro-X Limited, for the year ended 30 June 2020 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 28 August 2020

Micro-X Ltd
Shareholder information
For the year ended 30 June 2020

The shareholder information set out below was applicable as at 18 August 2020.

The total number of shareholders is 2,291 and there are 357,167,839 ordinary fully paid shares on issue. There are a further 6,523,698 unlisted options over fully paid ordinary shares issued as follows:

Options Expiry Date	Exercise Price	Number of Holders	Number on Issue	Number of Restricted Securities	Release Date (If Applicable)
1 December 2020	$0.625	1	320,000	-	-
31 December 2021	$0.400	19	3,703,698	-	-
1 April 2021	$0.625	2	2,500,000	-	-

There are 6,650 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)
No maturity date	$0.400	5	1,650	-	-
No maturity date	Lesser of VWAP and $0.230	2	5,000	-	-

In addition to the above, there are $5,000,000 of convertible loan securities on issue to Thales AVS France SAS with a maturity date of 2 July 2025. After 2 July 2024, these convertible loan securities may be converted into fully paid ordinary shares following a request by Thales to do so at which time the Group has the choice to either (i) to repay the Thales convertible loan securities in cash within 7 days; or (ii) issue fully paid ordinary shares which would be issued at a 20% discount to the 30 day VWAP at the time of conversion with a floor price of 25 cents per fully paid ordinary share.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	36	-
1,001 to 5,000	404	-
5,001 to 10,000	355	-
10,001 to 100,000	1,119	-
100,001 and over	377	22
	2,291	22

There are 222 holders (with a total of 449,719 shares) holding less than a marketable parcel.

Micro-X Ltd
Shareholder information
For the year ended 30 June 2020

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	28,846,454	8.08
UBS NOMINEES PTY LTD	22,977,106	6.43
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	21,786,689	6.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,937,676	4.46
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	13,538,414	3.79
MR PETER ROBIN ROWLAND	12,955,000	3.63
CARESTREAM HEALTH INC	9,405,000	2.63
BNP PARIBAS NOMS PTY LTD (DRP)	8,148,810	2.28
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	6,758,583	1.89
LONSDALE NOMINEES PTY LTD (THE LONSDALE FUND A/C)	5,864,322	1.64
HARMAN NOMINEES PTY LTD (HARMANIS INVESTMENT)	5,071,585	1.42
HAMMOND ROYCE CORPORATION PTY LTD (LEN DAVID SUPER FUND A/C)	4,926,588	1.38
BRONTE INVESTMENTS PTY LTD (MCMAHON SUPERANNUATION A/C)	4,560,000	1.28
BT PORTFOLIO SERVICES LIMITED (THE VABEN S/F A/C)	3,329,487	0.93
MEDDISCOPE PTY LTD (PODESTA FAMILY A/C)	3,244,565	0.91
FIFTY SECOND CELEBRATION PTY LTD (MCBAIN FAMILY A/C)	2,817,645	0.79
GOWING BROS LIMITED	2,752,858	0.77
RUBI HOLDINGS PTY LTD (JOHN RUBINO S/F A/C)	2,500,000	0.70
ANGLESEA INVESTMENTS PTY LIMITED (DAMIEN OBRIEN FAMILY A/C)	2,485,288	0.70
PICTON COVE PTY LTD	2,351,598	0.66
	180,257,668	50.47

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

	Ordinary shares	
	Number held	% of total shares issued
Perennial Value Management Limited	27,234,757	7.63
TIGA Trading Pty Ltd and Thorney Technologies Limited	26,282,972	7.36
Regal Funds Management Pty limited	18,773,972	6.01

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.

Options and Convertible Notes
Options and Convertible Notes do not have voting rights attached.

There are no other classes of equity securities.

Corporate directory

Directors

Peter Rowland (Managing Director)
Patrick O'Brien (Non-Executive Chairman)
Alexander Gosling (Non-Executive Director)
Yasmin King (Non-Executive Director)
David Knox (Non-Executive Director)

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

Phone: 1300 555 159 (within Australia)
Phone: +61 3 8320 4062 (outside Australia)

Auditor

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

Phone: +61 8 8372 6666

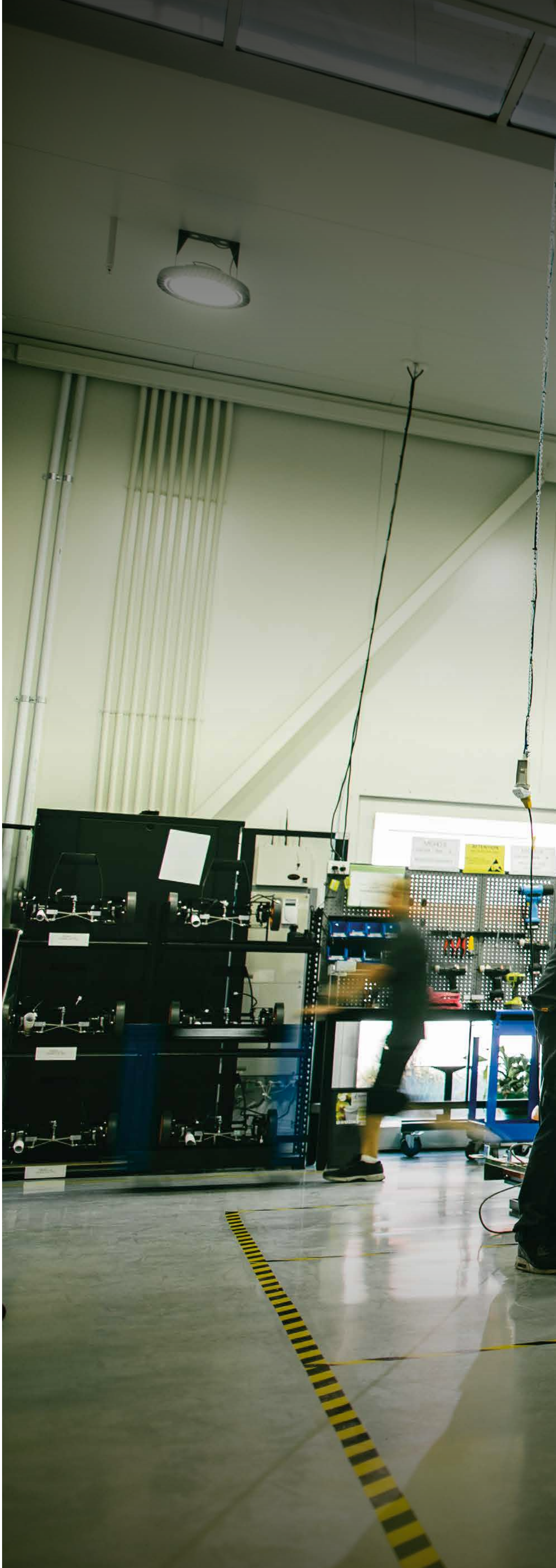
Stock exchange listing

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

Website

www.micro-x.com

www.colliercreative.com.au #MIX0001



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