

Monday 1st October 2018

ASX Announcement – MICRO-X LIMITED (ASX: MX1)

COMPLETION OF CAPITAL RAISE VIA UNSECURED MANDATORILY CONVERTIBLE NOTE ISSUE

Micro-X Limited (ASX: MX1) is pleased to advise the market of the successful, fully subscribed private placement of 30,000 Unsecured Mandatorily Convertible Notes to raise A\$3,000,000 (the 'Note Issue'). Micro-X received strong support for this follow-on capital raise from existing institutional investors.

Micro-X Managing Director, Peter Rowland commented that "While we recently received a \$3.8M cash refund from the Australian Taxation Office under the qualifying R&D tax incentive rebate scheme we believe raising a little additional capital now, ahead of the completion of our proposed strategic partnering process, is opportune. The additional funding will provide Micro-X appropriate financial flexibility to continue to push forward with the acceleration of the MBI and Rover in the short term."

The funds raised will provide general working capital to support production ramp-up of the Carestream DRX Revolution Nano while Micro-X works towards entry into a partnership that involves a strategic technology development collaboration alongside a material financial investment. Micro-X expects to complete the partnering process during the December quarter and looks forward to announcing final details to the market.

For further information please contact:

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About Micro-X: Micro-X Limited ("MX1") is an Australian Securities Exchange listed company developing and commercialising a range of highly innovative products based on proprietary carbon nanotube emitter technologies exclusively licensed and sourced from XinRay Systems Inc., a US based technology developer. These technologies enable the miniaturisation of a number of X-ray applications relevant to large global markets.

APPENDIX ONE

Convertible Note Term Sheet

	Term	Description
1.	Issuer	Micro-X Limited ACN 153 273 725 (Company)
2.	Amount to be raised	A\$3,000,000
3.	Class of security to be issued to the Investor	Unsecured convertible note (Note) convertible into fully paid ordinary shares in the Company (Shares) as set out below.
4.	Number of Notes to be issued	30,000
5.	Face value	The Investor will be issued Notes, at a face value of A\$100 per Note.
6.	Security and ranking	The Notes will be subordinated unsecured debt obligations of the Company and rank, in relation to payment of principal, equally with each other subordinated and unsecured creditors of the Company.
7.	Subordination	In a winding up of the Issuer, Noteholders rank for payment of the aggregate Liquidation Amount on the Notes respectively held by them subordinate to the claims of all other creditors of the Issuer (other than Junior Subordinated Creditors, i.e. other Noteholders or holders of other subordinated claims) but ahead of all Shareholders. Noteholders waive to the fullest extent permitted by law any right to prove in any such winding up of the Issuer as a creditor ranking for payment equally with any other such creditors.
8.	Liquidation Amount	\$125 per Note.
9.	Maturity Date	The Notes are perpetual subject to Conversion while the Issuer is a going concern.
10.	Conversion at the election of the Investor	At any time after 1 November 2018, or an earlier time provided the Company being able to issue a requisite Cleansing Notice with ASX, the Investor may elect by giving not less than 2 Business Days' notice to the Issuer to require that the Company convert all of the Investor's Notes into Shares at the Conversion Price (Maturity Conversion).
11.	Mandatory Conversion	Not later than 2 Business Days after the Issuer announces that its directors have recommended a takeover bid in relation to the Issuer or a scheme of arrangement in relation to the Issuer that is reasonably likely to have the effect of a third-party acquiring control of the Issuer, the Issuer must convert each Note into Shares at the Conversion Price (also, Maturity Conversion).
12.	Conversion	On Maturity Conversion, the Notes will convert into Shares at \$0.40 per Share unless on or before 30 September 2018 a Qualifying Capital Raising has been completed, or, if a Qualifying Capital Raising has not been so completed, on or after 1 October 2018 and on or before 30 April 2019 a Secondary Qualifying Capital Raising has been completed, in which event the Notes will convert into Shares at the greater of: (a) \$0.23 per Share; and

	Term	Description
		<p>(b) the lesser of:</p> <p>(i) \$0.40 per Share; and</p> <p>(ii) an amount equal to a 20% discount to the issue price per Share (or conversion price of convertible securities) issued under a Qualifying Capital Raising or a Secondary Qualifying Capital Raising, as the case may be,</p> <p>(Conversion Price).</p>
13.	Secondary Qualifying Capital Raising	One issue by way of placement or 2 issues by way of placement and contemporaneously announced underwritten rights issue, in each case after the date of this document and on or after 1 October 2018 of Shares or securities convertible into Shares raising in total gross proceeds of at least \$10 million, excluding any issue of the Notes or any issue of Shares or other securities under an employee incentive scheme.
14.	Sunset Date for Secondary Qualifying Capital Raising	30 April 2019
15.	Sunset Conversion	Should the Issuer fail to undertake a Secondary Qualifying Capital Raising in the period commencing 1 October 2018 and ending on 30 April 2019, the Investor may at any time after 30 April 2019 lodge a Conversion Notice with the Issuer and a reasonable time after such lodgement the Issuer must convert the Notes held by the Investor at the time of such lodgement into Shares at the Sunset Conversion Price (Sunset Conversion).
16.	Conversion	<p>On Sunset Conversion, the Notes held by the Investor will convert into Shares at the greater of:</p> <p>(a) \$0.23 per Share; and</p> <p>(b) the lesser of:</p> <p>(i) \$0.40 per Share; and</p> <p>(ii) an amount equal to a 20% discount to the VWAP of Shares in the 20 days ending on the day before the day the Investor lodges the Conversion Notice with the Company,</p> <p>(Sunset Conversion Price).</p> <p>In this item 18, VWAP has the meaning given to 'volume weighted average market price' in the ASX Listing Rules.</p>
17.	Prohibited Sale of Shares in VWAP pricing period	<p>The Investor must not and must procure that each associate and related entity of the Investor does not, Acquire or Dispose of any Shares during the 20-day period referred to in item 18.</p> <p>In this item:</p> <p>(c) associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if:</p> <p>(i) section 12(1) of that Act included a reference to this Convertible Note Term Sheet; and</p>

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		<p>(ii) the Company was the designated body;</p> <p>(d) related entity has the meaning given in the Corporations Act;</p> <p>(e) Acquire has the meaning given in the ASX Listing Rules; and</p> <p>(f) Dispose has the meaning given in the ASX Listing Rules.</p>
18.	Distributions	<p>Distributions will be payable on each Note equal to the Face Value of the Note divided by the Conversion Price and then multiplied by an amount equal to a 2% margin over the rate per Share of dividends declared or authorised by Directors in respect of Shares.</p> <p>The Issuer must not pay a dividend in respect of Shares unless and until the corresponding distribution has been paid in respect of the Notes.</p> <p>In the event of Maturity Conversion, Sunset Conversion or a winding up of the Issuer, no distributions will be payable.</p>
19.	Transaction documents	<p>The parties will negotiate and execute unsecured convertible note documents containing customary representations and warranties of the Company and other terms and conditions, to be drafted by the legal counsel to the Company.</p>
20.	Voting rights	<p>The Notes will not confer the right on the holder to vote at any board or shareholder meeting of the Company.</p>
21.	Participation rights	<p>Prior to the Maturity Date, the Notes will not carry any entitlement to participate in rights issues, returns of capital, bonus issues or capital reconstruction.</p>
22.	Rights attaching to Shares	<p>Shares issued on Maturity Conversion or Sunset Conversion will rank equally with all other Shares on issue at the date of issue and otherwise will be subject to the terms and conditions of the Company's constitution.</p>
23.	Transferability	<p>The Notes are personal to the Investor and are not transferrable other than with the consent of the board of the Company.</p>
24.	Adjustments	<p>The Notes will contain customary adjustments for bonus and rights issues of Shares as well as other capital reconstructions involving Shares.</p>
25.	Confidentiality	<p>No party may disclose the confidential information of another party (which includes the information provided as part of the Proposed Transaction) to any other person or entity except:</p> <p>(g) with the consent of the party whose confidential information it is;</p> <p>(h) as required by law or an applicable stock exchange; or</p> <p>(i) to its professional advisers and employees for the purpose of negotiating the subscription agreement, on the basis that they keep the information confidential.</p>

	Term	Description
26.	Announcements	No party may make a press release, announcement or public statement about the Proposed Transaction except with the consent of the other parties or as required by law or an applicable stock exchange.
27.	Costs and expenses	The Company and the Investor will bear their own costs and expenses incurred in connection with the negotiation, preparation, execution and completion of the subscription agreement required to implement the Proposed Transaction.
28.	Governing law	This term sheet is governed by the laws of South Australia and the parties submit to the non-exclusive jurisdiction of courts in that State.
29.	Status of term sheet	This term sheet is non-binding, except for sections 27, 28, 29, 30 and this section 31 which are legally binding.
30.	Counterparts	This term sheet may be executed in counterparts.

APPENDIX TWO

CALCULATION OF POTENTIAL DILUTION FROM ISSUANCE UPON CONVERSION		
		Dilution
Minimum dilution from Notes upon Conversion		
Total Ordinary Shares on Issue prior to Conversion	144,350,698	
Minimum number of Ordinary Shares upon Conversion of existing 50,000 Notes (at \$0.40)	12,500,000	
Minimum number of Ordinary Shares upon Conversion of 30,000 Notes (at \$0.40)	7,500,000	4.8%
	<u>164,350,698</u>	
Maximum dilution from Notes upon Conversion		
Total Ordinary Shares on Issue prior to Conversion	144,350,698	
Maximum number of Ordinary Shares upon Conversion of existing 50,000 Notes (at \$0.23)	21,739,130	
Maximum number of Ordinary Shares upon Conversion of 30,000 Notes (at \$0.23)	13,043,478	7.9%
	<u>179,133,306</u>	