

MICRO-X

Micro-X Limited,
1284 South Road, Tonsley,
Clovelly Park, South Australia, 5042

ABN: 21 153 273 735

Tuesday 27th March 2018

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

Completion of Capital Raising 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 50,000 Unsecured Mandatorily Convertible Notes to raise A\$5,000,000. Micro-X is very pleased that this capital raising has received support from existing institutional investors and is also delighted to welcome a number of new institutional investors onto the register.

Each of the directors of Micro-X will be participating in this capital raising, subject to shareholder approval. In aggregate, directors will be subscribing for A\$450,000, with this component of the raising subject to approval at an Extraordinary General Meeting expected to be held in May 2018.

The funds raised will provide working capital to support manufacturing and increased inventory for first customer shipments of the DRX Revolution Nano and continuing expansion of the Company's internal engineering capability, focusing on the rapid ramp up of design and development work on the Mobile Backscatter Imager.

"With the Nano now on sale by Carestream, and first units for Carestream's recent \$1.8M order now in production build, this funding will provide us with a valuable buffer to manage higher production volumes that we anticipate will be required to support market demand generated by launch activities." said Managing Director, Peter Rowland.

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.

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APPENDIX ONE

Convertible Note Term Sheet

	Term	Description
1.	Issuer	Micro-X Limited ACN 153 273 725 (Company).
2.	Amount to be raised	\$5,000,000
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	50,000
5.	Face value	The Investor will be issued Notes, at a face value of A\$100.00 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, ie 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	\$125.00 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 19 April 2018, 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 completes a Qualifying Capital Raising or 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).

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	Term	Description
12.	Conversion	<p>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, in which event the Notes will convert into Shares at the lesser of:</p> <p>(a) \$0.40 per Share; and</p> <p>(b) an amount equal to a 20% discount to the issue price per Share (or conversion price of convertible securities) issued under the Qualifying Capital Raising, subject to a minimum conversion price of \$0.23 per Share,</p> <p>(Conversion Price).</p>
13.	Qualifying Capital Raising	<p>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 before 30 September 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.</p>
14.	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 or a winding up of the Issuer, no distributions will be payable.</p>
15.	Transaction documents	<p>The parties will negotiate and execute an 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>
16.	Voting rights	<p>The Note will not confer the right on the holder to vote at any board or shareholder meeting of the Company.</p>
17.	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>
18.	Rights attaching to Shares	<p>Shares issued on Maturity 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>

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	Term	Description
19.	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> <p>Noteholders must not engage with any prospective corporate partner of the Issuer in relation to the sale or transfer of any of their Notes unless a Qualifying Capital Raising involving any such partner has not occurred.</p>
20.	Adjustments	<p>The Notes will contain customary adjustments for bonus and rights issues of Shares as well as other capital reconstructions involving Shares.</p>
21.	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> <ul style="list-style-type: none">(a) with the consent of the party whose confidential information it is;(b) as required by law or an applicable stock exchange; or(c) to its professional advisers and employees for the purpose of negotiating the subscription agreement, on the basis that they keep the information confidential.
22.	Announcements	<p>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.</p>
23.	Costs and expenses	<p>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.</p>
24.	Governing law	<p>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.</p>
25.	Counterparts	<p>This term sheet may be executed in counterparts.</p>

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APPENDIX TWO

CALCULATION OF POTENTIAL DILUTION FROM ISSUANCE UPON CONVERSION

Minimum dilution from Notes upon Conversion		Dilution
Total Ordinary Shares on Issue prior to Conversion	144,350,698	
Minimum number of Ordinary Shares issued upon Conversion (at \$0.40)	<u>12,500,000</u>	8.7%
	<u>156,850,698</u>	

Maximum dilution from Notes upon Conversion		Dilution
Total Ordinary Shares on Issue prior to Conversion	144,350,698	
Maximum number of Ordinary Shares issued upon Conversion (at \$0.23)	<u>21,739,130</u>	15.1%
	<u>166,089,828</u>	

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