

# MICRO-X

## Prospectus Initial Public Offering



**LODGE**  
CORPORATE  
PTY LTD

Lead Manager

### WARNING

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Investors should be aware that the Shares and Award Options are a highly speculative investment given that the Company has generated very limited commercial revenue to date, is not currently generating a positive cash flow and has not entered into a number of key proposed contracts.

The viability of the Company, and its prospects, are highly dependent on the Company and Carestream executing the Development Agreement and Supply Agreement and the satisfaction of the likely proposed conditions precedent under those agreements once executed.

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# Important information

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

## Offer

The Share Offer contained in this Prospectus is an invitation by the Company to acquire Shares and the Award Offer contained in this Prospectus is an invitation by the Company to the Eligible Award Participants to acquire Award Options. This Prospectus is issued by the Company and supports the initial public offering (IPO) of the Company.

## Lodgement and listing

This Prospectus is dated 25 November 2015 and has been lodged with the Australian Securities and Investments Commission (ASIC).

The Company will apply to ASX Limited (ASX) within 7 days after the date of this Prospectus for admission to the Official List and for official quotation of the Shares on issue as at the date of this Prospectus and the Shares issued under the Offer.

Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus. Admission to the Official List is in no way an indication of the merits of the Offer or the Company.

It is expected that the Shares will be quoted on ASX initially on or about 23 December 2015. The Award Options will not be quoted on the ASX. The Company, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

## Expiry date

This Prospectus expires on 25 December 2016 (Expiry Date). No Shares or Award Options will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

## No investment advice

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in this Prospectus may not be relied on as having been authorised by the Company, the Lead Manager or any other person in connection with the Offer. Except as required by law and only to the extent required by such law, none of the Company, persons named in this Prospectus nor any other person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the Shares or the value, if any, of the Award Options.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares or Award Options offered under this Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors. You should carefully consider the risks (set out in Section 7) that impact on the

Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser prior to deciding to invest in the Company. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No cooling-off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares or Award Options under this Prospectus.

## Highly speculative investment

Investors should be aware that the Shares and Award Options are a highly speculative investment given that the Company has generated very limited commercial revenue to date and is not currently generating positive cash flow.

The viability of the Company, and its prospects, are highly dependent on the Company and Carestream executing the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent under those agreements once executed.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

## Financial information presentation

The Historical Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 6. Section 6 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Investors should note that certain financial data included in this Prospectus is not recognised under Australian Accounting Standards, and is classified as non-IFRS financial information. Although the Directors believe that these measures provide useful information about the financial performance of Micro-X, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Micro-X calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 6.

## Forward-looking statements

This Prospectus contains forward-looking statements, including statements identified by use of words such as 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'targets', 'plans', 'goals', 'outlook', 'aims', 'may', 'will', 'would', 'could' or 'should' and other similar words that involve risks and uncertainties.

# Important Information continued

Except as set out above, the Company and the Directors cannot and do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 7. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 7.

## Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares or Award Options in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or Award Options or the Offers or to otherwise permit a public offering of the Shares or Award Options, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should obtain advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, for the account or benefit of, or relied upon by, persons in the United States. The Shares and Award Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, or otherwise transferred in the United States or to, or for the account or benefit of, any persons except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

## Important information for New Zealand investors

This document does not constitute a New Zealand product disclosure statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the *Financial Markets Conduct Act 2013* (NZ) (FMC Act).

This document and associated disclosure materials are being distributed in New Zealand only to and the Offer is being made only to persons who qualify as wholesale investors under clauses 3(2) and 3(3)(a) of Schedule 1 of the FMC Act (New Zealand Investors).

If you are not such a person, you should return or destroy this document and any associated disclosure materials. Any Application Form submitted by persons who do not qualify as wholesale investors under clauses 3(2) and 3(3)(a) of Schedule 1 of the FMC Act will not be processed and no Shares or Award Options will be issued to them under this Prospectus.

## Important information for Hong Kong investors

The following is important information for 'professional' and other legally permitted Hong Kong investors:

### Warning

The contents of this Prospectus have not been reviewed or approved by any regulatory authority in Hong Kong. Recipients are advised to exercise caution in relation to any offer of Shares by Micro-X. If recipients are in any doubt about any of the contents of this Prospectus, they should obtain independent professional advice.

Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document other than:

- to a 'professional investor' as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made under that ordinance; or
- in other circumstances which do not result in the document being a 'prospectus' as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that ordinance.

Further, no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or to 'professional investors' as defined in the Securities and Futures Ordinance and any rules made under that ordinance or to other legally permitted Hong Kong investors.

The information relating to the offering contained herein may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong.

This offering is not an offer for sale of Shares to the public in Hong Kong and it is not the intention of Micro-X or the Directors that Shares be offered for sale to the public in Hong Kong. A person acquiring Shares under the Offer must not offer those Shares or any of them for sale to the Hong Kong public within 6 months after their allotment.

No Award Options are offered to Hong Kong residents under this Prospectus and it is not the intention of Micro-X or the Directors that Award Options be offered for sale to the public in Hong Kong. The Award Options are personal and accordingly, a person acquiring Award Options under the Offer cannot and must not offer those Award Options or any of them for sale to the Hong Kong public.

## Exposure period

Pursuant to the Corporations Act, this Prospectus is subject to an Exposure Period of seven days after the date of lodgement with ASIC, which may be extended by ASIC by up to a further seven days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Monies that the Company has received;
- provide each Applicant with a Supplementary or Replacement prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies; or
- issue to each Applicant the Shares and/or Award Options applied for in the Application, provide each Applicant with a supplementary or replacement prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the date on which the Offer opens at 9:00am (Melbourne time) on 3 December 2015.

## Electronic Prospectus

The Prospectus is available to Australian, Hong Kong and New Zealand Investors in electronic form at [www.Micro-X.com](http://www.Micro-X.com).

The Offer pursuant to this Prospectus in electronic form is available only to Australian residents, Hong Kong residents and New Zealand Investors accessing the website within Australia, Hong Kong or New Zealand. It is not available to persons in other jurisdictions (including the United States) where the distribution of this Prospectus may be restricted by law. The Company is entitled to refuse an application for Shares or Award Options under this Prospectus if it believes the Applicant received the Offer:

- outside Australia, Hong Kong or New Zealand;
- received the Offer in New Zealand and is not a New Zealand Investor; and/or
- in non-compliance with the laws of the relevant foreign jurisdictions or the terms of the Offer.

Shares and Award Options to which this Prospectus relates will only be issued on receipt of an Application Form issued together with the Prospectus.

Applications must be made by completing the Application Form that is included in, or accompanies, this Prospectus or the personalised Application Form – relating to either the Broker Firm Offer the General Priority Offer or the Institutional Offer – which an Applicant receives with their Prospectus, and pay the applicable Application Monies. Application Forms must be completed in accordance with the accompanying instructions.

Application Forms must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is included in or accompanied by a hard copy of this Prospectus or accompanies the complete and unaltered electronic version of this Prospectus.

During the Offer period, any person who is not in the United States, not a US person and is not acting for the account or benefit of any US person, may obtain a paper copy of this Prospectus by contacting the Micro-X Offer Information Line on 1300 386 019 (within Australia) or +61 3 9415 4387 (outside Australia). Questions relating to the Offer may also be directed to the Micro-X Offer Information Line.

## Privacy

By completing an Application Form, you are providing personal information to Micro-X and Computershare as the Share Registry which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares and Award Options you hold) to be included in the Company's public Share register. This information must continue to be included in the Company's public Share register even if you cease to be a Shareholder.

The Company and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Company's public Share register;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- the Lead Manager in order to assess your Application;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Offer and for the associated actions.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by the public.

# Important information continued

## Currency

References in this Prospectus to currency are to Australian currency unless otherwise indicated.

## Share capital information

The Company has issued a number of Series A Converting Preferred Shares, Series B Converting Preferred and Series C Converting Preferred Shares, but in accordance with the terms of issue, each of these will automatically convert into Shares on Completion of the Offer.

Unless otherwise specified, all Share capital information in this Prospectus assumes that the conversion of Series A Converting Preferred Shares, Series B Converting Preferred and Series C Converting Preferred Shares into Shares has been completed.

## Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary in Appendix A to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

## Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

## Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not included in, or accompanied by, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Shares and Award Options are at the discretion of the Company.

## Offer Management Agreement

The Offer is managed by the Lead Manager pursuant to an Offer Management Agreement.

## Investigating Accountant's Reports on the financial information and financial services guide

The provider of the Investigating Accountant's Reports on the financial information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Reports and accompanying financial services guide are provided in Section 10.

## Questions

If you have any questions about how to apply for Shares, please call your Broker or other advisor. Instructions on how to apply for Shares are set out in Section 9 of this Prospectus and on the back of the Application Form. Instructions on how Eligible Award Participants may apply for Award Options are set out in Section 13 of this Prospectus, the separate offer letter which accompanies the Prospectus provided to them and on the back of their personalised Application Form. If you have any questions in relation to the Offer, contact the Micro-X Offer Information Line on 1300 386 019 (within Australia) or +61 3 9415 4387 (outside Australia).

# Chairman's letter

Dear Investor,

On behalf of the Board, I am pleased to offer you the opportunity to become a Shareholder of Micro-X Limited.

Micro-X is an Australian company developing and commercialising a range of highly innovative products based upon proprietary carbon nanotube technologies exclusively licensed and sourced from XinRay Systems Inc, a US based technology developer in which Micro-X will have a shareholding of approximately 13% upon listing on ASX\*. These technologies enable the miniaturisation of a number of X-ray applications relevant to large global markets.

The Company has three initial products in its development pipeline. The first product, the DRX Revolution Nano is an ultra-lightweight mobile medical X-ray system, for which development is nearly complete with market launch scheduled for mid-2016.

The second product in Micro-X's development pipeline is the Ruggedised Nano which is a derivation of the DRX Revolution Nano tailored to military and disaster relief applications as well as large-animal veterinary markets. Micro-X is contracted to demonstrate the Ruggedised Nano to the Australian Defence Force in July 2016 with an official market launch proposed in the second half of 2016.

The third product in Micro-X's development pipeline is a mobile backscatter imaging device in the form of a miniature X-ray system allowing for stand-off imaging of improvised explosive devices. Market launch for this product is scheduled for mid-2017.

Micro-X is offering 30 million to 40 million Shares at \$0.50 per Share to raise a minimum of \$15 million and a maximum of \$20 million, which will represent 27.4% to 33.5%, respectively, of the issued Shares in Micro-X following the Offer. Upon Listing, Micro-X will have a market capitalisation (based on the Offer Price) of approximately \$54.7 million to \$59.7 million.

The proceeds of the Offer will be used to advance the development and commercialisation of Micro-X's pipeline products, including the investment required to scale-up manufacturing for the near term commercial supply of the DRX Revolution Nano. In addition, should more than \$18 million be raised under the Offer, the Company intends to make a substantial follow-on equity investment in XinRay, pursuant to the XinRay Agreement, to increase Micro-X's equity ownership of XinRay to approximately 30%.

This Prospectus contains detailed information about the Offer, the historical position of Micro-X and the material risks associated with an investment in the Company. You should be aware that an investment in Micro-X is a highly speculative investment given that the Company has generated very limited commercial revenue to date and is not currently generating positive cash flow. In addition, the viability of the Company, and its prospects, are highly dependent on the Company and Carestream executing the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent under those agreements once executed. The Company is currently working towards finalisation and execution of the Development Agreement and the Supply Agreement, but there is no guarantee that, or the timeframe in which, these agreements will be executed or that any conditions precedent under those agreements, once executed, will in fact be satisfied.

I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I commend this Offer to you and look forward to welcoming you as a Shareholder of Micro-X.

Yours sincerely



Patrick O'Brien  
Chairman  
Micro-X Limited

25 November 2015

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\* Which may increase under the XinRay Investment.

## Important dates

Description	Date
Prospectus lodgement with ASIC	25 November 2015
Offer open	3 December 2015
Offer close (being the Closing Date)	9 December 2015
Completion of Offer and issue of Shares and Award Options	14 December 2015
Despatch of holding statements in relation to Shares expected to be completed	16 December 2015
Expected commencement of trading of Shares on the ASX	22 December 2015

### Notes

This timetable is indicative only and may change.

The Lead Manager, in consultation with the Company, reserves the right to vary the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or Applicants).

There is no general public offer. Applications will only be accepted by the Lead Manager or the Company under the Broker Firm Offer, General Priority Offer, Institutional Offer and the Award Offer. The General Priority Offer is only open to investors nominated by the Company and invited to apply.

If the Offer is cancelled or withdrawn before the allocation of Shares and Award Options (including as a result of the relevant conditions to the Offer not being satisfied), then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Investors and Eligible Award Participants are encouraged to submit their Applications as soon as possible after the Offer opens.

## Use of proceeds

Use of proceeds from the Offer	Based on Minimum Subscription being raised	Approximate % of use of proceeds <sup>^</sup>	Based on Maximum Subscription being raised	Approximate % of use of proceeds <sup>^</sup>
Development of MBI	\$5,140,000	34.3%	\$5,140,000	25.7%
Investment in XinRay	Nil	Nil	\$5,633,803	28.2%
Development of Ruggedised Nano	\$1,480,000	9.9%	\$1,480,000	7.4%
Tonsley facility fit out	\$1,310,000	8.7%	\$1,310,000	6.5%
Tooling and other production ramp up	\$880,000	5.9%	\$880,000	4.4%
Other working capital	\$4,792,550	31.9%	\$3,823,247	19.1%
Costs of the Offer	\$1,397,450	9.3%	\$1,732,950	8.7%
Total	\$15,000,000	100.0%	\$20,000,000	100.0%

<sup>^</sup> Rounded to the nearest tenth of a percent.

The expected use of proceeds represents Micro-X's current intentions based upon Micro-X's present plans and business conditions and assuming execution of relevant contracts. The amounts and timing of actual expenditure may vary significantly and will depend on numerous factors, including the timing and success of Micro-X's commercialisation activities and revenue from sales (if any).

The Directors believe that, on Completion of the Offer, the Company's cash reserves plus the cash proceeds of the Offer will be sufficient to fund the Company's stated business objectives.

## Key offer statistics

Key Offer Statistics	Based on Minimum Subscription being raised	Based on Maximum Subscription being raised
Offer Price	\$0.50 per Share	\$0.50 per Share
Total proceeds under the Offer	\$15,000,000	\$20,000,000
Total Shares to be issued under the Offer	30,000,000	40,000,000
Total Award Options to be issued under the Offer <sup>1</sup>	9,979,340	10,329,340
Total Shares on issue at Completion of the Offer (does not include Shares issued upon exercise of Award Options)	109,409,725	119,409,725
Shares to be held by Existing Shareholders at Completion of the Offer <sup>2</sup>	79,409,725	79,409,725
Market capitalisation at the Offer Price	\$54,704,863	\$59,704,863
Pro forma cash (as at 30 June 2015) <sup>3</sup>	\$20,806,786	\$19,837,483 <sup>3</sup>
Enterprise value at the Offer Price <sup>3</sup>	\$33,898,077	\$39,867,380 <sup>3</sup>

1. The weighted average exercise price of all Award Options is \$0.6083. For further details see Section 13.
2. Includes 3,834,375 Shares to be issued to Xintek under the Xintek Agreement. See Section 11.5 for further details.
3. Pro forma cash and enterprise value adjusted for estimated \$5,663,803 follow-on investment in XinRay Systems Inc, which Micro-X intends to make if more than \$18 million is raised under the Offer.

# Section 1

## Investment overview

### 1.1 Introduction

Topic	Summary	For more information
What is Micro-X's business?	Micro-X is an Australian public limited company focused on the design, development and manufacturing of ultra-lightweight CNT based X-ray products for the global healthcare and counter IED imaging security markets.	Section 3.1
What is the industry in which Micro-X operates?	<p>Micro-X has three products in its current development pipeline.</p> <p>Micro-X's first product, the DRX Revolution Nano, is aimed at the global hospital market as well as aged care facilities.</p> <p>Its second product, the Ruggedised Nano, is aimed at users within the military, disaster relief and large-animal veterinary markets.</p> <p>The Company's third product, the MBI, focuses on global military organisations and government security agencies, such as national defence departments and national security and counter terrorist agencies, as well as local bomb/explosives squads.</p>	Sections 2.1, 2.2, 2.3, 2.4 and 2.5
How does Micro-X generate its income, who are its customers and when does it expect to commence sales of its products?	<p>The Company intends to generate income from the sale of its DRX Revolution Nano through a proposed exclusive global distribution arrangement with Carestream, which Micro-X considers to be a global market leader in healthcare imaging with a broad portfolio of digital radiography solutions.</p> <p>Micro-X expects sales of Beta units including trade trial units to commence in early calendar year 2016 and, subject to receiving regulatory approval, regulator approved sales to commence in mid-2016.</p> <p>Micro-X proposes that its second product, the Ruggedised Nano will be sold to both Carestream and direct to end user customers with sales commencing in the second half of calendar year 2016.</p> <p>Micro-X expects to sell its third product, the MBI, directly to select military and government security agencies. Micro-X's schedule for the market launch of this product is mid-2017.</p>	Section 1.3
Does Micro-X have any patents over its technology?	<p>Micro-X's DRX Revolution Nano is the subject of a portfolio of provisional patent applications and design applications.</p> <p>Micro-X also benefits from the patents directly held by, or licensed by 3rd parties to, XinRay (and its related/associated entities) with whom Micro-X has certain exclusive licensing arrangements. The expiry dates of those patents or licences held by XinRay and its related/associated entities range between 2019 and 2028.</p>	Sections 1.2 and 11.5
Who are Micro-X's business partners or proposed business partners?	<p>Micro-X's key partners and proposed business partners are:</p> <ul style="list-style-type: none"> <li>Hydrix Services Pty Limited, which currently acts as the Company's outsourced engineering team;</li> <li>Carestream, with whom the Company proposes to enter into the Development Agreement and Supply Agreement in a form acceptable to the Company, under which the Company proposes that Carestream will be the exclusive global OEM distributor of the DRX Revolution Nano. Micro-X has also worked with Carestream in the development of the DRX Revolution Nano; and</li> <li>XinRay, which currently exclusively supplies the CNT-based X-ray emitters and tubes utilised in the Company's products and which is also a strategic investee of Micro-X.</li> </ul>	Section 11.5
Why is Micro-X seeking additional investment in XinRay?	<p>Micro-X has a close strategic relationship with XinRay, which exclusively supplies Micro-X with CNT based X-ray emitters and tubes.</p> <p>Further, the Company is of the view that XinRay itself presents an attractive opportunity as a 'standalone' investment given its lead product in development which addresses a number of unmet market needs in the security screening checkpoint market for carry-on baggage. Micro-X believes that XinRay's initial focus is on US airports security screening operated by the TSA and the Company believes that, subject to successful TSA certification, there will be global opportunities for XinRay's baggage screening systems.</p>	Section 4.1
Why is the Offer being conducted?	The Offer is being conducted primarily to raise additional funding to support the manufacturing ramp up of the DRX Revolution Nano, the development of the Ruggedised Nano and the MBI and the proposed strategic follow-on investment in XinRay. No Existing Shareholders are selling any of their Existing Shares under the Offer.	Section 9

# Section 1

## Investment overview continued

### 1.2 Key investment highlights

Micro-X is an Australian company developing and commercialising a range of innovative products based upon CNT based X-ray emitter and tube technology exclusively licensed and sourced from XinRay. This technology enables the miniaturisation of a number of X-ray products and applications of relevance to global markets.

The Company currently has three products in its development pipeline that leverage the XinRay CNT technology.

The first product, the DRX Revolution Nano, is an ultra-lightweight mobile medical X-ray system, for which development is largely complete and market launch scheduled for late November 2015. Subject to the execution of the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent once executed, Micro-X proposes to undertake the first customer shipments of regulatory approved systems in mid-2016 in conjunction with Carestream, whom Micro-X believes is a global market leader in healthcare imaging.

The second product in Micro-X's development pipeline is the Ruggedised Nano which is a derivation of the DRX Revolution Nano that will be tailored to deployed military and disaster relief applications as well as large-animal veterinary markets. Micro-X is contracted to demonstrate the Ruggedised Nano to the Australian Defence Force in July 2016 with an official market launch expected in Q3 to Q4 of 2016.

The third product in Micro-X's development pipeline is the MBI which is a miniature X-ray system allowing for stand-off imaging of IEDs. Micro-X's schedule for the market launch of this product is mid-2017.

Micro-X also intends to undertake the XinRay Investment T3, being an equity investment in XinRay within 30 days of Completion of the Offer should it raise more than \$18 million under the Offer. Upon listing on the ASX, Micro-X will hold an approximate 13% equity interest in XinRay and upon completion of the proposed follow-on equity investment in XinRay (should Micro-X raise more than \$18 million), Micro-X's equity ownership in XinRay will increase to approximately 30.0%, with an option to increase to approximately 40.0% ownership by December 2016.<sup>4</sup>

XinRay is developing CNT-based multibeam X-ray tubes for imaging systems in high performance next generation security applications. XinRay is developing a new security screening system applying its multibeam X-ray tubes for carry-on bags at airport checkpoints and has received substantial funding from the US Department of Homeland Security.

A more detailed overview of XinRay is provided in Section 4.1 of this Prospectus.

An overview of the Company and its investment merits is provided below:

Investment merits	Comments
Novel technology with wide application	<p>Micro-X believes that its exclusively licensed and sourced CNT technology has significant competitive advantages over existing conventional X-ray technologies. The Company believes that its access to the CNT technology has valuable applications in the healthcare (hospitals, aged care and disaster relief), military and security and veterinary sectors facilitating a broad product development pipeline.</p> <p>The Company's research and inquiries lead it to believe that when commercially released in mid-2016 its lead OEM product, the DRX Revolution Nano, will be the only commercially available compact, ultra-lightweight, fully integrated digital mobile X-ray system offered for sale by any of the six major X-ray brands in the hospital market.</p> <p>Micro-X believes that its Ruggedised Nano will be the only diagnostic-quality integrated DR X-ray available which is of a weight which Micro-X believes is suitable and practicable for use in a deployed army hospital.</p> <p>Micro-X believes that the MBI does not have an identifiable existing direct market competitor.</p>
Near term revenue opportunity	<p>Micro-X intends to generate revenues through the sale of its X-ray products. Subject to execution of the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent once executed, the Company expects first end-customer shipments of its DRX Revolution Nano around mid 2016.</p>

4. Micro-X will not make the follow-on investment in XinRay if the Company does not raise more than \$18 million under the Offer. If the follow-on investment is not made by 28 February 2016, Micro-X's option to increase to approximately 40.0% ownership in XinRay by 31 December 2016 will immediately expire. This percentage is subject to decrease if XinRay issues securities under its employee plan. Details of these arrangements are provided in Section 11.5.

Investment merits	Comments
Large growing markets	<p>The Company believes that there is an established market need for a compact, ultra-lightweight, fully integrated digital mobile X-ray system in hospitals and aged care facilities globally.</p> <p>Further the Company believes that the Ruggedised Nano will experience demand from military purchasers around the world.</p> <p>The Company believes that the digital radiography and mobile digital radiography markets are expected to exhibit worldwide growth over the next three years as the healthcare industry continues to shift from traditional analogue X-ray and computed radiology to fully digital solutions.</p> <p>With regard to the MBI, Micro-X believes that no explicit market currently exists. The Company believes that a miniaturised explosive device imaging system that allows stand-off operation against IEDs will generate demand from military, police and counter-terrorism forces.</p> <p>Micro-X believes that the markets targeted by the DRX Revolution Nano, the Ruggedised Nano and the MBI together represent a global opportunity in excess of US\$500 million per annum.</p>
Carestream investment and proposed Development Agreement and Supply Agreement	<p>Micro-X believes that Carestream is a global market leader in healthcare imaging, with a portfolio of digital radiography solutions.</p> <p>In particular, Micro-X considers Carestream to be a market leader within the global mobile digital radiography market.</p> <p>Micro-X has received approximately \$2.0 million in development support from Carestream to date, including technical and market related input throughout the development process for the DRX Revolution Nano. Micro-X's currently proposed terms for the Development Agreement and Supply Agreement provide that Carestream will provide access and integration of its imaging software systems.</p> <p>Carestream has taken an equity position in Micro-X by subscribing for Shares under a subscription agreement executed by the parties in November 2014.</p>
Proposed global distribution of the DRX Nano by Carestream	<p>The Company is proposing that Carestream sells the DRX Revolution Nano globally through its direct and indirect sales channels under the Carestream brand.</p> <p>Based on discussions to date, the Company expects that Carestream will show the DRX Revolution Nano at the 2015 RSNA trade show to be held in Chicago USA between 29 November and 4 December 2015.</p> <p>The Company proposes to enter into the Supply Agreement and Distribution Agreement with Carestream. Under Micro-X's currently proposed terms of those agreements:</p> <ul style="list-style-type: none"> <li>• the Company will supply, and Carestream will buy, the DRX Revolution Nano mobile medical X-ray system;</li> <li>• Carestream will offer alongside sale of the DRX Revolution Nano its FDA-approved portfolio of digital imaging capture detector plates; and</li> <li>• Carestream will provide access to its latest release FDA-approved digital imaging software for use in the DRX Revolution Nano.</li> </ul> <p>The Company believes that access to these market-proven technologies will significantly contribute to the marketability of the DRX Revolution Nano to customers.</p> <p><b>Investors should be aware that the Company is currently working towards finalisation and execution of the Development Agreement and Supply Agreement, but there is no guarantee that these agreements will be executed either at all or in the form currently proposed.</b></p>
Potential part of Carestream's bundled offering to hospitals	<p>Carestream currently offers a portfolio of digital radiography solutions. Micro-X further believes that Carestream's digital radiography portfolio includes products in radiology rooms, retrofits and mobile product segments as well as picture archiving and communication systems and radiographic information systems.</p> <p>The Company expects that sales volumes of its DRX Revolution Nano will benefit from any inclusion in Carestream's response to bundled hospital tenders.</p>
Substantial Federal and State government support	<p>The Company has received a number of early stage commercialisation grants from the Victorian government and expects to enter into a \$3 million secured loan facility with the South Australian Government Financing Authority (see Section 11.5).</p> <p>The Company has recently been awarded a \$1.9 million contract from the Commonwealth of Australia (Department of Defence) to demonstrate a number of applications of its exclusively licensed and sourced technology.</p>

# Section 1

## Investment overview continued

Investment merits	Comments
Patent protection	<p>Micro-X has filed a number of provisional patent applications and design applications – see Sections 7.2 and 12.</p> <p>The Company also has the benefit of access to XinRay and its related/associated entities' CNT technology, which the Company believes is protected by a portfolio of patents held by, licensed to or otherwise the benefit of which is available to XinRay or its related entities.</p> <p>Micro-X has to date filed six provisional patent applications and two design applications. Micro-X believes that XinRay and its related/associated entities currently holds or enjoys the benefit of a portfolio (direct and licensed from Xintek) of approximately 59 patents across a number of jurisdictions with expiry dates out to 2028.</p>
Exclusive access to a proprietary platform CNT technology in expected fields of operation	<p>The Company has a strong working relationship with XinRay and has exclusive access to XinRay technology for single emitter CNT X-ray applications in the mobile medical, dental, veterinary or non-destructive X-ray device fields as well as multibeam CNT based X-ray systems for mobile backscatter explosive device imaging.</p> <p>The Company believes that these arrangements provide a foundation for Micro-X to achieve a strong market position in the areas where it is planning to launch products.</p>

### 1.3 Micro-X's products and commercialisation strategy

Key milestones in the Company's commercialisation schedule include the Company's plans for first end-customer shipments of the DRX Revolution Nano around the middle of 2016, followed by the Ruggedised Nano in late 2016 and the MBI around the middle of 2017.

Micro-X's products	Comments
DRX Revolution Nano	<p>Initially, the Company intends to apply the CNT X-ray source technology to the successful commercialisation of a digital mobile medical X-ray system that has an 80 to 85% weight advantage over a number of existing products in the market and will be available at a lower price point while offering largely equivalent functionality and power performance.</p> <p>Micro-X believes that the DRX Revolution Nano will be well positioned in both established and emerging world markets where there is demand for mobile X-ray systems and increasing interest in the workflow benefits of digital imaging.</p>
Ruggedised Nano	<p>The Company is planning the launch of the Ruggedised Nano, which is a variation of the DRX Revolution Nano applicable to deployed military markets, disaster relief operations and large-animal veterinary markets.</p> <p>Micro-X believes there may be substantial unmet market need for light-weight mobile medical X-ray systems in support of military deployment and natural disaster relief, and also for the large-animal veterinary market.</p> <p>The Company is contracted to demonstrate the Ruggedised Nano under the terms of its recent \$1.9 million Department of Defence contract.</p> <p>The Company believes that the Ruggedised Nano will be ready for market launch in late 2016.</p>
MBI	<p>Micro-X currently intends the first customer shipments of the MBI to take place in 2017.</p> <p>The Company is contracted to demonstrate the MBI under the terms of its recent \$1.9 million Department of Defence contract.</p> <p>The Company believes that the benefits of the MBI include that it may provide 'stand-off' imaging of suspected improvised explosive devices, for which the current assessment process may require the manual placement of a digital detector imaging plate behind the suspicious object. The Company believes that the current assessment process may place at risk the lives of the security personnel involved.</p>

## Commercialisation strategy

### Comments

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Manufacturing	<p>Micro-X intends to outsource most of its sub-assembly components through formal outsourcing supply arrangements with a number of specialist design, engineering and manufacturing companies. Most sub-assemblies are expected to be sourced in Australia however some highly specialised and proprietary components will be sourced initially from North America. Micro-X intends to integrate all key sub-assemblies at its facility in Tonsley, South Australia where production units will be assembled and tested.</p>
Regulatory and quality assurance	<p>The Company operates a quality management system which it believes is compliant with ISO 13485 and intends to achieve accreditation early in 2016. Accreditation to ISO 9001, relevant to the MBI, is planned in early 2017.</p> <p>Under the terms of the proposed Supply Agreement with Carestream for the DRX Revolution Nano as proposed by the Company:</p> <ul style="list-style-type: none"><li>• Carestream will be the manufacturer of record on the equipment's compliance plate;</li><li>• Carestream will be the applicant for regulatory approvals in the relevant sales jurisdictions; and</li><li>• Micro-X will be responsible for performing all verification and validation testing to prove product compliance and also for maintaining all required design history, process and manufacturing records.</li></ul> <p>For commercialisation of the MBI, the Company requires that design and manufacture be performed in accordance with ISO9001-compliant company practices and procedures and must meet electrical and radiation safety design compliance testing.</p>
Distribution	<p>Subject to execution of the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent once executed, the Company expects that Carestream will exclusively distribute its DRX Revolution Nano globally through its direct and indirect sales channels.</p> <p>Micro-X believes that Carestream currently distributes its products into approximately 130 countries. Under the draft terms of the proposed Development Agreement and Supply Agreement, Micro-X will not pursue or undertake any direct sales of the DRX Revolution Nano and will not incur any material direct selling costs for this product.</p> <p>The Company is confident of Carestream's ability to generate sales of the DRX Revolution Nano via its direct and indirect global sales channels. Further, Micro-X believes that sales of the DRX Revolution Nano can benefit:</p> <ul style="list-style-type: none"><li>• from its inclusion in the Carestream portfolio of digital X-ray products, including leading FDA-approved digital detector image capture plates and imaging software; and</li><li>• via bundled Carestream sales under hospital equipment procurement programs.</li></ul> <p>As part of the proposed Development Agreement and Supply Agreement with Carestream, Micro-X proposes to offer Carestream a right of first refusal to enter into a supply agreement for new product introductions by Micro-X.</p> <p>The Company proposes to offer Carestream exclusive distribution rights of the Ruggedised Nano for sales to the US military. Subject to negotiations with Carestream and the terms of the relevant agreements between the parties, the Company will seek to establish a direct sales model outside of the US market.</p> <p>While the Company intends to establish a direct sales force for both the Ruggedised Nano and the MBI, Micro-X may seek to enter into various after-market service and support agreements with specialist third party providers.</p>

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# Section 1

## Investment overview continued

### 1.4 Key risks

There are a number of potential risks associated with the Company's business and industry, which may impact the Company's financial performance. Some of the key risks are summarised below and are described further in Section 7.

Key risk	Summary	For further information
Key contracts on which the Company's strategy relies not being executed	<p>As part of its product commercialisation strategy, the Company and Carestream entered into the Commercialisation Agreement. Key commercial terms of the proposed Development Agreement and Supply Agreement are detailed in the Commercialisation Agreement. The Company is proposing to finalise and enter into the Development Agreement and Supply Agreement.</p> <p>The Development Agreement and Supply Agreement are intended by Micro-X to govern:</p> <ul style="list-style-type: none"> <li>the design, development and acceptance testing of the DRX Revolution Nano (being the Development Agreement); and</li> <li>the exclusive sale and purchase arrangement of Carestream branded DRX Revolution Nanos from Micro-X to Carestream (being the Supply Agreement).</li> </ul> <p>The viability of the Company, and its prospects, are highly dependent on the Company and Carestream executing the Development Agreement and Supply Agreement in a form acceptable to the Company and the satisfaction of any conditions precedent under those agreements once executed.</p> <p>There is no guarantee that, or certainty of the time frame in which, the Development Agreement and Supply Agreement will be executed either at all or in a form acceptable to the Company or that any conditions precedent under those agreements will be satisfied once executed.</p>	Sections 4.2 and 7
The Company is in the process of developing and commercialising its products	<p>There are inherent uncertainties that exist in any development and commercialisation program for new technologies and products.</p> <p>The Company's products are at varying stages of development, and none of the Company's products are currently at a commercialised stage. The Company (and/or parties with whom the Company has contracted) are in the process of applying for the necessary regulatory authorisations, registrations or approvals for the sale and distribution of the Company's products, including in the USA and in other jurisdictions, and to advance the Company's manufacturing capabilities.</p> <p>There is no assurance that:</p> <ul style="list-style-type: none"> <li>the development and commercialisation of new technologies and products will be successful;</li> <li>all necessary regulatory registrations or approvals for the sale and distribution of the Company's products will be obtained (and on terms acceptable to the Company); or</li> <li>the Company's products will achieve market acceptance.</li> </ul>	Section 7
Uncertain future demand for the Company's products	<p>As part of its business, the Company is utilising new technology, utilising existing technology in an innovative manner and developing new products. Accordingly, the information currently available in relation to existing products and markets may not be reliable, comparable or useful in determining whether the Company's products will be successful and the extent to which the Company's products may or may not be successful.</p> <p>Accordingly, the Company's estimates, analysis and expectations of future demand for its technology and products may be incorrect and may not be able to be achieved. There is also no assurance that any assumptions or other factors on which the Company bases its various technical or commercial decisions will ultimately prove to be valid or accurate.</p> <p>The failure by the Company to appropriately anticipate market demand and achieve customer acceptance of its technology and products may adversely affect the Company.</p>	Section 7

Key risk	Summary	For further information
The Company's business is, in the short to medium term, dependent on the commercial success of a single product – the DRX Revolution Nano	<p>The Company expects to derive a significant majority of its revenue in the short to medium term from sales of the DRX Revolution Nano.</p> <p>Under the Company's current commercialisation strategy for the DRX Revolution Nano, the Company is proposing to enter into the Development Agreement and Supply Agreement, in a form acceptable to the Company, with Carestream. Micro-X proposes that, under the terms of those agreements, Carestream will be responsible for obtaining all necessary regulatory approvals for the sale and distribution of the DRX Revolution Nano.</p> <p>There is no guarantee that the Development Agreement and Supply Agreement will be executed either at all or in a form acceptable to the Company or that any conditions precedent under those agreements, once executed, will be satisfied. In addition, there is no guarantee that Micro-X or Carestream will be able to obtain all necessary regulatory approvals for the sale and distribution of the DRX Revolution Nano.</p> <p>If the Company is unable to successfully launch the DRX Revolution Nano (including because the necessary approvals cannot be obtained) and achieve meaningful market penetration (including because of the ineffectiveness of the marketing and distribution) of the DRX Revolution Nano, the Company may not successfully achieve its commercial strategy and may need to reconsider its business model.</p>	Sections 3 and 7
The Company is reliant on its key existing and proposed customers, suppliers and business partners	<p>The Company is reliant on arrangements with third parties in relation to the sale and distribution of its products, the supply of components required for the manufacture of its products and the development of future products.</p> <p>There is an inherent risk in relying on contractual arrangements with third parties. These inherent risks include that the third parties do not adequately comply with their contractual obligations, or that key existing and proposed suppliers, customers and business partners of the Company cease to operate in the future.</p> <p>To the extent that any existing or proposed key supplier, customer or business partner arrangements do not occur as expected, or lapses, terminates, is breached, or is replaced or altered, then failure to negotiate suitable amendments or find replacements in a timely manner may have adverse effects on the Company's business and financial position.</p>	Sections 7 and 11.5
Ability to rely on and protect the Company's intellectual property	<p>The Company's success depends at least in part on its use of its intellectual property, as well as third party intellectual property which is licensed or otherwise granted to the Company through the procurement of key components used in its products.</p> <p>The intellectual property rights on which the Company is reliant may be subject to claims, including third party infringement claims which may adversely affect the commercialisation of the Company's products or result in the Company incurring expenses or damages. Defending against allegations and litigation could be expensive, take significant time and divert Management's attention.</p> <p>Similarly, if the Company is not able to adequately protect its know-how, expertise, trade secrets and intellectual property rights, including where the Company cannot obtain patent protection in a timely manner, or if existing patents are inadequate to prevent competitors developing competing products, then the Company's business and financial performance may be adversely affected.</p>	Section 7
Product performance	<p>The performance of the Company's technologies and products is important to its reputation and ability to achieve market acceptance of those technologies and products.</p> <p>Any product performance failure or failure of a product to meet a customer's needs and requirements or the environmental conditions faced at a particular site could have a material adverse effect on the Company's reputation, result in loss of sales and have financial consequences such as the creation of a liability to provide replacement products or compensation.</p>	Section 7

# Section 1

## Investment overview continued

Key risk	Summary	For further information
Insufficient or disruptions to the Company's manufacturing ability or capacity	<p>The Company will be assembling and testing its products at one facility in Tonsley, South Australia.</p> <p>If the Company is unable to keep up with demand for its products, or if there is a disruption at the Company's assembling and testing facility, then the Company's production and earnings capacity may be adversely affected.</p> <p>In addition, if the Company is unable to keep up with demand for its products, including as a result of disruptions at its assembling and testing facility and particularly at the early stages of a product's commercialisation, this may adversely affect the product's market acceptance.</p>	Section 7
Limited operational history and experience	<p>The Company has a limited operating history on which an evaluation of the Company and its prospects can be based. In assessing the Company's business prospects, you should consider the various risks and difficulties frequently encountered by companies at an early stage of commercialisation in competitive markets, particularly companies that develop and sell medical equipment.</p> <p>In addition, the Company's limited operating history may result in the Company not having the necessary expertise or experience to execute its business strategy from time to time, or in specific areas. Under the currently proposed terms for the Development Agreement and Supply Agreement, Carestream will be responsible for sales and marketing of the Carestream Revolution Nano, however, in relation to other products, which the Company may market by itself, the Company has limited sales, distribution and marketing experience.</p> <p>In relation to assembling and testing, the Company has limited experience in the manufacture of medical equipment and defence equipment at a commercial scale.</p>	Section 7
Diminution in reputation or brand	<p>The Company is reliant on its reputation and the reputation of its products and brands. Any factors or events that diminish the reputation of the Company, its products, its brands, trademarks or intellectual property may adversely affect the Company.</p> <p>In addition, to the extent that the Development Agreement and Supply Agreement are executed in a form acceptable to the Company and the conditions precedent under those agreements, once executed, are satisfied, the Company proposes that the DRX Revolution Nano will be distributed under the Carestream brand. Any adverse impacts on Carestream's brand, which may be outside of the Company's control, may have consequential effects for the Company (including its brand and its products), its customers and investors in the marketplace.</p>	Section 7
XinRay may not continue its relationship with the Company	<p>Micro-X considers XinRay to be a key supplier of the Company.</p> <p>A number of agreements exist between the Company and XinRay, including in relation to exclusivity and the supply of the CNT X-ray tubes which Micro-X proposes to use in its products.</p> <p>There is no assurance that the XinRay Arrangements will be maintained or renewed from time to time. There is a risk that the Company could be adversely impacted if the XinRay Arrangements are terminated.</p> <p>Pursuant to the XinRay Arrangements, Micro-X may enforce a technology transfer of the XinRay production process to a third party nominated by Micro-X should Micro-X terminate the Production Supply Agreement following a material breach of the agreement by XinRay.</p>	Sections 7 and 11.5
Carestream may not continue its relationship with the Company	<p>Micro-X considers Carestream to be a potential key customer of the Company.</p> <p>The Company has entered into the Commercialisation Agreement with Carestream, which is terminable by either party upon 30 days notice to the other party.</p> <p>There is no assurance that the above agreements, or more broadly, any Carestream Arrangements (which includes the Development Agreement and Supply Agreement if they are entered into by the parties), will be maintained or renewed from time to time. There is a risk that the Company could be adversely impacted if:</p> <ul style="list-style-type: none"> <li>the conditions precedent under the Carestream Arrangements are not satisfied once executed; or</li> <li>the Carestream Arrangements: (i) are not entered into in a form acceptable to the Company; (ii) are terminated; (iii) expire and are not renewed; or (iv) are renegotiated on less favourable terms.</li> </ul>	Sections 7, 9.1 and 11.5

Key risk	Summary	For further information
Change of control	<p>Micro-X is a party, or may become a party, to agreements which contain a change of control provision.</p> <p>For example, Micro-X proposes that the Supply Agreement will include a provision providing that the Company grants to Carestream the right to make, have made and sell the DFX Revolution Nano if there is a Micro-X change of control or sale to a Carestream competitor in the medical, dental, veterinary or non-destructive testing field.</p> <p>On and from Listing, whether there is a change of control of Micro-X may be beyond the control of Micro-X.</p> <p>In accordance with the terms of the relevant agreements, adverse consequences may result if there is a change of control of Micro-X.</p>	Sections 7 and 11.5
Competition may increase	<p>The Company's earnings, and the market acceptance of the Company's products may be adversely affected by competitor activity, new competitors entering the market, or if competitors release more advanced products that result in reduced market share for the Company's products.</p> <p>Increased competition and new products may have the effect of rendering the Company's previous developments obsolete, decreasing the financial value of products or intellectual property and reducing pricing and profit margins.</p>	Section 7
Adverse movements in exchange rates may occur	<p>Revenue and expenditure denoted in foreign currency are subject to the risk of fluctuations in foreign exchange markets. The Company's payment obligations and receivables, many of which are in USD may give rise to exchange rate risk for the Company.</p> <p>The Company has no plans at this stage to hedge its foreign currency payments.</p>	Section 7
Product recalls and product liability	<p>The Company has procedures and policies in place to ensure compliance with quality standards and to ensure its products comply with applicable legal and regulatory requirements.</p> <p>Unforeseen problems or poor product quality of one or more of the Company's products may lead to product recalls or liabilities to customers. Adverse events may expose the Company to product liability claims or litigation, result in the loss of regulatory approvals for the relevant products and/or monetary damages being awarded against the Company.</p>	Section 7
Sufficiency and allocation of funding/capital	<p>The Company has generated very limited commercial revenue to date and is not currently generating a positive cash flow due to the funding requirements of product development and the scaling up of manufacturing capabilities.</p> <p>The funding sought to be raised by the Offer is based on the Company's best estimation of cash flow projections and estimated expenditures.</p> <p>The Company has limited financial resources and may need to raise additional funds from time to time to finance and complete development and commercialisation of its technologies and products and its other longer-term objectives. There is no assurance that future funds, whether debt or equity, can be raised by the Company on favourable terms, if at all, or that the Company will have the funding that it requires to fully complete its development and commercialisation program.</p>	Section 7
The Company's strategy may not be effective	<p>There are a number of strategies which relate to the development and commercialisation of the Company's products.</p> <p>To date, the Company has not commenced commercial scale production, distribution or sale of its products, and accordingly, the Company's strategies in that respect are untested, and may, in time, prove to be misguided, or may be implemented ineffectively and result in an outcome that may adversely affect the performance of the Company. Ineffective implementation of these and other strategies adopted by the Company may adversely impact the market acceptance of its products and the performance and growth of the Company.</p>	Sections 1.3 and 7

# Section 1

## Investment overview continued

Key risk	Summary	For further information
Reliance on key personnel	<p>The medical equipment industry has strong competition for highly skilled workers due to the limited number of people with the appropriate skill set. The Company currently employs, or engages as consultants, a number of key management personnel.</p> <p>The Company has structured incentive programs for its key personnel and it has also established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.</p>	Section 7
Prospective information	<p>There can be no guarantee that the factors and assumptions on which the Company has assessed the feasibility of its products, potential levels of market acceptance and sales of its products, development and commercialisation strategies of its products, or relevant potential costs and expenses, and any other factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate. The various factors and assumptions may be, or may depend on other factors which are, outside the control of the Company.</p>	Section 7
Litigation	<p>Micro-X may be the subject of complaints or litigation by customers, suppliers, employees or officers, Shareholders, government agencies or other third parties. Such matters may have an adverse affect on Micro-X's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Micro-X's future financial performance or position.</p> <p>The Directors are aware of a potential claim by a former Director and current shareholder of the Company, Ms Alison Coutts. For further details, please see Section 11.9.</p>	Sections 7 and 11.9
Changes in political and regulatory environments	<p>The Company is subject to various federal and state-based laws and regulations in Australia as well as other jurisdictions in which the Company operates.</p> <p>The introduction of new laws and regulations (including in relation to medical or X-ray emitting devices) may result in increased expenses for the Company, as it establishes new compliance procedures, retrains its employees and reviews or redevelops products.</p> <p>New regulatory environments create risk that the regulations will have unintended consequences, or that interpretations may change over time, which could adversely affect the Company's operations and ability to manufacture, sell or distribute some products.</p>	Section 7
Failure to meet health and safety regulations	<p>The Company currently operates in Australia and is subject to laws and regulations in respect of health and safety in Australia (including workplace health and safety, and product safety laws and regulations). In addition, it is proposed that the Company's products will be sold or distributed in the US and other countries, and accordingly, may be subject to laws and regulations in respect of health and safety in those jurisdictions. Additional or amended laws and regulations may increase the cost of compliance, adversely impact the Company's ability to comply, or expose the Company to greater potential liabilities where, for example, changes to the regulatory framework result in higher or more complicated regulatory standards, which may adversely affect the financial and operational performance of the Company.</p>	Section 7
Doing business internationally	<p>There are certain risks inherent for any company seeking to do business on an international level, such as the potential need to obtain licences to operate and/or sell or distribute products. This may increase the regulatory compliance cost which is applicable to the Company and its business.</p> <p>As the Company's business partners and customers will be primarily outside Australia, the Company faces a number of risks, any of which could adversely impact on the success of the Company's present and future proposed international operations.</p>	Section 7
Other risks	<p>Other risk factors that apply generally in the conduct of a business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise), loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may all interfere with the Company's business and adversely affect its performance.</p>	Section 7

## 1.5 Experience and background of the Directors and Management

Micro-X's leadership team has extensive industry experience and a proven track record of driving operational excellence across all facets of the business. The Board currently comprises 5 Directors, including 3 Independent Directors (one of whom is the independent non-executive Chairman of the Company).

Topic	Name	Experience	For more information
Who are the Directors of the Company?	Patrick O'Brien (Non-Executive Chairman)	More than 25 years' professional and commercial experience in Australia, the UK, Europe, Asia and the US, primarily in corporate finance and private equity with Macquarie Group and strategy consulting with McKinsey & Company.	Section 5.1
	Peter Rowland (Managing Director)	25 years' experience in engineering design, development and project management of innovative, high technology military and scientific equipment at BAE Systems and also experience with medical devices as Managing Director of ASX-listed Ellex Medical Lasers and as Vice President of NASDAQ-listed Biolase Inc.	
	Richard Hannebery (Part time – Corporate Development Director)	20 years' experience in commercial and advisory services including more than 13 years as a specialist within healthcare technology at a corporate development and director level.	
	Alexander Gosling (Non-Executive Director)	50 years' experience in product development and engineering and in the commercialisation of new technologies for global markets, in the UK, Australia and Asia.	
	David Symons (Non-Executive Director)	More than 15 years' experience across a range of commercial disciplines including investment banking, corporate development, private equity investment and financial communications consulting.	
Who are the members of the Micro-X Senior Management?	Peter Rowland (Managing Director)	See above	Section 5.2
	Richard Hannebery (Part time – Corporate Development Director)	See above	
	Anthony Skeats (Contractor – Chief Engineer)	17 years' experience in global high technology product development across medtech and other sectors with Invetech, Lucent Technologies, Blue Arc and BOC Edwards.	
	Adam Williams (Production Manager)	19 years of global best practice manufacturing experience within automotive manufacturing with General Motors Holden.	
	Alexander Blackburn (Regulatory & Supply Chain Manager)	7 years of global best practice supply chain and quality engineering experience in Australia and China with General Motors Holden.	
	Richard Bower (Product Support Manager)	20 years' experience in Biomedical engineering working on fixed and mobile X-ray and CT imagers working with the UK Royal Navy, GE Healthcare and Carestream Health Australia.	
	Stephen Leahey (Contractor – Electronics Lead Engineer)	13 years' experience in telecommunications, industrial and medical product development and manufacturing.	

# Section 1

## Investment overview continued

### 1.6 Significant interests of key people and related party transactions

Topic	Summary			For more information	
What are the Existing Shareholders' interests in the Offer and what significant benefits are payable to them?	<b>Interest in shares on Completion of the Offer</b>			Section 11.5 and 11.6.	
	<b>Existing Shareholder</b>	<b>Shareholding prior to the Offer</b>	<b>Minimum subscription %</b>		<b>Maximum subscription %</b>
	Mr Peter Rowland	12,350,000	11.3		10.3
	Carestream Health, Inc.	9,405,000	8.6		7.9
	TIGA Trading Pty Ltd	6,249,100	5.7		5.2
	Xintek	3,834,375	3.5		3.2
	Lonsdale Nominees Pty Ltd	3,369,064	3.1		2.8
	Other Existing Holders	44,202,186	40.4		37.0
<p>The Shares held by Existing Shareholders after Completion of the Offer may be subject to an ASX imposed escrow arrangement for between 12 to 24 months from the date of issue.</p> <p>The Company expects that Xintek will enter into a voluntary escrow arrangement with the Lead Manager, under which the Shares held by Xintek will be escrowed until 31 December 2016, but otherwise determined at the absolute discretion of the Lead Manager.</p>					

What are the Directors and Senior Management teams interests?	<b>Directors and Management</b>	<b>Number of Shares held directly or indirectly</b>	<b>Number of Award Options held following Completion of the Offer (assuming the Maximum Subscription is raised)</b>	Sections 8.1, 8.2 and 13.1
	Peter Rowland	12,350,000	2,089,670	
	Richard Hannebery	3,512,400	2,089,670	
	Patrick O'Brien	3,369,064	600,000	
	Alexander Gosling	Nil	400,000	
	David Symons	1,907,600	400,000	
	Adam Williams		1,000,000	
	Alexander Blackburn		750,000	
	Richard Bower		750,000	
	Total	21,139,064	10,329,340	

Directors and key executives are entitled to remuneration and fees on commercial terms.

## 1.7 Key financial metrics

For more information

Topic	Summary	For more information
What is Micro-X's historical financial performance and position, in addition to its pro forma financial position?	Set out below is a summary of selected financial information of Micro-X. Summaries of the audited financial statements of Micro-X are presented in Section 6 for the FYs ended 30 June 2013, 2014 and 2015. The audited financial information is prepared in accordance with recognition and measurement principles generally accepted in Australia. An unaudited, pro forma balance sheet as at 30 June 2015 has also been included. All amounts disclosed in the summary are rounded to the nearest A\$1,000. The financial information below should be read in conjunction with the summary of significant accounting policies in Section 6.5, the risk factors in Section 7, the discussion of the use of the proceeds of the Offers in the Use of Proceeds Section of this Prospectus, the pro forma financial information in Section 6.4 and the other information contained in this Prospectus.	Section 6

### Summary of historical statement of operations

	FY2013 Audited \$'000	FY2014 Audited \$'000	FY2015 Audited \$'000
Consulting revenue	-	-	72,000
Interest received	-	-	13,642
Government subsidies	367,025	68,993	75,074
Total income	367,025	68,993	160,716
Research and development costs	287,015	300,230	7,128,357
Director and employee costs	-	12,000	464,300
Administrative expenses	3,214	129,342	129,601
Finance costs*	-	12,954	2,602,352
Total expenses	290,229	454,526	10,324,610
Profit/(loss) before income tax	76,796	(385,533)	(10,163,894)

\* Note: Finance costs largely relate to the minimum return specified on Series A Converting Preferred Shares, Series B Converting Preferred Shares and Series C Converting Preferred Shares. Ultimately the minimum return specified on Series A Converting Preferred Shares, Series B Converting Preferred Shares and Series C Converting Preferred Shares will be settled when the instruments are settled with ordinary shares, to be issued immediately before the Completion of the Offer.

### Summary of historical and pro forma balance sheet

	As at 30 June 2015	Minimum Subscription as at 30 June 2015		Maximum Subscription as at 30 June 2015	
	Audited \$'000	Adjustments \$'000	Pro forma \$'000	Adjustments \$'000	Pro forma \$'000
Total current assets	5,845.7	15,297.9	21,143.6	14,328.6	20,174.3
Total non current assets	1,991.7	3,325.6	5,317.3	8,959.4	10,951.1
Total assets	7,837.4	18,623.5	26,460.9	23,288.0	31,125.4
Total current liabilities	18,113.7	(15,413.5)	2,700.2	(15,413.5)	2,700.2
Total long term liabilities	-	-	-	-	-
Total liabilities	18,113.7	(15,413.5)	2,700.2	(15,413.5)	2,700.2
Net (liabilities)/assets	(10,276.3)	34,037.0	23,760.7	38,701.5	28,425.2

# Section 1

## Investment overview continued

Topic	Summary	For more information
Does Micro-X have any debt facilities?	<p>The Company does not currently have any debt facilities.</p> <p>The Company expects to enter into a \$3 million secured loan facility with the South Australian Government Financing Authority. Further details of this proposed loan facility are in Section 11.5.</p> <p>Micro-X expects that draw-downs under the terms of this proposed loan facility will be subject to conditions subsequent to the Prospectus Date and Completion of the Offer.</p>	Sections 9 and 11.5
How does Micro-X expect to fund its operations?	The Company expects to fund its operations from the proceeds of the Offer, government contracts, proceeds from R&D tax incentive rebates and any future revenues generated from product sales.	Section 9 and the Use of Proceeds table on page 6 of this Prospectus
What is the Company's dividend policy?	The Company does not expect to pay dividends in the foreseeable future and plans to re-invest any profits in order to fund additional growth opportunities.	Section 11.3

### 1.8 Overview of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Micro-X Limited ACN 153 273 735.	Section 9.1
What is the Offer?	<p>The Offer is an IPO of 30 million Shares based upon the Minimum Subscription and up to 40 million Shares based upon the Maximum Subscription.</p> <p>The Shares being offered will represent approximately 27.4% (based upon the Minimum Subscription) and 33.5% (based upon the Maximum Subscription) of the total Shares on issue following Listing.</p> <p>The Offer also includes the Award Offer, which is an offer to the Eligible Award Participants to apply for, in aggregate, up to 10,329,340 Award Options.</p>	Section 9.1
Is the Offer conditional?	<p>Yes. Completion of the Offer is conditional on the following:</p> <ul style="list-style-type: none"> <li>the Minimum Subscriptions being received before the Closing Date; and</li> <li>the ASX approving Micro-X's application for admission to the Official List within three months after such application is made (or any longer period permitted by law).</li> </ul> <p>If either or both of these conditions are not satisfied, then the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>In addition, and without limiting the above and to the extent permitted by law, Micro-X reserves the right not to proceed with the Offer at any time before the Completion of the Offer. If the Offer does not proceed, the Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Sections 9.1 and 11.5
What is the consideration payable for the Shares?	<p>The Offer Price is \$0.50 per Share.</p> <p>Successful Applicants under the Share Offer will pay the same Offer Price.</p>	Section 9.1
What is the consideration payable for the Award Options?	No monetary consideration will be payable by any of the Eligible Award Participants to the Company for the Award Options.	Section 13

Topic	Summary	For more information
What is the proposed use of proceeds received in connection with the Offer?	<p>The Offer is expected to raise between \$15 million and \$20 million, being the Minimum Subscription and the Maximum Subscription respectively.</p> <p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>• achieve a listing of the Company on the ASX to broaden the Shareholder base and provide a liquid market for its Shares;</li> <li>• raise capital to fund the development of the Company's products, to support manufacturing ramp up of the DRX Revolution Nano, to fund the fit out of the Company's Tonsley facility and make a substantial equity investment in XinRay (if more than \$18 million is raised under the Offer); and</li> <li>• improve the Company's future access to capital markets.</li> </ul>	Section 9.1
What is the minimum subscription for the Offer to proceed?	<p>The minimum amount to be raised pursuant to this Prospectus, and the Offer, is \$15 million.</p> <p>No Shares will be issued to investors until the minimum amount has been received. If the Company does not receive the Minimum Subscription within 4 months after the date of this Prospectus, the Offer will not proceed and all Applications will be refunded in full without interest.</p>	Section 9.1
How is the Offer structured/who is eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• the Broker Firm Offer, consisting of an invitation by Brokers to investors in Australia and to New Zealand Investors to acquire Shares under this Prospectus;</li> <li>• the General Priority Offer, which is open to investors in Australia or to New Zealand Investors;</li> <li>• the Institutional Offer, which consists of an offer to Institutional Investors in Australia, and Hong Kong and to New Zealand Investors; and</li> <li>• the Award Offer, which is made solely to the Eligible Award Participants.</li> </ul>	Sections 9.3, 9.4 and 9.5
Is the Offer underwritten?	No.	Section 9.1
Who is the Lead Manager to the Offer?	<p>Lodge Corporate Pty Ltd.</p> <p>Lodge Corporate Pty Ltd ABN 50 125 323 168 is a Corporate Authorised Representative (AR 316212) of Lodge Partners Pty Ltd ABN 25 053 432 769 AFSL 246271.</p>	Section 11.7
Will the Shares be quoted?	<p>The Company will apply to the ASX within 7 days after the date of this Prospectus for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code MX1).</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 9.2
Will the Award Options be quoted?	The Award Options will not be quoted on the ASX.	Section 13
Will any Shares be subject to escrow arrangements?	<p>The Company expects that certain Shares will be subject to ASX imposed escrow arrangements.</p> <p>Provided that the Shares held by Xintek post Completion of the Offer are not Restricted Securities, the Company expects that the Shares held by Xintek post Completion of the Offer will be subject to a voluntary escrow arrangement between Xintek and the Lead Manager, which the Company expects will be entered into before the Closing Date, and under which the Shares held by Xintek will be escrowed until 31 December 2016, but otherwise determined at the absolute discretion of the Lead Manager.</p> <p>Other Existing Shareholders may be required to enter into restriction agreements with ASX in respect of their Shares, as outlined in Section 11.6.</p>	Section 11.6

# Section 1

## Investment overview continued

Topic	Summary	For more information
What is the allocation policy?	<p>The allocation of Shares under the General Priority Offer will be determined by the Lead Manager, in consultation with the Company and taking into consideration the guaranteed minimum allocation of \$2,000 worth of Shares per nominated investor.</p> <p>For Broker Firm Applicants, the relevant Broker will determine how to allocate Shares among its retail clients.</p> <p>The allocation of Shares under the Institutional Offer will be determined by the Lead Manager in consultation with the Company.</p>	Sections 9.2, 9.3, 9.4, 9.5 and 13
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares or Award Options under the Offer.	Section 9.2
What are the tax implications of investing in the Shares or Award Options?	The tax consequences of any investment in Shares and Award Options will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 11.1
How can I apply?	<p>Applicants under the Broker Firm Offer may apply for Shares by completing their Application Form and lodging it with the Broker who invited them to participate in the Offer.</p> <p>Applicants under the General Priority Offer must apply in accordance with the instructions on their personalised Application Form.</p> <p>Applicants under the Institutional Offer must apply in accordance with the details provided to them by the Lead Manager. Eligible Award Participants may apply for Award Options as detailed in Section 13 and in the personalised Application Form and offer letter provided to them.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Sections 9.3, 9.4, 9.5 and 13
When will I receive confirmation that my Application has been successful?	The Company expects that the initial holding statements will be dispatched by standard post on or about 16 December 2015.	Section 9.2
When can I sell my Shares on the ASX?	<p>The Company expects that trading of Shares on the ASX will commence on or about 22 December 2015.</p> <p>It is the responsibility of each Applicant to confirm its holding before trading its Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</p>	Section 9.2
Can the Offer be withdrawn?	<p>The Offer will not proceed if the relevant conditions are not satisfied.</p> <p>The Company reserves the right to not proceed with the Offer at any time before the issue of Shares and Award Options to Successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be fully refunded.</p> <p>No interest will be paid on any Application Monies refunded, including as a result of not proceeding with the Offer.</p>	Sections 9.1(b) and 9.7
Where can I find out more information about this Prospectus or the Offer?	<p>For more information, call the Micro-X Offer Information Line on 1300 386 019 (within Australia) or +61 3 9415 4387 (outside Australia) from 8:30am to 5:00pm (Melbourne time) Monday to Friday during the Offer period.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>	Section 9.2



## Section 2

# Industry overview

### 2.1 Mobile medical X-ray market

In Australia, approximately 43% of medical diagnostic imaging procedures for which claims are made through Medicare are X-ray<sup>5</sup>. Within the mobile X-ray modality Micro-X estimates that approximately 80% are chest exams, 10% are abdominal exams, 5% are spinal exams and 5% neonatal exams. The Company believes that these percentages are similar in most developed markets.

Micro-X believes that the majority of diagnostic X-ray procedures in hospitals in developed nations are performed by high-powered, fixed, X-ray installations in dedicated, shielded rooms in the radiology departments of acute hospitals or in specialist referral imaging centres.

Micro-X believes that until around 35 years ago, any patient requiring an X-ray, whether the patient was ambulatory or not, was likely to have been required to attend such a specialised facility for the imaging procedure as mobile X-ray equipment was not available. However, particularly in light of the amount and complexity of monitoring and life-support equipment connected to patients in hospital ICUs, Micro-X believes that, in certain circumstances, it may be preferable for ICU patients not to be transferred to a radiology department for an imaging procedure but instead to capture the image at the bedside.

General Electric (GE) was among the first to introduce a mobile X-ray system, the GE 'AMX-4', in the 1980s, which had the potential to be taken to a patient's bedside for an X-ray exam. The Company believes that GE recently celebrated their 18,000th delivered mobile unit world-wide.

After GE established early leadership of the mobile market other X-ray manufacturers introduced their own designs of mobile systems and Micro-X believes that for a period of time the global mobile X-ray market had five major branded manufacturers. All of these systems used a cassette system to hold the X-ray film.

Micro-X believes that approximately 15 years ago the global X-ray imaging market started to move away from wet-film processing to adopt reusable storage phosphor film, which captured the image and was 'developed' electronically by laser scanning to produce a digital image in a Computed Radiology (CR) reader.

Micro-X considers X-ray film and CR digital imaging detectors, especially when utilised for mobile procedures, to both have the disadvantage of requiring the imaging cassette to be processed before the image can be viewed, which may require transporting the imaging cassette, and may result in a delay between taking the image and being able to view the image. Micro-X believes that this process is inefficient, and this inefficiency may be compounded if it later transpires that the image needs to be re-taken due to patient movement or misalignment, which frequently occurs.

Carestream introduced a DR FPD in 2008 with its product the DRX-1 where the digital image is directly acquired by silicon sensors on the imaging plate and is then wirelessly displayed on the X-ray system shortly after exposure. Micro-X believes Carestream to have a prominent market position in the design and manufacture of DR detectors and also the software to acquire and manipulate digital images. Micro-X believes that other mobile X-ray system market

participants such as Siemens, Philips, Shimadzu and GE offer mobile X-ray systems where customers are provided with separate FPD and image capture software from independent suppliers such as Canon, Konica-Minolta, Trixcel and Varian in order to complete their imaging system.

Micro-X believes that Carestream's prominent position as a fully integrated provider in this DR digital shift in radiology appears to be supported by what Micro-X believes to be Carestream's emphasis on the importance of the role of software in gathering and processing a high quality image for diagnostic purposes.

Historically the radiographer's task may have included aligning and positioning the X-ray head and imaging cassette and judging the exposure settings accurately. Now, with new developments, software is able to largely compensate for over or under-exposure and image quality may be improved by post-exposure changes to contrast and other settings thereby reducing the need for re-exposures and yielding greatly improved image quality. Because of these developments, Micro-X believes that one of the most critical interactions the radiographer has with a digital X-ray imaging system is now the graphical user interface and the capability and ease of use of the operating software is now one of the major competitive discriminators in the market.

Micro-X believes Carestream's early focus on developing its own proprietary in-house image processing software has it well-placed as a sector market leader in new DR sales globally.

Micro-X believes that, apart from the image quality and workflow benefits, another incentive for hospitals to upgrade to DR systems is the greatly increased sensitivity of digital detectors to X-ray radiation, which allows images to be acquired with as little as 10% of the radiation dose that traditionally would be needed to expose X-ray film.

The Company expects that the demand for mobile X-ray systems is driving growth in X-ray markets with mobile X-ray systems growth rates up to 3 times that of general radiology. The Company believes that digital X-ray market growth is tracking at around 13% compound annual growth rate.

Based upon interviews undertaken by the Company with radiology and administrative staff in the hospital environment, the Company has identified the following factors which may explain this growth:

- Early replacement of older mobile machines which do not have DR digital imaging capability for new systems which offer better image quality, lower patient radiation dose and much higher radiographer productivity.
- Improved response time to urgent radiology requests by having mobile X-ray systems dedicated to high-use areas such as ICU and cardio-thoracic wards.
- Improved staff workflow by performing mobile imaging procedures in the wards rather than lengthy patient transport to radiology departments for fixed imaging.
- Reducing costs of mobile X-ray systems as detector prices fall with improved large scale integration fabrication yields.

5. Micro-X's estimate and analysis based on information from the Medicare Benefits Schedule Item Statistics Report for Category 5 'Diagnostic Imaging Services' [http://medicarestatistics.humanservices.gov.au/statistics/mbs\\_group.jsp](http://medicarestatistics.humanservices.gov.au/statistics/mbs_group.jsp)

## 2.2 Estimated size of mobile medical X-ray market

The Company's market estimation in this Section 2.2 is focused on what it considers to be first tier mobile X-ray systems for high intensity mobile use in acute hospitals, primarily in western countries, where ease of workflow, image capture and manipulation software, battery endurance and positioning ergonomics are key features. These western countries have healthcare models that are broadly similar and, in Micro-X's view, ratio-based comparisons between these countries may have some validity. These numbers are the Company's current estimates, based on extrapolation from samples of the ratio of number of installed mobile X-ray systems to the number of hospitals and to the relative size of hospitals in terms of hospital beds.

Micro-X believes that in the USA, there is an estimated total of approximately 12,770 mobile X-ray units, which are owned or managed by approximately 4,245 hospital radiology departments, which implies an average of approximately 3 mobile X-ray units per hospital radiology department.

The Company believes that the average number of beds per hospital in the US to be approximately 160. This estimate, when considered in conjunction with an installed base of approximately 13,000 units, implies an average of approximately 70 beds per mobile X-ray unit.

In assessing the global market opportunity, Micro-X has applied what it believes to be a conservative estimate of installed mobile X-ray units ratio of 100 beds per mobile X-ray unit. In assessing the European potential market, Micro-X estimates that the markets in USA and Europe are of comparable size in all modalities, which, in Micro-X's extrapolation, indicates an installed base of approximately 26,000 mobile X-ray systems in US and Europe together.

In the US, Micro-X believes that the life of mobile medical equipment for tax purposes is 7 years. Micro-X believes that an appropriate assumption for the annual replacement market for US and Europe is approximately 10% of the installed base, being approximately 2,600 mobile X-ray systems each year.

## 2.3 Mobile medical X-ray market segmentation

In Micro-X's view, the availability of DR has led to the emergence of two distinct segments in the mobile X-ray market. The first segment includes first-tier mobile systems which offer fully integrated imaging with wireless connections to hospital information systems. The second segment is, in Micro-X's view, the less workflow efficient second-tier mobile units which can only be used with analogue film or CR detectors.

Micro-X's assessment of the market for first-tier mobile X-ray systems is the market (based on the principles and estimate set out in Section 2.2 above) for high-intensity mobile use in acute hospitals where ease of workflow, image capture and manipulation software, battery endurance and positioning ergonomics are key features. Micro-X believes that such systems have retail pricing in the range US\$140,000 to US\$240,000 inclusive of the FPD used to capture images.

Second-tier mobile systems, which in Micro-X's view are those systems which can only be used with analogue film or CR detectors, tend to be lower cost as there is no FPD or electronic display interface included, and a number of these systems require mains power rather than standalone battery operation. Micro-X believes that these systems are often found in remote hospitals without a digital environment or in low-utilisation clinics.

## 2.4 Current mobile X-ray market offerings

Micro-X believes that there are four major X-ray brands in the market for first-tier mobile systems:

- (a) Carestream (USA) 'DRX Revolution' mobile has, in the opinion of Micro-X, captured a market-leading position since it was launched approximately three years ago. A feature-rich cart, what Micro-X considers to be aggressive pricing and a well-developed software user interface has captured significant market share from the more traditional X-ray brands.
- (b) GE (UK) Health Optima XR220 is an integrated digital development of the original industry-standard AMX-4 which pioneered mobile bedside imaging. The original size, weight and configuration of the AMX-4 with its front-positioned vertical column and its power and performance has driven market expectations for mobile X-ray for 30 years and set the benchmark for competing systems.
- (c) Shimadzu (Japan) DaRt system which the Company believe is sold in a significant number of countries with a Canon FPD.
- (d) Siemens (Germany) Mobilett Mira is differentiated from the other mobile systems with an articulating arm positioning system. It is sold with a FPD from Trixel, a French-based joint venture company owned by Thales, Siemens and Philips.

Micro-X believes that other brands in the market for first-tier mobile systems include Philips Healthcare (Netherlands) and Agfa Healthcare (Belgium), both of whom offer a branded OEM cart from Spanish manufacturer Sedecal.

Micro-X believes that there are a number of brands in the market for second-tier mobile systems, which in Micro-X's view are those mobile systems which can only be used with analogue film or CR detectors. The Company estimates that a substantial number of these brands relate to manufacturers in US, Italy, South America and Asia, whose activities, in Micro-X's view, have a local rather than global market focus. In the Company's experience, second-tier mobile units are generally smaller than the first-tier mobile systems, with weights of roughly 150-250kg compared to roughly 450-650kg, non-motorized, have no DR digital electronic capability with often rudimentary positioning systems, some requiring articulating arm joints to be manually tightened after alignment. Micro-X believes that a number of these second tier mobile units require mains power to operate with mobility limited by the length of the power cord. In Micro-X's view, the inefficient workflow of non-DR mobile units compared to first-tier mobile systems might preclude the use of non-DR mobile units to high-intensity radiography environments, restricting their addressable market to applications where only occasional radiography is required, such as non-acute hospitals, clinics and veterinary surgeries.

## 2.5 Counter-IED imaging market

Micro-X's second product in development and due for commercial launch in mid-2017 is intended by the Company to address the need to safely image IEDs. Micro-X believes that IEDs are one of the most lethal type of weapon used against Australian and allied armies in recent years. In recent years highly sophisticated defence forces have been challenged to respond to the modern phenomenon of 'asymmetrical warfare' where the simplicity and cost of the weapon belies its lethality. Since each device (or suspected device) is potentially unique, Micro-X believes that X-ray imaging has become a front-line tool used for initial confirmation of the threat, assessment of the initiation mechanism, and exploration for clues of its provenance.

## Section 2

# Industry overview continued

X-ray systems used in imaging of IEDs are currently generally transmission X-rays, forming an image of shadows from differing absorption materials in transmission. X-ray sources and imagers from the non-destructive testing industry (imaging of metal structures in bridges, aircraft, pipes etc looking for flaws or cracks) are widely used in this application but pose difficulty for bomb technicians since placement of the X-ray source and detector may have to be done manually (potentially exposing the technician to hazards caused by close proximity to the suspect device) and on occasion the location of the suspect device precludes posterior placement of the transmission imaging detector.

Backscatter imaging relies on the proven concept that a small spot of X-ray energy on a target will create enough backscattered energy to be detected by a large-area detector next to the X-ray source and that this can be digitized to form one pixel of an image. The image is then built up of many pixels using a 'flying spot scanner' technique not unlike the way an electron beam built a raster scan picture on old-fashioned television tubes.

Backscatter imaging is thus a technology which allows 'stand-off' imaging – imaging using an emitter and sensor integrated together and, importantly, positioned on the same side of the target being scanned. Such a system, if miniaturised, which does not require an operator to physically place a detector plate behind the target in order to capture an image, allows robotic deployment of the imager. A device that can provide operators the capability of taking images without the requirement to 'go over the target' may be considered an attractive safety enhancement for bomb disposal operator technicians.

### 2.6 Miniaturising backscatter imaging

The limitation of current technology in a backscatter X-ray imaging device is in creating the 'flying spot' X-ray beam. Using a conventional X-ray source, this scanning motion of the beam can only be achieved by rotating a large lead collimator wheel in front of the X-ray tube which imposes a significant size and weight constraints on an imaging device. Thus current in-service backscatter imagers are large, fixed installations for surveillance use on vehicle cargo traffic at border crossings. The only existing mobile backscatter X-ray imaging system which is known to the Company is integrated into a 5-tonne van.

Utilising CNT electron emitters in an X-ray tube offers the benefit of enabling the miniaturisation of such a 'flying spot' X-ray source, as CNT emitters can be switched on and off very rapidly with an electrical signal. XinRay (see Section 4.1 for more detail on XinRay), has successfully built a linear shape X-ray tube with 75 emitters side-by-side in a line providing a multibeam X-ray source that can facilitate product miniaturisation.

Switching these emitters on and off sequentially in turn very rapidly produces an X-ray beam which appears to move along the length of the tube being achieved with no moving parts. The use of such a multibeam X-ray tube can provide one dimension of the raster scan whilst the other dimension is easily achieved by rotating or translating the scanner view across the object of interest.

As such, CNT X-ray technology offers the potential for an MBI to be designed small and light enough to be mounted on a remotely-controlled robot vehicle which can be used to approach suspected IEDs and to transmit captured X-ray images back to an operator, who can operate the remote-controlled robot vehicle from a safe distance.

Utilising core XinRay multibeam proprietary technology, Micro-X currently plans to finalise development of its MBI system device to deliver benefits to bomb disposal operator technicians in successful 'stand-off' IED imaging. The Company currently aims to target a market launch of the Micro-X MBI system in mid-2017, with a substantial amount of the Company's IPO proceeds to be invested in further product development of its MBI system device. Further information regarding the Company's proposed use of IPO proceeds is set out in Section 9.1.

### 2.7 Size of MBI market

Micro-X believes that strong interest for such a product would likely exist world-wide in counter-terrorist organisations. The Commonwealth of Australia (Department of Defence) signed a \$1.9 million contract with Micro-X in September 2015 for a concept demonstrator system to be designed and built for performance testing against simulated IEDs provided by the Australian Defence Force.

Micro-X's estimation of the size of market for this unmet market need is based on the Company's analysis of the extent of potential user groups. Micro-X believes that two user groups would likely exist in most countries:

- (a) Anti-Terrorist Bomb Squads (such as those within police departments) who respond to IED threats against domestic urban civilian targets; and
- (b) Military EOD teams in offshore, deployed, military actions who may encounter IEDs.

The Company has estimated (based on its analysis) the potential size of these user groups in three example countries as follows:

Country	Comments
Australia	Micro-X believes that the Attorney General's Department co-ordinates national anti-terrorist response for all States and the Australian Federal Police. Micro-X further believes that six States and the Australian Capital Territory each have EOD teams and the Company considers that each such team may potentially acquire two MBI units, implying a total of 14 MBI units.  Micro-X believes that the Federal Police and Protective Services may potentially acquire 5 MBI units whilst the Department of Defence procurement for overseas deployed military actions may potentially acquire 5 MBI units giving a total of an estimated 24 potential MBI units for Australia.

Country	Comments
United Kingdom	<p>The Company believes that, in the UK, the Ministry of Defence manages all EOD in both civilian and military environments including domestic IED incident response.</p> <p>Micro-X believes that there are approximately 12 Ministry of Defence EOD Centres across the UK and that each has approximately 4 squads. The Company further believes that each squad may be responsible for a smaller geographic region than the equivalent EOD teams in Australia, and that each squad may potentially acquire one MBI unit, which implies an estimated total of 48 potential MBI units. Micro-X estimates that overseas deployed military teams may potentially acquire a total of 12 MBI units, giving an estimated total of 60 potential MBI units for the UK.</p>
United States	<p>The Company believes that the US opportunity for the MBI lies with 2 distinct key potential customers, the military and the FBI.</p> <p>The Company understands that all military EOD technicians are trained by US Navy at Central EOD School at Eglin Air Force Base in Florida, USA where Micro-X believes that throughput is approximately 2,100 personnel (all services) annually. Micro-X estimates that there are over 500 EOD robots in use by the US Army in overseas operations, and the Company further estimates the potential market for MBI at half that number, or approximately 250 potential MBI units.</p> <p>The Company believes that US Civilian Public Safety (First Responders) Bomb Squads are co-ordinated by the following four groups:</p> <ul style="list-style-type: none"> <li>• National Bomb Squad Commanders Advisory Board;</li> <li>• The US Department of Homeland Security (Science &amp; Technology Directorate) First Responders Group;</li> <li>• The US Department of Homeland Security Office for Bombing Prevention; and</li> <li>• FBI Hazardous Devices School (Redstone Arsenal) who the Company believes train approximately 1,500 First Responder Bomb Technicians per annum. The FBI Bomb Data Centre collect and co-ordinates all IED intelligence.</li> </ul> <p>There are approximately 385 active bomb squad centres in the USA run by State and County police forces. In assessing the potential market opportunity, the Company has assumed a minimum of potential 1 MBI unit per squad but Micro-X estimates that larger squads may potentially acquire 2 per squad, implying an estimated US market of approximately 550 potential MBI units.</p> <p>Accordingly, in aggregate, the Company estimates that the US addressable market is approximately 800 potential MBI units.</p>

The Company utilised population ratios to extrapolate an approximate assessment of likely worldwide market size, applying a discount in penetration levels between Europe (excluding UK), Asia and South America.

- USA ratio is approximately 2.6 units per 1 million population: based on the assumption of 800 MBI units (which is calculated on the assumptions and methodology set out in this Section 2.7 for this estimate).
- UK and Australia ratio is approximately 1.0 units per 1 million population: based on the assumption of MBI 74 units (which is calculated on the assumptions and methodology set out in this Section 2.7 for this estimate).
- Rest of World: which the Company estimates at approximately 600 units, on the basis set out above.

On that basis, the Company estimates the total addressable market at around 1,450 potential MBI units.



# Section 3

## Company overview

### 3.1 Overview

Micro-X is focused on the development and commercialisation of ultra-lightweight X-ray products based on a new technology of CNT electron emitters and tubes. The Company has a strategic goal to establish itself as a recognised leader in mobile X-ray applications in medical and security markets where the Company believes the CNT technology advantage of miniaturisation of X-ray sources has commercial reward.

### 3.2 A new era of X-ray source

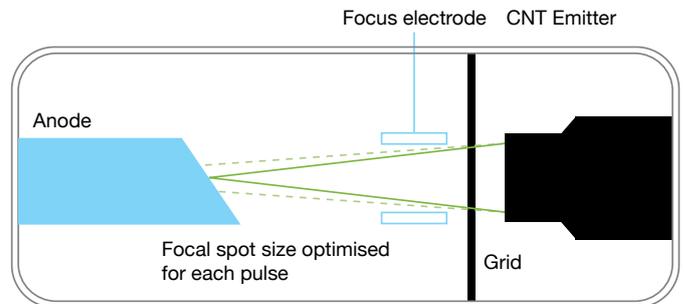
Micro-X believes that the conventional technology of generating X-rays has not changed significantly since Wilhelm Röntgen's first X-ray images were made in 1895: a heated filament cathode is used to generate electrons in a vacuum tube which are then accelerated by a high voltage on a tungsten anode target to produce X-rays on impact.

This conventional cathode system may be considered inefficient because of the waste heat dissipation from the hot filament and also, because the process of thermionic emission is random, a large proportion of the electrons are emitted travelling in directions away from the anode and cannot form a 'useful' part of the electron beam to generate X-rays. Another disadvantage of this emission method is that the tube current can only be controlled indirectly by changing the filament current, which then changes the filament temperature, which in turn changes the flux of thermionic emission.

Micro-X's core innovation in the markets it seeks to address is a nanotechnology-based 'cold cathode' field-effect electron emitter which fundamentally changes how X-ray radiation is generated and controlled in an X-ray tube versus conventional thermionic approaches. The proprietary CNT emitters and tubes which Micro-X uses have been tested at the Lawrence Livermore National Laboratory in California and systems using this same technology are in early stages of development by XinRay for three dimensional tomographic imaging modalities in security and medical applications.

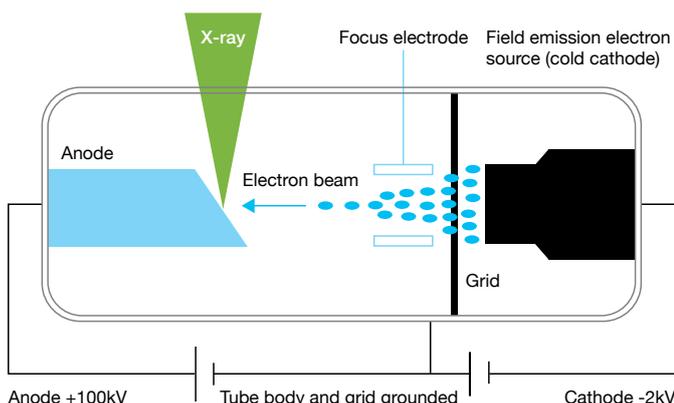
CNTs are not heated. The core of the emitter is an array of vertically oriented, approximately 4 nanometre diameter, CNT structures above which sits a fine mesh structure at approximately 1,500V. This voltage sets the electric field at the tips of the CNTs and controls the current of electrons which are emitted from the tips of the nano-tubes. Compared with the conventional cathode system, this arrangement is both electrically and thermally more efficient, with an added benefit of the tube current being precisely controlled, or rapidly switched on or off, by small variations in the mesh grid voltage – not unlike the functioning of the old-fashioned triode valve amplifier.

An additional benefit of a CNT electron emitter is that the electron beam is pre-formed by the process of field emission from the CNT tips to the extent that it is possible to change the path of the electron beam with a voltage on a focusing electrode through which the beam passes and thus change the size of the focal spot on the tungsten anode. The size of the focal spot can thus be adjusted to optimise image quality for each exposure.



The benefits of this CNT technology which contribute to Micro-X's belief that the market will adopt its new product range are:

- The improved efficiency means the X-ray tube can be made substantially smaller and lighter while still generating tube currents comparable with the larger, heavier machines.
- The weight reduction is approximately 95% when compared to conventional X-ray tubes of comparable capability.
- The smaller, lighter X-ray tube allows for a comparatively lighter structure to support it.
- Reduced power consumption allows for a reduction in the size and weight of supporting power supplies and batteries.
- The 'Smart Focus' capability optimises the image quality of each radiographic procedure.
- The small size of the CNT electron emitters allows 75 individual beams to be generated in a 300mm linear array in a single tube.
- The direct control of each emitter's output allows instantaneous switching to create a travelling beam scan effect.



The above image shows the comparative size benefit of Micro-X's CNT based X-ray tube versus a conventional source tube. Micro-X's CNT based X-ray tube weighs approximately 1kg compared to an approximate 20kg weight of the conventional cathode tube shown.

## Section 3

# Company overview continued

### 3.3 Mobile medical X-ray images – the problem

The large size and weight of conventional cathode technology mobile X-ray systems for bedside imaging is driven by the high mass of conventional X-ray tubes which must be safely and easily positioned above the patient for imaging. Micro-X, together with its key technology partner XinRay has developed a CNT based X-ray tube that weighs approximately 1kg, which can be compared against conventional cathode X-ray tubes which weigh approximately 20kg. The small size and weight of the Micro-X and XinRay developed CNT based X-ray tube is the key enabler for the comparatively smaller size and weight of the Company's product: the DRX Revolution Nano.

Micro-X believes that most current mobile X-ray systems weigh approximately half a tonne or more and require electric drive motors to enable them to be moved. Accidental mishandling of such systems can damage patient monitoring and life-support equipment commonly found in an ICU cubicle. The Company understands that a further risk of large heavy motorized mobile systems is accidental removal of monitor cables, intravenous drips, respirator hoses or catheters from patients.

### 3.4 The Micro-X solution – the 'DRX Revolution Nano'

Micro-X's proposed first product, which the Company has developed in consultation with radiology staff at The Alfred Hospital in Melbourne and with its potential distribution partner Carestream (which Micro-X believes has global sales and marketing experience and capabilities), is from Micro-X's perspective, potentially a game-changing, fully integrated digital mobile X-ray system with user features and performance matching the current first-tier mobile X-ray systems.

The DRX Revolution Nano measures approximately 500mm wide x 1200mm length x 1000mm height, is comparatively manoeuvrable in tight spaces and weighs approximately 15% to 20% of mobile X-ray systems which Micro-X believes will be competitors of its DRX Revolution Nano. While the weight is a radical departure from current mobile X-ray systems, Micro-X has taken steps to test the potential market acceptance of the DRX Revolution Nano design by formal rigorous 'voice of customer' assessment trials.

As part of Micro-X's 'voice of customer' assessment trials, a small group of radiographers scored the DRX Revolution Nano favourably over 22 specific ergonomic criteria. Most importantly, the Company believes that the DRX Revolution Nano's comparatively smaller weight and size has allowed Micro-X to adopt a level of simplicity in design and manufacture which allows for a retail price which the Company believes may be substantially lower than current first tier mobile systems in the market. The Company believes the price point of the DRX Revolution Nano will also be important in opening up new digital mobile X-ray markets in South America and Asia, which the Company believes is currently largely precluded by the pricing of first-tier mobile X-ray systems.

The Company is currently in negotiations with Carestream in respect of the Development Agreement and Supply Agreement contemplated under the Commercialisation Agreement entered into by the parties in 2014. Subject to finalisation of negotiations, Micro-X is intending to enter into these agreements under which Carestream is proposed to provide an FDA approved digital imaging detector and their FDA approved 'Image View' software

to run on the DRX Revolution Nano mobile X-ray system for image capture, image manipulation and hospital data network interfacing. The system is intended to be supplied on an OEM basis, with Carestream branding.

Micro-X has invested considerable resources developing the DRX Revolution Nano over the past 18 months and based on its discussions with Carestream to date, believes that Carestream is likely to launch the product at RSNA on November 29, 2015. RSNA is the world's largest radiology trade show, and has been held in Chicago annually in late November in recent years. Subject to the completion of manufacturing scale up and other developments to be funded via the proceeds of the Offer and the execution of the Development Agreement and Supply Agreement, in a form acceptable to the Company, with Carestream, the Company currently expects first customer shipments of the DRX Revolution Nano to occur in mid-2016.

### 3.5 Ruggedised Nano

The Australian Defence Force has contracted Micro-X to produce a concept demonstrator of a variant of the DRX Revolution Nano slightly adapted for the special needs of medical trauma X-ray imaging in a deployed military medical facility or in other situations where outdoor handling is required.

The opportunity for the 'Ruggedised Nano' stems from the possibility that the nature of the floor surface in a temporary tented hospital environment may preclude the use of currently available 450-650kg first-tier mobile X-ray systems. Based on the fact that the Australian Defence Force has contracted Micro-X to produce a concept demonstrator of a variant of the DRX Revolution Nano, Micro-X believes that the mobile X-ray systems currently used by the Australian Defence Force may fall short of desired standards for acute medical care or the Australian Defence Force's other needs.

The primary variations to DRX Revolution Nano for the Ruggedised Nano will be:

- Increase in X-ray power for the potentially more demanding exams necessary in a trauma facility;
- Increase in ground clearance to allow for mounting duckboards and uneven floor surfaces; and
- Changes to the arm movement to allow for operation on a sloping floor surface.

Micro-X is contracted by the Australian Defence Force to demonstrate a prototype system in use in an Australian Defence Force deployed medical facility.

### 3.6 Mobile Backscatter Imager

The product concept for MBI is for a 'stand-off' backscatter X-ray imaging device which can be mounted on EOD robots. Using an integral video link, such a robot may be remotely guided to within approximately a metre of the target object and perform a front-on scan, transmitting data back to the control unit where an X-ray image of the contents is displayed.

The genesis of this product was a request from the Australian Defence Force's Counter-IED Task Force for a device which could remotely X-ray potential weapons without human contact. The Department of Defence paid Micro-X in 2013 to develop the

product concept and prepare a project proposal, and subsequently a \$2 million contract was awarded and signed in September 2015 for an operational demonstrator unit to be trialed against simulated IED targets. Details of this contract is set out in Section 11.5. Micro-X currently expects that this development program will take approximately 18 months.

Under a Heads of Agreement between Micro-X and XinRay, XinRay agrees to share its concept design and know-how for the MBI X-ray tube (which uses an extant 75 emitter, close spaced X-ray tube) on an exclusive basis. The benefit of adopting this specific emitter is that it is common to XinRay's baggage CT imager already in advanced development for application within security checkpoint screening throughout US airports. The XinRay 75-emitter close spaced tube, mounted on its vertical axis with two large-area detectors will be mounted on a turntable to enable x-axis direction scanning. The X-ray power supply, receiver amplifiers and image transmission electronics will be co-mounted to form an integral unit which can be mounted to a suitable robotic platform. Further details of the Heads of Agreement with XinRay are contained in Section 11.5.

Micro-X has liaised with the Australian Counter-IED Taskforce during this project to assist the Company in developing the final product configuration and performance requirements. The Company believes that the feedback it has received during this process will guide the Company in its product development over 2016/17 and that demand for the product may be significant.

### 3.7 Manufacturing

Micro-X's manufacturing strategy is to perform final assembly and testing only of sub-assemblies procured from a local supply chain. Micro-X believes that the DRX Revolution Nano's simple and modular design allows the Company to pursue this strategy as modules are expected to be pre-tested by the relevant supplier prior to delivery to Micro-X. Micro-X plans to apply a similar approach to modular design in the development of the Ruggedised Nano and the MBI. A new facility within the Tonsley Advanced Manufacturing Precinct in Adelaide, South Australia will house Micro-X's operations and the close proximity of other medical device manufacturers, and organisations such as Flinders University's Department of Biomedical Engineering and Medical Device Research Institute will, in the view of the Company, make the Tonsley site a highly strategic location.

The Company is currently in negotiations with the South Australian Government Financing Authority regarding a \$3.0 million commercial debt facility to establish the Company's production facility in Adelaide. Micro-X expects that a condition of the facility will be a requirement that Micro-X employs a minimum of 12 full-time employees who are based in South Australia. Further details of this debt facility are contained in Section 11.5.

Personnel with manufacturing management expertise have been recruited from experienced executives at General Motors Holden, which Micro-X believes has a similar final assembly manufacturing strategy and similar focus on cost and quality.



## Section 3

# Company overview continued

### 3.8 Quality management and regulatory

Micro-X has developed a quality management system and a desk audit by an external regulatory team in September 2015 confirmed it to be compliant with ISO13485. Manufacturing instructions for assembly operations and processes are in preparation by the Company in accordance with this quality management system and during Beta model manufacture, which Micro-X currently expects will occur early in 2016, the Company intends to undertake a full Company audit for ISO13485 compliance, first by Carestream (assuming the parties have entered into the Development Agreement and Supply Agreement in a form acceptable to the Company) and then during pilot production in the second quarter of calendar year 2016, by a notified body to achieve accreditation. Micro-X proposes that on execution of the Supply Agreement, Carestream will have ongoing responsibility to audit Micro-X to ensure compliance to applicable FDA safety regulations.

Under the proposed Supply Agreement with Carestream (which is currently being negotiated between the parties), Micro-X intends for Carestream to be the manufacturer of record on the unit's compliance plate. Upon shipment, Micro-X intends to deliver the device history record for each unit to Carestream who is proposed to be responsible for maintaining the installation and customer in-service records thereafter. Micro-X will have the responsibility of creating and maintaining the design history file and the device master record and all of the verification and validation testing.

Micro-X is currently in negotiations with Carestream in relation to arrangements for Carestream to potentially use the FDA 'Pre-market Notification 510(k)' process based on the 'DRX Revolution' as the predicate device for regulatory approval as it is expected that the DRX Revolution Nano will be classified as a Class II device for the purposes of FDA approval. Micro-X is also in negotiations with Carestream for the potential issue of the 'Declaration of Conformity' for Europe by Carestream. Subject to the execution of the Development Agreement and Supply Agreement, in a form acceptable to the Company, with Carestream, it is proposed that the regulatory approvals for both the US FDA and Europe CE Mark are to be managed by Carestream's regulatory affairs team with verification and validation data to be supplied by Micro-X.



### 3.9 Micro-X company milestone schedule

The schedule below contains indicative dates for the achievement of key milestones in the short to medium term. This schedule is based on the Company's expectations and is indicative only. Accordingly it is subject to change based on changing commercial circumstances and may be affected by factors outside of the Company's control.

Milestone	2015			2016							2017													
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	
Sign MBI contract with the Australian Department of Defence	█																							
MBI proof of concept prototype engineering development		█	█	█	█	█	█	█	█	█	█	█	█											
DRX Revolution Nano shown at RSNA meeting			█																					
DRX Revolution Nano Beta prototype built at Tonsley (2 units per week)				█	█																			
New Tonsley assembly facility commissioned							█																	
DRX Revolution Nano Beta prototype 'Reliability Improvement and Clinical Use' test program					█	█	█	█																
Regulatory testing complete and 'Declaration of Conformity' issued. (TGA & CE Mark). Execution of the Development Agreement and Supply Agreement in a form acceptable to the Company								█																
Pilot production runs confirm manufacturing processes									█	█														
Carestream trade trials in three global centres										█														
First customer shipments of DRX Revolution Nano											█													
Ruggedised Nano demonstration in deployed Australian Defence Force hospital												█												
MBI imaging demonstration to Counter-IED Taskforce and Defence Science Representatives													█											
Product engineering design and development program														█	█	█	█	█	█	█	█	█	█	█
MBI Alpha prototype build and test and evaluation program											█	█	█											
MBI Beta prototype build and Defence evaluation trials program													█	█	█									
MBI 'Reliability & Environmental Qualification Program' Testing																	█	█	█	█	█	█	█	█
MBI first production deliveries																								█

### 3.10 Alternative to Carestream as the intended distribution partner

Micro-X is committed to its proposed business arrangement with Carestream as the Company's intended distribution partner for the DRX Revolution Nano. The Company considers Carestream to be a global market leader in healthcare imaging, and that the proposed arrangement with Carestream will make a positive contribution to the commercialisation process of the DRX Revolution Nano.

Based on discussions between Micro-X and Carestream to date, the Company believes that positive progress has been made towards the finalisation of the Development Agreement and

Supply Agreement, however, as the execution (or otherwise) of those documents by Carestream is outside of the Company's control, there is no guarantee that, or the time frame in which, the Development Agreement and Supply Agreement (in a form acceptable to the Company) will be executed.

To the extent that the Development Agreement and Supply Agreement, in a form acceptable to the Company, are not executed or the proposed timing for execution becomes unacceptable to the Company, the Company may need to review and re-consider its strategy, which may include the consideration of other arrangements or options for distribution by other third parties.

## Section 4

# Current and potential key partnerships

### 4.1 XinRay Systems Inc (Research Triangle Park, North Carolina)

Based in Research Triangle Park, North Carolina, XinRay was established in 2007 to commercialise novel proprietary CNT X-ray technology developed initially by UNC-CH. XinRay was originally established as a joint venture between Siemens, and Xintek, which sought to exploit CNT technology for X-rays as well as other applications. Xintek acquired Siemens' interest in XinRay in 2011.

Micro-X has exclusive global rights to access the XinRay CNT electron emitter technology for applications in mobile medical and veterinary X-ray and backscatter imaging.

XinRay has designed and developed the X-ray tube for the DRX Revolution Nano under contract from Micro-X, incorporating its CNT electron emitter technology and also embodying a new 'smart focus' system, to be jointly owned by Micro-X and XinRay, which allows the electron beam focal spot size to be varied continuously under electronic control. The Company believes that the 'smart focus' system will allow users to easily select optimum x-ray exposure settings.

Micro-X's close collaboration with the design team in North Carolina has optimised the mechanical and electronic interfaces with the X-ray tube. A Strategic Supply Agreement with XinRay governs this sole-source procurement partnership. Pricing is on an open-book cost-plus basis and a bonus payment as a percentage of 'cost of goods sold' will be made quarterly based on sales.

For the Company's MBI product, Micro-X will procure a similar 75-emitter multibeam X-ray tube and associated electronic control system that XinRay developed for its 3 dimensional CT security screening system under a program supported to date by the US Department of Homeland Security (DHS). The development maturity of the tube to be used in the MBI is well advanced as a result of the DHS projects, enabling Micro-X to use the tube 'as-is'. As with the DRX Revolution Nano, an agreement with XinRay governs the sole-source procurement partnership of the multibeam tube used for the MBI application. Pricing is on an open-book cost-plus basis, a bonus payment as a percentage of 'cost of goods sold' and a royalty of end user sales.

As at the date of Listing, Micro-X will hold an equity interest of approximately 13.3% in XinRay and, should the Company raise more than \$18 million under the Offer, it will increase this strategic stake to 30.0% with an option to increase to 40.0% equity ownership by December 2016 along with representation on the XinRay board commensurate to Micro-X's level of ownership.

Micro-X believes that its investment in XinRay provides a number of strategic benefits including:

- (a) the development of even closer ties with a key technology partner; and
- (b) as a standalone investment providing Micro-X shareholders exposure to the potential benefits of the successful commercialisation of XinRay's multibeam X-ray tubes. Micro-X believes that these tubes will enable imaging systems in high performance next generation security applications incorporating 3D X-ray imaging benefits not currently available in the security screening market.

The Company believes that these new X-ray systems will enhance the capabilities of 3D X-ray imaging and threat detection. XinRay intends to develop system solutions incorporating its innovative multibeam X-ray tubes into security screening systems for carry-on as well as checked bags at airport checkpoints.

### The market need for new security checkpoint screening technologies

X-rays are used in a wide range of security, medical and industrial applications. A major use of X-rays is for airport and border security for detection of explosives, weapons, and contraband.

Micro-X believes that the current technology deployed at airport checkpoints present the TSA and other security screening agencies with many challenges. Micro-X further believes that the conventional X-ray systems used today in checked baggage screening with 3D CT imaging and robust automated threat detection for explosives detection are generally too large, heavy, expensive and power-hungry to be used at passenger checkpoints.

Micro-X believes that conventional X-ray screening systems deployed at checkpoints today are largely not able to effectively detect several potential threats in carry-on luggage. Micro-X further believes that almost all existing checkpoint systems collect only 1 to 4 views of each bag, which may not be enough imaging information to facilitate automated threat detection of explosives with liquids, gels or electronics while inside the bag. Therefore, laptops, liquids and gels have to be removed from carry-on bags today, which greatly slows passenger throughput and causes inconvenience for travellers. Micro-X believes that without the ability to integrate effective automated threat detection software into conventional checkpoint security systems, security operators may become fatigued from looking at thousands of X-ray images, which can result in real threats going undetected. In order to manage operator fatigue and increase passenger throughput, Micro-X believes that security agencies tend to increase personnel headcount, which contributes to materially higher labour costs for security checkpoint screening.

Micro-X believes that, in high-volume airport security screening, false alarm rates may run as high as 30%, necessitating additional inspections that cost the TSA over US\$1 billion annually in management of US airports alone.

Micro-X believes that, to date, the US Department of Homeland Security has awarded XinRay approximately US\$7.8 million of development projects, and has encouraged system vendors to work with XinRay on next generation scanning systems. Micro-X further believes that DHS has recently invited XinRay to submit a full technical proposal for a contract to develop XinRay's prototype checkpoint system into a system ready for certification testing by the TSA.

### The XinRay solution

XinRay's innovative security screening technology could displace conventional security systems used globally at airports, borders, military bases, arenas, and other high security installations. Its proprietary checkpoint system may have performance comparable to or better than the much larger and more expensive explosive detection systems used for checked bags, but with comparable price, size, footprint, and power consumption of existing checkpoint systems, all critical factors in the space and power-limited airport checkpoint lanes.

## How does the XinRay technology work and what are the advantages?

XinRay uses X-ray tubes based on CNTs. Small CNT electron emitters replace heated tungsten filaments (thermionic emitters) used in traditional tubes and emit electrons very efficiently without heat, enabling hundreds of closely-spaced x-ray beams from a single tube. Unlike traditional filaments, CNT electron emitters can be turned on and off very precisely in microseconds. XinRay tubes emit X-ray beams from multiple positions without physical movement (i.e. a non-rotating gantry, otherwise known as stationary CT).

XinRay uses a state-of-the-art electronic control system to rapidly fire the CNT electron emitters in sequence, producing multiple X-ray beams that quickly scan the object being examined. With no rotation-induced blurring and a much faster scanning speed, the resulting 2 dimensional image data has much better resolution than conventional CT X-ray systems, enabling image reconstruction algorithms to convert the 2 dimensional image data into high resolution 3 dimensional images. The absence of motion induced blurring means higher image resolution for better threat detection and dramatically fewer image artefacts and false alarms. With scanning speeds that are much faster than conventional systems and reduced false alarms, XinRay's checkpoint system will also scan more bags per hour, enabling higher passenger throughput.

XinRay plans to combine its higher resolution and unique, proprietary image reconstruction algorithms with automated threat detection capability to build systems that will outperform current security screening technology.

Incorporating significantly enhanced 3 dimensional imaging and robust automated threat detection software, XinRay's X-ray systems should enable a much-improved passenger experience at airport security checkpoints by removing the need to take laptops and liquids out of carry-on bags, while improving passenger throughput and the probability of specific threat detection. In combination, these advantages significantly reduce ownership costs for security operators such as the TSA.

XinRay expects that this development effort will also benefit other applications in aviation security because the modular design of its platform technology will facilitate extending this technology to explosive threat detection for checked baggage screening as well as to other security screening, medical and non-destructive testing applications.

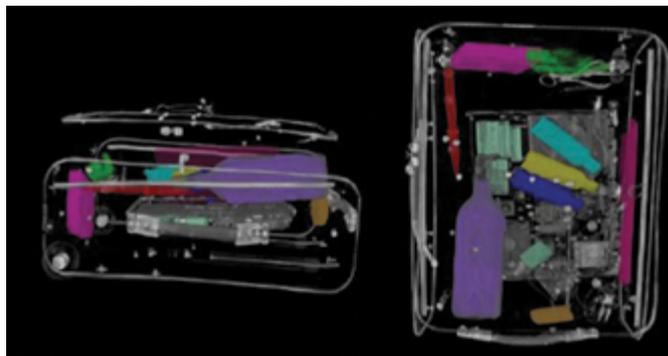
XinRay's patent-protected X-ray systems incorporate leading edge iterative image reconstruction algorithms proven in medical imaging to produce disruptive security scanners unmatched by any system on the market today.

## What is the market size?

Micro-X believes that, led by the U.S. replacement market, as well as China and India's growing internal security markets, the global X-ray security screening market – including systems sales, service and upgrades – may grow from approximately US\$1.6 billion in 2013 to approximately US\$2.6 billion by 2020, at a compound annual growth rate of approximately 7%. The Company believes that the US and the European Union each have approximately 2,300 airport checkpoint lanes, and that there are approximately 2,500 checkpoint lanes in the rest of the world. With an estimated annual replacement rate of 10% (based on an estimated average service life of about 10 years) and an estimated average selling price of approximately US\$300,000 per checkpoint CT system, the Company believes that, based upon an average 10 year replacement cycle, there is a minimum available market of approximately 700 units amounting to a potential annual

revenue opportunity of approximately US\$200 million per year for replacement of existing airport checkpoint systems.

If checkpoint CT becomes a proven technology, usage may expand to other applications such as borders, military bases, arenas, and other high security installations.



The picture above is a small 2 dimensional image extracted from full 3 dimensional images of a cluttered bag that can be rotated on screen by security officers to examine these objects from any angle. The image reconstruction demonstrates the ability to identify different objects and to distinguish between threats and non-threatening items including laptops and liquids while inside cluttered bags. The non-threatening items such as clothing have been filtered out to focus on the objects of interest.

## Competition

XinRay has not seen any evidence of direct competition in multibeam X-ray tubes utilising CNT technology.

## XinRay's Intellectual Property Portfolio

XinRay and its related/associated entities have an extensive patent portfolio relating to its CNT-based single-beam and multibeam field emission X-ray tubes and X-ray detection systems that utilise this technology.

XinRay's X-ray technology was invented at UNC-CH. XinRay's parent company, Xintek, has licensed from UNC-CH, primarily on an exclusive basis, many of the UNC-CH patents and patent applications relating to CNT X-ray technology. Xintek sublicensed 38 of these patents and patent applications to XinRay, primarily on an exclusive basis. Certain of these patents are jointly owned by UNC-CH and other parties and cannot be licensed on a completely exclusive basis; however, Xintek's licensing rights in these patents are licensed exclusively to XinRay.

XinRay has sublicensed 30 of the UNC-CH patents that relate to XinRay's CNT-based X-ray tube technology to NuRay Technology Co., Ltd. (NuRay), XinRay's manufacturing joint venture. XinRay has retained the licensing rights to eight of the UNC-CH patents that address X-ray system technologies.

XinRay developed 21 patents related to its CNT-based X-ray tube technology that have now been transferred to NuRay for X-ray tube manufacturing.

XinRay applied for and was granted a US patent for a high-speed, small footprint 3 dimensional computed tomography X-ray detection system using CNT-based multibeam x-ray technology, and has related patent applications pending in Germany and China. This invention protects XinRay's planned 3 dimensional security screening system to be used at airport checkpoints.

## Section 4

# Current and potential key partnerships continued

In addition, XinRay jointly owns with Siemens a US patent for a medical x-ray imaging system. Two related patent applications are pending in Germany and China.

Further, XinRay has exclusive access to Xintek's patent portfolio for CNT-based multibeam field emission X-ray technology applications.

XinRay also has a substantial base of proprietary knowhow and trade secrets related to its CNT-based X-ray tube technology and X-ray systems that utilize this technology. The knowhow related to the manufacturing of X-ray tubes has been transferred to NuRay; however, XinRay retains all of its knowhow and trade secrets related to X-ray systems using this technology.

XinRay has developed substantial knowhow pertaining to X-ray systems design, which includes system controls, user interfaces, optimum system geometries for stationary multibeam X-ray tubes, and fast processing of iterative image reconstruction algorithms.

### 4.2 Carestream Health Inc. (Rochester, New York)

#### Background and potential partner relationship

Micro-X first approached Carestream to potentially become an exclusive distribution partner for its DRX Revolution Nano project in late 2012 and since then has entered into a number of agreements, including the Commercialisation Agreement, with the Company in relation to the potential development and commercialisation of the DRX Revolution Nano. Further details of the Commercialisation Agreement are set out in Section 11.5.

Under the Commercialisation Agreement, the parties have agreed to use reasonable efforts to enter into the Development Agreement and Supply Agreement. Key commercial terms of the Development Agreement and Supply Agreement are detailed in the Commercialisation Agreement which was executed in November 2014. Micro-X is in the final stages of the development program which, if successful, will end with completion of regulatory testing and the issuance of a 'Declaration of Conformity' which Micro-X expects in March 2016. Micro-X is intending to supply the DRX Revolution Nano to Carestream for its intended exclusive distribution world-wide through Carestream's direct and indirect sales teams. Micro-X believes that Carestream currently distributes a portfolio of medical imaging products to approximately 130 countries.

To date, there has been close collaboration between Micro-X and Carestream during the development of the DRX Revolution Nano and Carestream currently has a substantial shareholding of 11.8% in Micro-X. Micro-X has closely engaged with Carestream in the development process including technical design reviews and on product features in numerous 'voice of customer' trials to shape the DRX Revolution Nano features, with an objective of maximising appeal to the target markets.

As part of the proposed collaboration, the DRX Revolution Nano will host the Carestream FDA approved 'Image View' software as the primary user interface for communications with the hospital data network and also for managing exposure settings, image capture and manipulation. Novel image processing features are included in the latest version of this software package.

If the parties enter into the Development Agreement and Supply Agreement in a form acceptable to the Company, Micro-X intends for Carestream to offer a variety of options of its FDA-approved FPDs in its sales process for the DRX Revolution Nano.

#### Intended and likely key terms and conditions precedent of the Development Agreement and Supply Agreement

The Company has been negotiating with Carestream in relation to the Development Agreement and Supply Agreement, which are intended by Micro-X to be executed contemporaneously. Many of the key commercial terms of these proposed agreements are agreed under the Commercialisation Agreement.

Micro-X believes that the negotiations are materially progressed, and the parties have discussed the proposed terms of the Development Agreement and Supply Agreement.

Micro-X is proposing for the following key terms to be included in the Development Agreement and Supply Agreement:

##### (a) Micro-X's proposed content for the Development Agreement

Micro-X proposes that the Development Agreement record the parties agreement to co-operate on specifications, development and testing of the integrated DRX Revolution Nano which combines Micro-X's mobile X-ray cart with Carestream's DR software.

The following is a summary of Micro-X's current proposed key terms for the Development Agreement. There is no guarantee that these terms will be acceptable to Carestream, or that the Development Agreement will be executed by the parties (whether on these terms or any other terms):

##### Term and Termination

Effective from the date it is executed and shall continue in effect for a period of 3 years, and may be renewed or extended by the parties' written agreement.

##### Development rights and intellectual property

All intellectual property developed under the Development Agreement (including jointly developed intellectual property) to be owned by Micro-X. However, if the Company elects not to file a patent in relation to any discovery or creation made under the agreement or to abandon the prosecution of, or cease to pay the renewal fees for, such a patent, Carestream may, at its option, file or continue to prosecute or maintain the relevant patent.

##### Licences

Carestream will license to Micro-X intellectual property that Carestream developed prior to the Development Agreement (or intellectual property it has developed independently of the agreement) for the purpose of Micro-X fulfilling its obligations under the Development Agreement and any future supply agreement regarding the supply of DRX Revolution Nanos to Carestream, and that such licence will be paid-up, non-exclusive and royalty free.

Micro-X will also agree to license intellectual property rights developed by Micro-X prior to the Development Agreement (or intellectual property developed independently of the agreement), or intellectual property in respect of the development of DRX Revolution Nanos, to Carestream on a fully paid, perpetual, royalty-free basis to sell or distribute and to provide through-life support for DRX Revolution Nanos directly or indirectly to end-users, provided that Carestream:

- (i) acquires or purchases the DRX Revolution Nano or key components thereof exclusively from Micro-X under a supply agreement to be negotiated in accordance with the requirements of the Commercialisation Agreement (i.e. the Supply Agreement); and
- (ii) is not in breach of the Supply Agreement.

If the Company is in breach of the Development Agreement, is unable or unwilling to enter into the Supply Agreement, or, while under such Supply Agreement, is unable or unwilling to supply the DRX Revolution Nano, the licence referred to above in favour of Carestream will include a fully paid, perpetual, royalty-free, exclusive licence to develop the DRX Revolution Nano and the Company's background rights to manufacture or have manufactured DRX Revolution Nano pursuant to negotiated manufacturing rights triggers.

#### **(b) Micro-X's proposed content for the Supply Agreement**

Micro-X proposes that the Supply Agreement record the terms on which Micro-X agrees to sell, and Carestream agrees to buy, integrated DRX Revolution Nanos for Carestream's exclusive worldwide distribution.

The following is a summary of Micro-X's current proposed key terms for the Supply Agreement. There is no guarantee that these terms will be acceptable to Carestream, or that the Supply Agreement will be executed by the parties (whether on these terms or any other terms).

#### **Term and termination**

Effective from the date of execution and shall continue for a period of 5 years, and thereafter renewed for successive one year terms unless Carestream provides to Micro-X at least 180 days' written notice of non-renewal. Either party may terminate the Supply Agreement for material breach, such material breach not remedied within 30 days' notice of such breach from the other party, or for insolvency or external administration of the other party.

#### **Exclusivity**

The Supply Agreement imposes prohibitions on Micro-X whereby Micro-X cannot, without Carestream's consent, do any of the following:

- (i) develop or contract to design, licence, manufacture, lease, sell or otherwise transfer mobile medical, dental, veterinary or non-destructive testing X-ray devices, or dedicated key components for such devices to any competitor of Carestream;
- (ii) sell to or grant any of the Company's manufacturing services or technology or licences for manufacturing of mobile medical, dental, veterinary or non-destructive testing X-ray devices to any competitor of Carestream; or
- (iii) pledge or otherwise encumber its intellectual property rights in any manner that may adversely impact any licence or grant to Carestream under the Commercialisation Agreement, the Development Agreement or the Supply Agreement.

Terms to enable Micro-X to sell products or derivative versions of products that utilise Carestream's proprietary DR software under competing brands to third parties may be negotiated in the future but will form a separate agreement.

#### **Manufacturing rights**

The Company to grant to Carestream the right to make, have made, use and sell certain products if the Company undertakes a change of control to a competitor of Carestream or sells to a Carestream competitor in the medical, dental, veterinary or non-destructive testing fields.

# Section 5

## Board and Management

### 5.1 Board

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

The composition of the Board committees and details of the Board's key corporate governance policies are set out in Section 8.2.

Each Director below has confirmed to the Company that he anticipates being available to perform his duties as a Director without constraint from other commitments.

#### Non Executive Chairman

**Patrick O'Brien LLB, B.Com, Grad Dip Applied Finance, MBA**

Patrick is managing director of Patrick O'Brien & Associates and a director of Red Rock Leisure, The Water & Carbon Group and O'Brien Capital. Patrick has over 25 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.

#### Managing Director

**Peter Rowland BSc., MBA, MIET, CEng, FAICD**

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.

#### Executive Director of Corporate Development

**Richard Hannebery BA (Econ), Grad Dip Econ**

Richard has almost 20 years' experience in commercial and financial advisory services with Merrill Lynch, Credit Suisse and JT Campbell & Co. He has more than 13 years' experience as a specialist in healthcare technology and intellectual property based companies at a business development and director level. Richard has extensive experience in strategy development and its implementation, as well as commercialisation, including direct negotiation of key sales and distribution agreements in various markets with large multinational medtech and technology companies. Richard is currently a board member and the part-time chief executive of ASX-listed Genera Biosystems Limited and a non-executive director of Australian Continence Solutions Pty Limited and its operating company Nuturecare (Aust) Pty Limited.

#### Non Executive Director

**Dr. Alexander Gosling AM, MA, DEng, FTSE**

Alexander has been working in the field of process and product development and related research and development for 40 years. 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 for Capstone Partners, a strategy consultancy specialising in technology commercialisation and the development of start-up companies. Alexander is an engineer, with an Honours degree from Cambridge University. He is a Fellow of the Academy of Technological Sciences 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.

#### Non Executive Director

**David Symons LLB, B.Com**

David has more than 15 years' experience in corporate strategy communications, private equity, investment banking, and corporate management. He has previously held executive roles at ABN AMRO Capital, Macquarie Bank, Merrill Lynch and Promina Group. He is currently a non-executive director of ASX-listed Genera Biosystems Limited.

Carestream has the right to appoint one Director to the Board in accordance with the terms of the Shareholders Agreement. As at the Prospectus Date, Carestream has not exercised that right.

### 5.2 Executive Management Team

#### Managing Director

**Peter Rowland BSc., MBA, MIET, CEng, FAICD**

See above.

#### Executive Director of Corporate Development

**Richard Hannebery BA (Econ), Grad Dip Econ**

See above.

#### Project Manager & Chief Engineer (contractor)

**Anthony Skeats MEng (Hons)**

Anthony has 17 years' experience in global high technology product development across multiple sectors including telco, medtech, defence, fast moving consumer goods, consumer durables and industrial products. In his early career as an engineer in the UK he worked for Lucent Technologies, BlueArc, and BOC Edwards. He is a PRINCE2 Certified Practitioner. In Australia as a senior consultant and program manager for Invetech, Anthony led the successful commercial delivery of several notable products including the award winning Coca-Cola Freestyle™ and Philips VisaPure™. In his current role as program director for Hydrix, he specialises in regulated medical technology development strategy and leading multidiscipline development teams.

### **Production Manager**

#### **Adam Williams**

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Adam has 19 years of global best-practice manufacturing experience with the last 10 years being in leadership and management roles. With a background in automotive manufacturing he most recently held leadership positions with GM Holden Limited as production manager and industrial engineering manager. Adam has extensive experience in lean manufacturing and advanced manufacturing technologies. He has qualifications in both mechanical engineering and management to compliment his strong knowledge of manufacturing systems. His previous experience includes roles in quality and safety leadership and new model integration program management.

### **Regulatory and Supply Chain Manager**

#### **Alexander Blackburn BEng (Hons)**

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Alexander worked in supply chain and quality engineering in the automotive manufacturing industry for 7 years. He has held multiple positions with General Motors in both Australia and China in packaging engineering, supplier quality engineering and most recently was inbound supply chain manager for GM Holden Limited's vehicle plant in South Australia. He has experience managing large complex volumes of work, as supplier quality program lead for multiple vehicle programs including Holden's US Export program. Alexander is an engineer with an Honours degree from RMIT University and is currently studying part-time for an MBA with Australian Graduate School of Management.

### **Product Support Manager**

#### **Richard Bower BSc (Electronics), MSc (Clinical Engineering)**

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Richard has 20 years' experience as biomedical engineer working on fixed and mobile X-ray and CT imagers. After studying Medical Imaging at Royal College of Medical Science in Shrivenham, Wilts, Richard was lead engineer and project manager of the Royal Navy's state of the art amphibious sea hospital, consultant medical engineer to the Ministry of Defence for the Tri Service Joint Casualty Treatment Ship Project, GE Healthcare UK customer support manager for radiology picture archiving and communication systems and radiographic information systems, and radiology systems engineer for Carestream Health Australia. Richard also founded and led an independent service consultancy business.

### **Electronics Lead Engineer (contractor)**

#### **Stephen Leahey BEng (Hons)**

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Stephen has a 13 year background in telecommunications, industrial, and medical product development and manufacturing. He has substantial experience developing products and systems to meet regulatory requirements with particular focus on embedded systems, power electronics, and electrical safety. For the past 3 years Stephen has held leadership roles at Hydrix supporting many different customers and project teams deliver successful commercial, and technical outcomes.

## **5.3 Consultants to the Company**

### **Clinical Development Advisor**

#### **Professor Ken Thomson MD, FRANZCR**

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Ken is Professor and Director of Radiology at The Alfred Hospital, Melbourne. He was a teaching fellow at the University of British Columbia, Vancouver, Canada and studied chest radiology in Canada and interventional radiology in New York. Ken founded the Interventional Radiology Society of Australasia in 1979 and was awarded the gold medal in 2007. He is a past President of both the Asia-Pacific Society of Cardiovascular and Interventional Radiology and the Asian Oceanian Society of Radiology. Ken has published over 120 papers and in 2012 received one of three distinguished fellowships from the Cardiovascular and Interventional Radiological Society of Europe.

### **Chief Technology Advisor**

#### **Dr Laura Faulconer BS, PhD (Biomedical Engineering)**

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Laura's doctoral thesis at the University of North Carolina, Chapel Hill was on novel clinical applications of Diffraction-Enhanced X-ray Imaging. She has previously held the role of Director of Innovation Projects at the Center of Innovation for Nanobiotechnology in North Carolina. Laura is currently also working for MiniFab and at the Victorian Government's Business Accelerator at the Small Technologies Cluster at Scoresby.

### **Radiographic Advisor**

#### **Danielle Murphy Bachelor of Medical Radiations (Diagnostic Radiography) and Masters of Health Science (Image Interpretation)**

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Danielle has worked as a Radiographer at The Alfred Hospital, Melbourne for 11 years, currently holding the position of General X-ray Supervisor. In addition to supervising radiography at The Alfred Danielle has responsibility for improving work processes and educating staff to support a safer patient environment and more effective service.

### **High Voltage & Vacuum Engineering**

#### **Dr. Bob Sheehy PhD, BE(Hons), MIEEE**

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Bob has 25 years' experience in power conversion and high voltage engineering product development in the telecommunications, radar, military, industrial process control and medical sectors. He has worked for the CSIRO High Voltage Research laboratory, Rectifier Technologies and is the co-inventor on several patents. He has extensive experience in power electronics, high voltage, high power RF, embedded real time control, battery energy management systems, motor drives and electron devices, as well as regulatory compliance for product safety and EMC. Bob is currently one of the electronic engineers in the project team at Hydrix.

# Section 6

## Financial information

### 6.1 Introduction

The financial information set out in this Section summarises Micro-X's selected financial data derived from the audited financial statements for the years ended 30 June 2013 (FY2013), 30 June 2014 (FY2014) and 30 June 2015 (FY2015). The audited financial information has been prepared and presented in accordance with recognition and measurement principles generally accepted in Australia (AGAAP).

This Section contains the following financial information, prepared by the Directors:

- Summary statutory historical statement of profit or loss and other comprehensive income for FY2013, FY2014, and FY2015 (Statutory Historical Statement of Profit or Loss and Other Comprehensive Income);
- Summary statutory historical statement of cash flows for FY2013, FY2014, and FY2015 (Statutory Statement of Cash Flows); and
- Statutory historical and pro forma historical balance sheets as at 30 June 2015 (Statutory Historical and Pro forma Historical Balance Sheets);

together the (Historical Financial Information).

The Directors are responsible for the inclusion of all financial information in this Prospectus. The Historical Financial Information has been reviewed by Grant Thornton Corporate Finance Pty Ltd whose Independent Limited Assurance Report is contained in Section 10.

The information set out in this Section and Micro-X's selected financial information should be read together with:

- Management's discussion and analysis set out in this Section;
- The risk factors described in Section 7;
- The use of proceeds of the Offers described on page 6;
- The indicative capital structure described in Section 9.1;
- The Independent Limited Assurance Report on the Historical and Pro Forma Financial Information set out in Section 10; and
- The other information contained in this Prospectus.

In addition, investors should be aware that past performance is not an indication of future performance.

All amounts disclosed in this Section are presented in AUD, unless otherwise noted.

The Statutory Historical Financial Information has been derived from Micro-X's audited financial statements for FY2013, FY2014 and FY2015.

The FY2013, FY2014 and FY2015 financial statements prepared in Australian dollars and in accordance with AGAAP were audited by Grant Thornton Audit Pty Ltd.

Modified audit reports were issued for Micro-X in FY2013, FY2014 or FY2015 in relation to an emphasis of matter around going concern which is further explained at Section 6.5 Significant accounting policies Note (k).

### 6.2 Management discussion and analysis of the Historical Financial Information

#### (a) Key components of Micro-X Historical Financial Information

The Company's operations in FY2013 were mostly focussed on research and preparation of the commercial and technical structure of the Micro-X DRX Revolution Nano project. Initial assessment of the UNC-CH technology in CNT emitters and tubes was made and the licence agreement established. From this the first outline architecture of the DRX Revolution Nano was developed. The initial agreement and memorandum of understanding with Carestream was negotiated and Hydrix was chosen as the Engineering Design partners for the program. In FY2014 early design analysis on the X-ray tube commenced and engineering feasibility of the mechanical design of the DRX Revolution Nano was performed. The Company's operations during FY2013 were largely funded by Micro-X's receipt of various Victorian government grant/vouchers whilst some third party investor seed funding was secured in the second half of FY2014 to facilitate commencement of development work on the DRX Revolution Nano with Hydrix Services.

Micro-X significantly increased its development activities during FY2015 with substantial funding being raised via Series B Converting Preferred Shares and Series C Converting Preferred Shares financing rounds. These financing rounds raised a total of approximately \$11 million which was largely applied to the payment for engineering and development services contracted from Hydrix Services. In addition to payments to Hydrix, Micro-X also engaged substantial work from XinRay Systems in alpha tube design and development for the DRX Revolution Nano. Other material development work was undertaken by CPI Canada in design and development of the high voltage power supply.

The table below presents the Statement of Profit or Loss and Other Comprehensive Income for FY2013, FY2014 and FY2015.

	FY2013 Audited \$	FY2014 Audited \$	FY2015 Audited \$
<b>Income</b>			
Consulting revenue	-	-	72,000
Interest received	-	-	13,642
Government subsidies	367,025	68,993	75,074
	367,025	68,993	160,716
<b>Expenses</b>			
Research & development costs	287,015	300,230	7,128,357
Director and employee costs	-	12,000	464,300
Administrative expenses	3,214	129,342	129,601
Finance costs	-	12,954	2,602,352
	290,229	454,526	10,324,610
Profit/(Loss) before Income Tax	76,796	(385,533)	(10,163,894)
Other comprehensive income	-	-	-
Total comprehensive profit/(loss) for the year	76,796	(385,533)	(10,163,894)

The historical statement of profit or loss and other comprehensive income has been extracted from the audited financial statements of Micro-X for the financial years ended FY2013, FY2014 and FY2015.

### (b) General factors affecting the operating results of Micro-X

Below is a discussion of the main factors which affected Micro-X's operations and relative financial performance in FY2013, FY2014, and FY2015 which Micro-X. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected Micro-X's historical operating and financial performance, nor everything which may affect Micro-X's operations and financial performance in the future. The information in this Section should also be read in conjunction with the risk factors set out in the Section "Risk Factors", and the other information contained in this Prospectus.

### (c) Research expenses

Research and development expenses have been directly related to the design and development of the next generation mobile X-ray device in collaboration with XinRay, and more recently with Hydrix in building a prototype that is manufacturable commercially. Costs have increased in FY2015 with the material increase in development expenditure.

### (d) Director expenses

Director expenses include an estimate of the pro rata share based payment expense resulting from share options to be granted to the two executive Directors upon the initial public offering. The share

options vest in three tranches as service period conditions are satisfied across a three year period. As such these are expensed from the date that the service period commences, which is from the date of the executive agreements.

### (e) Finance costs

Finance costs relate to the fees paid to manager/brokers and the minimum return specified on Series A Converting Preferred Shares, Series B Converting Preferred Shares and Series C Converting Preferred Shares. Ultimately the minimum return specified on Series A Converting Preferred Shares, Series B Converting Preferred Shares and Series C Converting Preferred Shares will be settled when the instruments are settled with ordinary shares, to be issued just prior to the IPO.

### 6.3 Historical statement of cash flows

The table below presents the Statement of Cash Flows for FY2013, FY2014, and FY2015.

	FY2013 audited \$	FY2014 audited \$	FY2015 audited \$
<b>Cashflow from operating activities</b>			
Profit/(loss) after tax	76,796	(385,533)	(10,163,894)
less non cash items,			
– financing costs	-	12,954	2,211,382
– share based payments	-	-	265,084
Net change to working capital	(33,947)	129,941	1,871,117
Total cashflow from operating activities	42,849	(242,638)	(5,816,311)
<b>Cashflow from investing activities</b>			
Payments for plant & equipment	-	-	(14,012)
Total cashflow from investing activities	-	-	(14,012)
<b>Cashflow from financing activities</b>			
Proceeds from the issue of convertible notes	-	-	8,161,697
Proceeds from borrowings	-	225,000	220,000
Total cashflow from financing activities	-	225,000	8,381,697
Net (decrease)/increase in cash and cash equivalents	42,849	(17,638)	2,551,374
Cash at the beginning of the period	15,863	58,712	41,074
Cash at the end of the period	58,712	41,074	2,592,448

The historical statement of cash flows has been extracted from the audited financial statements of Micro-X for the financial years ended FY2013, FY2014 and FY2015.

## Section 6

# Financial information continued

### (a) Operating and financing cash flows

Micro-X is still in the process of finalising development of the DRX Revolution Nano, and consequently Micro-X's cash flows from operating activities have been negative. This was primarily due to research and development expenses. This is typical of a development stage technology Company.

Micro-X has been funded through convertible loans supplemented by R&D tax incentives or other government grants received. In FY2015 Micro-X funded its research and development spend largely through the issuance of Series B and C Converting Preferred Shares to fund the Company until IPO. \$8.2m was received during FY2015. Shortly post the June 30 balance date Micro-X received approximately \$2.9m in Series C Converting Preferred Share subscriptions that were committed by participating investors during FY2015.

The largest component of cash outflow for FY2015 was associated with payments to Hydrix (\$3.5m) who have provided the engineering and project management team for the development of the DRX Revolution Nano. Initial activity focussed on the development of the mechanical design of the cart and the 'voice of customer' testing of ergonomic performance which flows from those early design choices. The development of the system-level product requirement specification and the electronic design architecture was completed

next. Once the whole system architectural design was completed, the detailed design, drawing and prototype manufacture including software and firmware development was performed with the rigour of ISO13485 process required for a medical device certification. Simultaneously Micro-X funded development and prototyping of the X-ray tube at XinRay in North Carolina (\$1.0m) and the associated High Voltage power supply development at GPI in Toronto (\$0.3m). Initial validation and verification testing is in process on Alpha prototypes. Other significant cash outflow for FY2015 was attributed to travel and accommodation expenses (\$0.2m), payroll (\$0.2m) and capital raising fees (\$0.1m).

### 6.4 Historical and pro forma balance sheet at 30 June 2015

The table below sets out the Statutory Historical Balance Sheet, the pro forma adjustments that have been made to the Statutory Historical Balance Sheet and the Pro Forma Historical Balance Sheet as at 30 June 2015.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Micro-X's view of its future financial position.

		As at 30 June 2015	Minimum Subscription as at 30 June 2015	Maximum Subscription as at 30 June 2015		
	Adjustment reference	Audited \$	Adjustments \$	Pro forma \$	Adjustments \$	Pro forma \$
<b>Current Assets</b>						
Cash and cash equivalents	1,2,3,6,7,8,9,10,12	2,592,448	18,214,338	20,806,786	17,245,035	19,837,483
Other receivables	1	3,253,278	(2,916,443)	336,835	(2,916,443)	336,835
<b>Total Current Assets</b>		<b>5,845,726</b>	<b>15,297,895</b>	<b>21,143,621</b>	<b>14,328,592</b>	<b>20,174,318</b>
<b>Non-Current Assets</b>						
Plant and equipment		11,685	-	11,685	-	11,685
Intangibles – capitalised development costs		1,980,000	-	1,980,000	-	1,980,000
Investment*	3,10,11,12	-	3,325,635	3,325,635	8,959,438	8,959,438
<b>Total Non Current Assets</b>		<b>1,991,685</b>	<b>3,325,635</b>	<b>5,317,320</b>	<b>8,959,438</b>	<b>10,951,123</b>
<b>Total Assets</b>		<b>7,837,411</b>	<b>18,623,530</b>	<b>26,460,941</b>	<b>23,288,030</b>	<b>31,125,441</b>
<b>Current Liabilities</b>						
Trade payables		2,700,225	-	2,700,225	-	2,700,225
Borrowings	4	15,413,463	(15,413,463)	-	(15,413,463)	-
<b>Total Current Liabilities</b>		<b>18,113,688</b>	<b>(15,413,463)</b>	<b>2,700,225</b>	<b>(15,413,463)</b>	<b>2,700,225</b>
<b>Net (Liabilities)/Assets</b>		<b>(10,276,277)</b>	<b>34,036,993</b>	<b>23,760,716</b>	<b>38,701,493</b>	<b>28,425,216</b>
<b>Equity</b>						
Ordinary shares	4,6,7,8,9,11	1,300	34,301,560	34,302,860	38,948,978	38,950,278
Share based payment reserve		265,084	-	265,084	-	265,084
Accumulated losses	2,4,7,9	(10,542,661)	(264,567)	(10,807,228)	(247,485)	(10,790,146)
<b>Total Equity</b>		<b>(10,276,277)</b>	<b>34,036,993</b>	<b>23,760,716</b>	<b>38,701,493</b>	<b>28,425,216</b>

The historical Balance Sheet has been extracted from the audited financial statements of Micro-X for FY2015.

\* Post IPO, Micro-X will equity account for the XinRay investment (as per note 6.5(f)), if it purchases an additional 16.7% under an IPO raise of greater than \$18m, to bring the total holding to 30% as it exerts significant influence. XinRay was established in 2007 to commercialise novel proprietary carbon nano tube technology for scanning systems in security, medical, and industrial applications.

### (a) Pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before the Completion of the Offer, referred to as the Pro forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2015 and are set out below.

#### Subsequent events

1. Collection of \$2.9m of outstanding funds from the issuance of Series C Converting Preferred Shares;
2. Receipt of \$3.1m from the R&D tax incentive for expenditure incurred during the year ended 30 June 2015. The R&D tax incentive is recognised on a cash basis;

#### XinRay Purchase

3. Purchase of 4.5% of the ordinary shares in XinRay, the originator of the CNT technology for USD \$0.75m;

#### Conversion

4. The conversion of Converting Preferred Shares Series A, B and C into ordinary shares, which is a cashless conversion;

#### Share split

5. Share split of 1:950 Shares;

### Pro forma transactions

#### Minimum Subscription

6. The issue of 30 million Shares at \$0.50 each, amounting to \$15m;
7. Cash expenses associated with the Offer (including advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be around \$1.4m. An amount of \$1.2m has been charged against share capital \$0.2 million against accumulated losses. GST in respect of the Offer costs has not been recorded as a receivable as this may not be claimable;

#### Maximum Subscription

8. Reflects the allowance for subscriptions of an additional 10,000,000 Shares above the Minimum Subscription, at \$0.50 each, amounting to \$5m, resulting in a total amount raised of \$20m;
9. Cash expenses associated with the Offer (including advisory, legal, accounting and administrative fees as well as printing, advertising and other expenses) are estimated to be around \$1.7m. An amount of \$1.5m has been charged against share capital \$0.2 million against accumulated losses. GST in respect of the Offer costs has not been recorded as a receivable as this may not be claimable;

#### Additional purchase in XinRay

10. Purchase of an additional 1.5% of the ordinary shares of XinRay for USD \$0.25m;
11. Exercise of the Xintek Agreement option for the purchase of 7.3% of the ordinary shares in XinRay for 3,834,375 ordinary shares in Micro-X, bringing the total holding in XinRay to 13.3%. The expiry of the option will be 31 January 2016 and the exercise conditions precedent will be when Micro-X knows that it will be admitted to the ASX Official List;
12. Purchase of an additional 16.7% investment in XinRay for USD \$4.0m, if a minimum of \$18m is raised as part of the Offer; and

### Issue of Award Options

13. Issue of Award Options as outlined in Section 13. Approximately 10m to 10.3m Options are to be awarded to executives, directors and key contractors in three equal tranches that vest over three years. The Options have a nil issue price, tranche 1 an exercise price of \$0.575 and tranche 2 and 3 an exercise price of \$0.625 and expiry of 31 December 2019. Note that the issuance of these Award Options does not impact the proforma balance sheet however it will be expensed over future periods.

### (b) Reviewed pro forma cash and cash equivalents

The reviewed pro forma cash and cash equivalents reflect the proceeds from the outstanding funds of the issue of Series C Converting Preferred Shares, receipt of the R&D tax incentive, purchase of 4.5% in XinRay from pre IPO funds, the Offers, payment of the costs of Offer, purchase of 1.5% of XinRay from post IPO funds and if the Offer raises more than \$18m, the purchase of an additional 16.7% in XinRay, as set out below:

		Pro forma	
	Note	Minimum Subscription \$	Maximum Subscription \$
Cash and cash equivalents at 30 June 2015		2,592,448	2,592,448
<b>Subsequent events</b>			
Receipt of outstanding funds from Series C Converting Preferred Share issue	1	2,916,443	2,916,443
Receipt of funds from R&D tax incentive	2	3,103,792	3,103,792
Purchase of 4.5% of the ordinary shares of XinRay	3	(1,056,387)	(1,056,387)
<b>Pro forma transactions</b>			
Proceeds from the shares issued under Offer	6,8	15,000,000	20,000,000
Payment of the Offer costs	7,9	(1,397,450)	(1,732,950)
Purchase of 1.5% of the ordinary shares of XinRay	10	(352,060)	(352,060)
Purchase of an additional 16.7% in XinRay	12	-	(5,633,803)
<b>Pro forma cash and cash equivalents</b>		<b>20,806,786</b>	<b>19,837,483</b>

Micro-X expects that it will have sufficient cash to fund its operational requirements and business needs following the Offer.

## Section 6

# Financial information continued

### (c) Reviewed pro forma investments

The reviewed pro forma investments reflects the purchase of 4.5% of XinRay from pre-IPO funds, the purchase of 1.5% of XinRay from post IPO funds, exercise of the Xintek Agreement option to purchase an additional 7.3% of XinRay in lieu of 3,834,375 Micro-X ordinary shares and a purchase of an additional 16.7% of XinRay if more than \$18m is subscribed for in the Offer, as set out below:

	Note	Pro forma	
		Minimum Subscription \$	Maximum Subscription \$
Investments at 30 June 2015		-	-
<b>Subsequent events</b>			
Purchase of 4.5% of the ordinary shares of XinRay	3	1,056,387	1,056,387
<b>Pro forma transactions</b>			
Purchase of 1.5% of the ordinary shares of XinRay	10	352,060	352,060
Exercise of option under the Xintek Agreement to purchase 7.3% of XinRay	11	1,917,188	1,917,188
Purchase of an additional 16.7% in XinRay	12	-	5,633,803
<b>Pro forma investments</b>		<b>3,325,635</b>	<b>8,959,438</b>

### (d) Reviewed pro forma borrowings

The reviewed pro forma borrowings reflects the conversion of Series A, B and C Converting Preferred Shares to ordinary shares as set out below:

	Note	Pro forma	
		Minimum Subscription \$	Maximum Subscription \$
Borrowings at 30 June 2015		15,413,463	15,413,463
<b>Subsequent events</b>			
Conversion of Series A, B and C Converting Preferred Shares to ordinary shares	4	(15,413,463)	(15,413,463)
<b>Pro forma accumulated losses</b>		<b>-</b>	<b>-</b>

### (e) Reviewed pro forma share capital

The reviewed pro forma share capital reflects the conversion of the Series A Converting Preferred Shares, Series B Converting Preferred Shares and Series C Converting Preferred Shares into Shares, the share split of 1:950 Shares, the issue of Shares under the Offer, the Offer costs capitalised as part of the IPO and the exercise of the Xintek Agreement option to purchase an additional 7.3% of XinRay in lieu of 3,834,375 Micro-X Shares as set out below:

	Note	Pro forma			
		Minimum Subscription Number	Minimum Subscription \$	Maximum Subscription Number	Maximum Subscription \$
Share capital at 30 June 2015		23,000	1,300	23,000	1,300
<b>Subsequent events</b>					
Conversion of Series A Converting Preferred Shares (inc inherent interest)	4	9,900	2,863,134	9,900	2,863,134
Conversion of Series B Converting Preferred Shares (inc inherent interest)	4	33,500	9,675,408	33,500	9,675,408
Conversion of Series C Converting Preferred Shares (inc inherent interest)	4	13,153	6,021,159	13,153	6,021,159
Share split (1:950)	5	75,495,797	-	75,495,797	-
<b>Pro forma transactions</b>					
Proceeds from the Shares issued under Offer	6,8	30,000,000	15,000,000	40,000,000	20,000,000
Capital raising costs	7,9	-	(1,175,329)	-	(1,527,911)
Exercise of option to purchase 7.3% of XinRay under the Xintek Agreement	11	3,834,375	1,917,188	3,834,375	1,917,188
<b>Pro forma share capital</b>		<b>109,409,725</b>	<b>34,302,860</b>	<b>119,409,725</b>	<b>38,950,278</b>

### (f) Reviewed pro forma accumulated losses

The reviewed pro forma accumulated losses reflects the R&D tax incentive receipted, the interest incurred on Series A, B and C Converting Preferred Shares up to the date of the conversion to ordinary shares and Offer costs expense as part of the IPO as set out below:

	Note	Pro forma	
		Minimum Subscription \$	Maximum Subscription \$
Accumulated losses at 30 June 2015		(10,542,661)	(10,542,661)
<b>Subsequent events</b>			
Receipt of funds from R&D tax incentive	2	3,103,792	3,103,792
<b>Pro forma transactions</b>			
Interest incurred during FY16 on Series A, B & C prior to conversion	4	(3,146,238)	(3,146,238)
Offer costs expensed (cash)	7,9	(222,121)	(205,039)
<b>Pro forma accumulated losses</b>		<b>(10,807,228)</b>	<b>(10,790,146)</b>

## 6.5 Significant accounting policies

The Historical Financial Information has been prepared in accordance with AGAAP. The following is a summary of the significant accounting policies used in the preparation of the Historical Financial Information.

### (a) Use of estimates

The preparation of the historical financial information in conformity with AGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of assets, liabilities, equity instruments, and expenses during the reporting period. Actual results could differ materially from those estimates.

### (b) Certain significant risks and uncertainties

Micro-X operates in a dynamic, highly competitive industry and believes that changes in any of the following areas could have a material adverse effect on Micro-X's future financial position, results of operations, or cash flows; ability to obtain future financing; advances and trends in new technologies and industry standards; regulatory approval and market acceptance of Micro-X's products; development of sales channels; certain strategic relationships; litigation or claims against Micro-X based on intellectual property, patent, product, regulatory, or other factors; and Micro-X's ability to attract and retain employees necessary to support its growth.

### (c) Cash and cash equivalents

Micro-X considers all highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

### (d) Other receivables

Other receivables relate to GST refunds expected from the Australian Taxation Office and outstanding committed converting preferred share funding. Management have assessed and determined that these balances are recoverable.

### (e) Property and equipment

Plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

### (f) Investments in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to Micro-X's share in the associate is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates is increased or decreased to recognise Micro-X's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of Micro-X. Unrealised gains and losses on transactions between Micro-X and its associates are eliminated to the extent of Micro-X's interest in those entities.

### (g) Government grants

Government grants primarily relate to the research and development tax incentive. The incentive is recognised on a cash basis, given that it is not readily measurable until receipted.

### (h) 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.

Given that work is not yet complete on the device and it is not yet available for use, capitalised development costs have not yet commenced amortisation.

The carrying value of an intangible asset arising from development expenditure is therefore tested for impairment by reference to the recoverable amount as determined under a fair value less cost to sell method. In determining the fair value less costs to sell, consideration is given to the following indicators:

- the market capitalisation of Micro-X by reference to the upcoming IPO in excess of the net book value of assets; and
- the results of testing and progress of development.

Costs of disposal were considered to be immaterial.

## Section 6

# Financial information continued

### (i) Share based payments

Share-based compensation benefits are provided to executives via the share options.

The fair value of Options is recognised as a Director expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the executives become unconditionally entitled to the Options using a Black-Scholes option pricing model.

### (j) Financial liabilities

Series A, B and C Converting preferred shares were assessed to be a liability in nature due to a required minimum rate of return. These liabilities and other borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method and interest is recognised to the profit or loss.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### (k) Going concern

The financial information has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$10,163,894 during the year ended 30 June 2015 (2014 – \$385,533) and cash outflows from operating activities equates to \$5,816,311 (2014 – \$242,638). Notwithstanding a net asset deficiency of \$10,276,277 (2014 – \$377,468), the Directors are of the opinion that the Company will continue to operate as a going concern because:

- of the receipt of \$3.1m from the R&D tax incentive post year end;
- of the planned initial public offering of between \$15m to \$20m; and
- as reflected in the proforma balance sheet, upon IPO, the converting preferred shares convert from debt to ordinary equity.

The Company continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities. In light of the matters referred to above, 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 2015. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should Micro-X not continue as a going concern.

# Section 7

## Risks

### 7.1 Introduction

This Section 7 describes some of the potential risks associated with the Company and also risks associated with an investment in shares generally. It does not purport to list every risk that may be associated with an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Company and its Directors.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that any forward looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Additional risks that the Company is unaware of or that the Company currently considers to be immaterial also have the potential to have a material adverse effect on the Company's business, financial condition, operating and financial performance and the value of its Shares. Before deciding whether to invest in the Company, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of potential risks and should consider whether an investment in the Company is suitable for you having regard to your own investment objectives, financial circumstances, taxation position and particular needs (including financial and taxation issues). If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant, lawyer or other professional adviser.

### 7.2 Business risk factors

Business risk factors	Risk
Key contracts on which the Company's strategy relies not being executed	<p>Micro-X and Carestream are parties to the Commercialisation Agreement. The Commercialisation Agreement is terminable by either party upon 30 days notice to the other party.</p> <p>In accordance with the terms of the Commercialisation Agreement, the parties have agreed to use reasonable efforts to enter into a Development Agreement and Supply Agreement. Key commercial terms of the Development Agreement and Supply Agreement are detailed in the Commercialisation Agreement.</p> <p>As part of its product commercialisation strategy, the Company is proposing to finalise and enter into the Development Agreement and Supply Agreement in a form acceptable to the Company.</p> <p>The Development Agreement and Supply Agreement are intended to govern:</p> <ul style="list-style-type: none"><li>• the design, development and acceptance testing of the DRX Revolution Nano (being the Development Agreement); and</li><li>• the exclusive sale and purchase arrangement of Carestream branded DRX Revolution Nanos from Micro-X to Carestream (being the Supply Agreement).</li></ul> <p>The Company has been negotiating with Carestream in relation to the Development Agreement and Supply Agreement. Details of Micro-X's proposed key terms for these agreements are set out in Section 4.2.</p> <p>The Company is currently working towards finalisation and execution of the Development Agreement and Supply Agreement, but there is no guarantee:</p> <ul style="list-style-type: none"><li>• that Micro-X's proposed key terms will be the agreed terms for those agreements;</li><li>• that those agreements will be executed;</li><li>• of the time frame in which those agreements will be executed; or</li><li>• the conditions precedent under those agreements will be satisfied once executed.</li></ul> <p>The viability of the Company, and its prospects, are highly dependent on the Company and Carestream executing the Development Agreement and Supply Agreement and the satisfaction of any conditions precedent under those agreements once executed.</p> <p>To the extent that the Development Agreement and Supply Agreement, in a form acceptable to the Company, are not executed, or that any conditions precedent under those agreements are not satisfied, then Micro-X may need to reformulate and develop an alternative commercialisation strategy for its products, or identify new business partners or distributors or customers for its products (and there is no guarantee that, or the time frame in which, the Company will succeed in that endeavour).</p>

## Section 7

# Risks continued

Business risk factors	Risk
The Company is currently in the process of developing and commercialising its products	<p>The Company is currently in the process of developing and commercialising its products. While the Company's program for its DRX Revolution Nano, Ruggedised Nano and MBI are advanced to varying degrees, there are inherent uncertainties that exist in any development and commercialisation program for new technologies and products, including:</p> <ul style="list-style-type: none"><li>• there is no assurance that the development and commercialisation of the Company's products will be successful;</li><li>• difficulties or delays in development and commercialisation process;</li><li>• whether necessary regulatory authorisations, registrations or approvals for the sale and distribution of the Company's products will be obtained (and on terms acceptable to the Company);</li><li>• uncertainties relating to the Company's potential reliance on third parties such as suppliers and contractual counterparties; and</li><li>• general uncertainty and resistance relating to the development of new technologies and products and the level and speed of uptake of those technologies and of products utilising those technologies.</li></ul> <p>Market acceptance of the Company's technology and products is also uncertain. These uncertainties may be caused by:</p> <ul style="list-style-type: none"><li>• difficulties and delays in marketing the technology and products (or any new product developed by the Company);</li><li>• factors outside of the Company's control, including the finances and budgets of potential customers of the Company's products; and</li><li>• the advancement of new competitive products.</li></ul> <p>Accordingly there can be no assurance in relation to the Company's development and commercialisation of its products, including that:</p> <ul style="list-style-type: none"><li>• any required regulatory approvals will be obtained;</li><li>• its technology and products will be successful in the market place; or</li><li>• the sale of the Company's products will be profitable or generate suitable revenues for the Company.</li></ul>
Uncertain future demand for the Company's products	<p>As part of its business, the Company is utilising new technology, utilising existing technology in an innovative manner and developing new products. Accordingly, the information currently available in relation to existing products (including similar existing products) and markets may not be reliable, comparable or useful in determining whether the Company's products will be successful and the extent to which the Company's products may or may not be successful.</p> <p>Accordingly, the Company's estimates, analysis and expectations of future demand for its technology and products may be incorrect and may not be able to be achieved. There is also no assurance that any factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate.</p> <p>Failure by the Company to appropriately anticipate market demand and achieve customer acceptance of its technology and products may adversely affect the Company.</p>

## Business risk factors

The Company's business is, in the short to medium term, dependent on the commercial success of a single product – the DRX Revolution Nano

## Risk

The Company proposes to enter into the Development Agreement and Supply Agreement in a form acceptable to the Company with Carestream as part of its commercialisation strategy for the DRX Revolution Nano. It is proposed by Micro-X that under the terms of those agreements, Carestream will be responsible for obtaining all necessary regulatory approvals for the sale and distribution of the DRX Revolution Nano.

There is no guarantee that, or the time frame in which, the Development Agreement and Supply Agreement (in a form acceptable to the Company) will be executed or that any conditions precedent under those agreements will be satisfied once executed. In addition, there is no guarantee that, or the time frame in which, Carestream will receive all necessary regulatory approvals, nor can the Company accurately predict the product approval timelines, or other requirements that may be imposed by regulators. Any delays or barriers to Carestream obtaining necessary regulatory approvals would limit the market opportunity until such time (if any) that Carestream is able to obtain such approvals for the DRX Revolution Nano.

Assuming that:

- the Development Agreement and Supply Agreement, in a form acceptable to the Company, are executed;
- all conditions precedent under those agreements are satisfied; and
- the required regulatory approvals for sale and distribution of the DRX Revolution Nano is obtained in the US and certain other countries,

the Company expects to derive a significant majority of its revenue in the near term from sales to Carestream of the DRX Revolution Nano. The Company's ability to generate revenue will then depend (in those circumstances) on how effectively Carestream can market and distribute this product.

In the US, and as part of the broader Supply Agreement and Development Agreement arrangements (which have yet to be entered into), Micro-X is proposing that Carestream pursue an FDA 'Premarket Notification 510(k)' clearance pathway. This submission, which Micro-X expects to be made in early 2016, must demonstrate that the DRX Revolution Nano is substantially equivalent to predicate devices in safety and effectiveness. There is no assurance regarding the timing and outcome of the regulatory submissions.

In Europe, the Company expects a 'Declaration of Conformity' to be issued by March 2016, allowing for commercial supply of the product in that region.

If the Company is unable to successfully launch (including because the necessary approvals cannot be obtained) and achieve meaningful market penetration (including because of the effectiveness of the marketing and distribution) of the DRX Revolution Nano, its commercial strategy may be unachievable and the Company may need to reconsider its business model.

The Company is reliant on its key existing and proposed customers, suppliers and business partners

At this stage of its development, the Company is dependent on arrangements with third parties in relation to the sale and distribution of its products, the supply of components required for the manufacture of its products and development of future products.

Micro-X is reliant on a limited number of key existing and proposed suppliers and customers, the continued relationship with which may be material to the Company's business.

The key existing and proposed supplier, customer and business partner contracts, which includes the XinRay Arrangements and the Carestream Arrangements, are described in Section 4.

It is an inherent risk of relying on contractual arrangements with third parties that all of the relevant contracts carry a risk that the third parties do not adequately or fully comply with their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's product development efforts.

Further, there is no assurance that the key existing and proposed suppliers, customers and business partners will, or will continue (as applicable) to conduct their business or exist in future, as they are subject to their own business and market risks.

To the extent that any key existing or proposed supplier, customer and business partner arrangements do not occur as expected, or lapses, terminates, are breached, or for whatever reason need to be replaced or altered, then the failure to negotiate suitable amendments or find suitable replacements in a timely manner may have adverse effects on the Company's business, operations and financial position.

## Section 7

# Risks continued

Business risk factors	Risk
Ability to rely on and protect the necessary intellectual property	<p>The Company relies on owned intellectual property, as well as third party intellectual property which is licensed or otherwise granted to the Company.</p> <p><b>Intellectual property infringement claims</b></p> <p>If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions may also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licences on reasonable terms and at a reasonable cost, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.</p> <p>As the Company has licensed certain third party intellectual property rights, this risk also applies to the extent that another party accuses the person who has licensed intellectual property rights to the Company of infringing its intellectual property rights. For example, because the Company may be the subject of an injunction prohibiting its use or reliance on those licensed intellectual property rights until the claims are finalised.</p> <p>The Company does not believe that its activities infringe any third party's intellectual property rights. To date, no third party has asserted this to be the case. However, in the future the Company may be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third parties or intellectual property authorities to re-examine the patentability of licensed or owned patents. The defence and prosecution of intellectual property claims and litigation, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If the Company infringes the rights of third parties, the Company could be prevented from selling the DRX Revolution Nano or any future products and be forced to defend against litigation and to pay damages.</p>

**The Company's protection of its intellectual property rights**

No assurance can be given that the value of the Company's intellectual property rights will be completely protected or that the Company will be able to maintain its competitive position by the legal protection afforded by a combination of copyright, trade secrecy laws, patent laws, confidentiality and other intellectual property rights. There can be no assurance that third parties or employees will not breach confidentiality agreements, infringe or misappropriate the Company's intellectual property or will not be able to produce a non-infringing competitive product or service. Further, no assurance can be given that third parties will not challenge the ownership by, or the rights of, the Company to its intellectual property rights, or that if the Company is required to obtain a licence from a third party as a result of any infringement dispute, the Company will be able to obtain such licences.

**Patents**

The Company has filed six provisional patent applications and two design applications in relation to its DRX Revolution Nano product. There is no assurance that the patents or design applications will be granted. The prospect of the Company attaining further patent protection for its technologies and products (such as those it may develop) is uncertain and involves complex and continually evolving factual and legal questions. These include:

- legislative and judicial changes, or changes in the examination guidelines of governmental patent offices may negatively affect the ability of the Company to obtain patents for its product candidates;
- the scope of patent applications can be significantly reduced during prosecution of patent applications, with the result that the scope of protection in the issued patent is significantly less than the scope of protection sought by the Company. As a result, the Company's patent applications may not proceed to issued patents and, if issued, may not be of commercial benefit to the Company, or may not afford the Company adequate protection from competing products;
- the Company's patents could be partially or wholly invalidated following challenges by third parties.

Furthermore, the granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology to avoid the patented technologies owned by the Company. Accordingly, there can be no assurance that any patents which the Company may own or control will afford them commercially significant protection of its technology or its products or have commercial application.

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions. These factors include the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of performing the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance that others will not seek to imitate the Company's technologies or products or circumvent them, and in doing so, attempt to design their products in such a way as to circumvent the Company's rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

**Trade secrets**

The Company's key strategic supplier, XinRay relies in part on its trade secrets, which include information relating to the manufacture of its CNT based emitters and tubes. The protective measures that XinRay employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that XinRay will be able to meaningfully protect its trade secrets and unpatented knowhow and keep it secret.

## Section 7

# Risks continued

Business risk factors	Risk
Product performance	<p>The performance of the Company's technologies and products is important to its reputation and to its ability to achieve market acceptance of those products. Any product failure or failure of a product to meet a customer's needs and requirements or the environmental conditions faced at a particular site could have a material adverse effect on the Company's reputation, result in loss of sales and have financial consequences such as the creation of a liability to provide replacement products or compensation. This risk may be heightened by the novel nature of the CNT technology employed by the Company and the absence of long-term performance data for this technology.</p>
Insufficient or disruptions to the Company's manufacturing ability or capacity	<p>The Company will be assembling and testing its products at a single facility in Tonsley, South Australia.</p> <p>If the Company is unable to keep up with demand for its products, or if there is a disruption at the Company's assembly and testing facility, then the Company's production and earnings capacity may be adversely affected. There is an inherent risk that the facility may not be able to maintain the required production levels due to a natural disaster, industrial action, contamination, an industrial accident, fire, a power failure or an explosion.</p> <p>If the Company is unable to keep up with demand for its products, including as a result of disruptions at its assembly and testing facility, and particularly at the early stages of a product's commercialisation, this may specifically and adversely affect the product's market acceptance, its relationship with Carestream (if any and from time to time) and adversely affect the Company generally.</p> <p>There is no assurance that there will not be difficulties or delays in the production of the Company's products, that the products will be manufactured and assembled to the appropriate standard and at the expected cost or that the assembly and testing process capacity can be scaled to the level necessary from time to time. Difficulties in the assembly and testing process and delays in the commercialisation process may have an adverse impact on the Company.</p>
Limited operational history and experience	<p>The Company was established in September 2011 and has not commenced commercial sales of any product. Accordingly, the Company has a limited operating history upon which an evaluation of the Company and its prospects can be based. As a result of the Company's limited operating history, the Company does not have historical financial data for a significant number of periods on which to assess its potential future revenues.</p> <p>In assessing the Company's business prospects, you should consider the various risks and difficulties frequently encountered by companies early in their commercialisation in competitive markets, particularly companies that develop and sell medical equipment. These risks include the Company's ability to:</p> <ul style="list-style-type: none"><li>• implement and execute its business strategy;</li><li>• manage expanding operations;</li><li>• respond effectively to competitive pressures and developments; and</li><li>• successfully implement design changes to refine its products over time and obtain any updates to regulatory approvals related to the changes.</li></ul> <p>In addition, the Company's limited operating history may result in the Company not having the necessary expertise and experience to execute its business strategy from time to time, or in specific areas. This is one of the reasons why the Company has entered into contractual arrangements with third parties, such as the Carestream Arrangements, and is proposing to enter into the Development Agreement and Supply Agreement, in a form acceptable to the Company, under which Micro-X is proposing that Carestream be responsible for sales and marketing of the DRX Revolution Nano.</p> <p>In relation to other products, such as the Ruggedised Nano and the MBI, the Company has not yet identified what distribution model it will employ, but in relation to the distribution model, the Company may be constrained by the fact that it currently has limited marketing capabilities and may need to commit significant resources to developing sales, distribution and marketing capabilities.</p> <p>There is a risk that the Company will be unable to develop these capabilities and expertise to effectively commercialise other products.</p> <p>In relation to assembly and testing, the Company has limited experience in the manufacture of medical equipment and defence equipment at a commercial scale.</p>

**Business risk factors****Risk**

Diminution in reputation or brand

The success of the Company may be impacted by its reputation and the reputation and branding of its products.

As with all companies that are engaged in manufacturing, assembly and testing and trading, issues may arise from time to time that would give rise to reputational risk and cause harm to the Company and its business dealings and prospects. These issues include whether the Company has appropriately dealt with legal and regulatory requirements, issues of ethics, dealing with anti-corruption and bribery legislation, trade sanctions legislation, environmental issues, privacy, information and technology security, sales and trading practices.

Failure to address these issues appropriately could give rise to additional legal, financial and operational risks, subject the Company to regulatory actions, fines and penalties or harm the reputation of the Company (including its brand and its products), its customers and investors in the marketplace.

In addition, Micro-X is proposing that one of the Company's key products, the DRX Revolution Nano, be distributed under the Carestream brand. To the extent that the Development Agreement and Supply Agreement, in a form acceptable to the Company, are executed and that this occurs, any adverse impacts on Carestream's brand (or any other brand under which the Company's products are sold), which may be outside of the Company's control, may have consequential effects for the Company (including for its reputation, its brand and its other products), its customers and investors in the marketplace.

XinRay may not continue its relationship with the Company

The XinRay Arrangements govern matters including exclusivity of supply, as well as the specific terms and conditions of the development and supply of the carbon-nanotube technology for the DRX Revolution Nano, the Ruggedised Nano and the MBI.

There is no assurance that the XinRay Arrangements will be maintained. There is a risk that the Company could be adversely impacted if the XinRay Arrangements are terminated, or is renegotiated on less favourable terms.

Pursuant to the XinRay Arrangements, Micro-X may enforce a technology transfer of the XinRay production process to a third party nominated by Micro-X should Micro-X terminate the Production Supply Agreement following a material breach of the agreement by XinRay.

Carestream may not continue its relationship with the Company

There is no assurance that:

- Carestream will not terminate the Commercialisation Agreement in accordance with its terms; or
- the Development Agreement and Supply Agreement will be executed.

In addition, there is no assurance that the Carestream Arrangements (which includes the Development Agreement and Supply Agreement if they are executed by the parties) will be maintained or renewed after the expiration of the relevant agreements. There is a risk that the Company could be adversely impacted if the Development Agreement and Supply Agreement, in a form acceptable to the Company, are not executed, or if the Carestream Arrangements are terminated or expire and are not renewed, or are renegotiated on less favourable terms.

Change of control

Micro-X is a party, or may become a party, to agreements which contain a change of control provision which applies to Micro-X.

For example, Micro-X proposes that the Supply Agreement will include a provision providing that the Company shall grant to Carestream the right to make, have made, use and sell the DRX Revolution Nano if there is a Micro-X change of control or sale to a Carestream competitor in the medical, dental, veterinary or non-destructive testing field.

On and from Listing, whether there is a change of control may be beyond the control of Micro-X.

In accordance with the terms of the relevant agreements, adverse consequences (such as losing exclusivity) may result if there is a change of control of Micro-X.

## Section 7

# Risks continued

Business risk factors	Risk
Competition may increase	<p>The Company operates in a competitive environment. The Company's competitive position may decline if:</p> <ul style="list-style-type: none"><li>• one or more of the competitive products, which are currently available, in development or may be developed or released in the future, which will prove more advanced, efficacious, cost effective, or attractive to customers than the Company's products;</li><li>• major customers or suppliers form partnerships or other relationships with competitors;</li><li>• new competitors enter the market; or</li><li>• the Company fails to successfully respond to industry changes, competitor initiatives or customer preferences.</li></ul> <p>Such competition and new products can have the effect of:</p> <ul style="list-style-type: none"><li>• rendering the Company's previous developments obsolete;</li><li>• decreasing the financial value of products or intellectual property; and</li><li>• reducing pricing and profit margins.</li></ul> <p>It is possible that manufacturers of competing technologies and products are companies with greater financial, technical, human, research and development, and marketing resources than the Company. In a competitive environment, competitors may be constantly striving to develop, validate and commercialise new technologies and devices and, as a result, may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company.</p>
Adverse movements in exchange rates may occur	<p>Revenue and expenditure denoted in foreign currency are subject to the risk of fluctuations in foreign exchange markets. The Company's payment obligations and receivables, many of which are in USD, may give rise to exchange rate risk for the Company.</p> <p>The Company has no plans at this stage to hedge its foreign currency payments as to a certain extent it has a natural currency hedge in place by its main revenue contracts being denominated also in USD. The Company generally shall benefit from a weak AUD versus the USD with all other factors remaining equal.</p>
Product recalls and product liability	<p>The Company has procedures and policies in place to ensure compliance with applicable standards and to ensure its products comply with applicable legal and regulatory requirements. In addition, a number of the Company's material contracts also contain provisions relating to product recalls and product liability.</p> <p>Unforeseen problems or poor production quality of one or more of the Company's products may lead to product recalls or liabilities to customers. In addition, as with all new products, there can be no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events may expose the Company to product liability claims or litigation, result in the loss of regulatory approvals for the relevant products and/or monetary damages being awarded against the Company.</p> <p>In addition, Micro-X has not obtained legal advice in relation to the potential application and scope of 'manufacturer's liability' laws in each jurisdiction where the Company proposes to sell its products, accordingly, the Company's risk and liability position in relation to such liability may be uncertain.</p> <p>While the Company intends to obtain insurance for some of these risks, the Company may not be fully insured to cover its loss.</p>

## Business risk factors

## Risk

Sufficiency and allocation of funding/capital

The Company has generated very limited commercial revenue to date and is not currently generating a positive cash flow due to the funding requirements of product development and the scaling up of manufacturing capabilities. The Company does not expect to become profitable until significant sales traction has been gained, which will be reliant on first achieving successful FDA clearance and CE Mark registration of the DRX Revolution Nano (and there is no assurance that the Company will become profitable after that time).

The funding sought to be raised by the Offer is based on the Company's best estimation of cash flow projections and estimated expenditures. The Company has limited financial resources and may need to raise additional funds from time to time to finance and complete development and commercialisation of its technologies and products and its other longer-term objectives. The Company's product development activities may never generate revenues and the Company may never achieve profitability.

The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. Debt financing, if available, may involve covenants restricting the Company's operations or its ability to incur additional debt.

There is no assurance that future funds, whether debt or equity, can be raised by the Company on favourable terms, if at all, or that the Company will have the funding that it requires to fully complete its development and commercialisation program. In addition, the Company may decide to use the proceeds of the Offer differently to its current plans, or may need to obtain additional funding to continue operations (or both), including if there are delays in regulatory approvals, manufacturing ramp up or slower than anticipated market adoption of the Company's products.

The Company's strategy may not be effective

There are a number of strategies which relate to the development and commercialisation of the Company's products. To date, the Company has not commenced commercial scale production, distribution or sale of its products, and accordingly, the Company's strategies in that respect are untested, and may, in time, prove to be misguided, or may be implemented ineffectively and result in an outcome that may adversely affect the performance of the Company. For example:

- the Company's proposed strategy of entering into an exclusive distribution arrangement with Carestream in relation to the DRX Revolution Nano may not occur, may not be effective, and may not yield the best commercial outcomes for the Company;
- to the extent that the Company undertakes the sales, distribution and marketing of the Ruggedised Nano or the MBI by itself, this strategy may not be cost-effective or successful, resulting in lower market acceptance of the product;
- the Company's pricing strategy for its products may not result in optimal outcomes or the maximum profits for the sale of its products; and
- the Company may not be successful in attracting and retaining the best people to drive the execution of its strategies, and key personnel may be lost, including to competitors. This may result in disruption and decreased performance.

Ineffective implementation of these and other strategies adopted by the Company may adversely impact the market acceptance of its products and the performance and growth of the Company.

## Section 7

# Risks continued

Business risk factors	Risk
Reliance on key personnel	<p>The Company's future depends on attracting and retaining suitably qualified Management and scientific personnel.</p> <p>The medical equipment industry has strong competition for highly skilled workers due to the limited number of people with the appropriate skill set. The Company currently employs, or engages as consultants, a number of key management and manufacturing personnel. There is a risk that the Company will be unable to attract and retain the necessary staff to pursue its business model. In particular, if Mr Peter Rowland, the Managing Director, were to leave the Company, it would lose significant technical and business expertise, and the Company may not be able to find a suitable replacement. This would affect how efficiently the Company operates its business and its future financial performance could be impacted.</p> <p>The Company has structured incentive programs for its key personnel (refer to Section 13 for further details of the Company's EEIP). It has also established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.</p>
Prospective information	<p>There can be no guarantee that the factors and assumptions on which the Company has assessed the:</p> <ul style="list-style-type: none"> <li>• feasibility of its products;</li> <li>• potential levels of market acceptance and sales of its products (including the assessment set out in Sections 2 and 3);</li> <li>• development and commercialisation strategies of its products; or</li> <li>• relevant potential costs and expenses,</li> </ul> <p>and any other factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate. The various factors and assumptions may be, or may depend on other factors which are, outside the control of the Company.</p>
Litigation	<p>Micro-X may be the subject of complaints or litigation by customers, suppliers, employees or officers, Shareholders, government agencies or other third parties. Such matters may have an adverse affect on Micro-X's reputation, divert its financial and Management resources from more beneficial uses, or have a material adverse effect on Micro-X's future financial performance or position.</p> <p>These claims may include claims from third parties alleging that Micro-X may have breached the intellectual property rights of that third party and claims from a customer of the Company's product (whether they are the ultimate customer or otherwise) in relation to loss or damage caused by the product.</p> <p>Micro-X is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable manufacturer's liability and health and safety regimes. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or the brand is damaged.</p> <p>The Directors are aware of a potential claim by a former Director and current shareholder of the Company, Ms Alison Coutts. For further details, please see Section 11.9.</p>
Changes in political and regulatory environments	<p>The Company is subject to various federal and state-based laws and regulations in Australia as well as other jurisdictions in which the Company operates. The Company may be subject to compliance with new or changed laws and regulations that could come into effect if a government or government policies change.</p> <p>The introduction of new laws and regulations (including in relation to medical or X-ray emitting devices) may result in increased expenses for the Company, as it establishes new compliance procedures, retrains its employees and reviews or redevelops products. With new regulatory environments, there is a risk that the regulations have unintended consequences, or are open to interpretation that increases the risk of non-compliance. There is also a risk that regulatory interpretations may change over time, which could adversely affect the Company's operations and ability to manufacture, sell or distribute some products.</p>

## Business risk factors

## Risk

Failure to meet health and safety regulations

The Company currently operates in Australia and is subject to laws and regulations in respect of health and safety in Australia (including workplace health and safety, and product safety laws and regulations). In addition, it is proposed that the Company's products will be sold or distributed in the US and other countries, and accordingly, may be subject to laws and regulations in respect of health and safety in those jurisdictions. Additional or amended laws and regulations may increase the cost of compliance, adversely impact the Company's ability to comply, or expose the Company to greater potential liabilities where, for example, changes to the regulatory framework result in higher or more complicated regulatory standards.

If the Company breaches these laws and regulations, including for example where the Company is held responsible for:

- failing to ensure the safety and wellbeing of all personnel, visitors and contractors at the Company's manufacturing facilities; or
- an injury, illness or death relating to its products, for example, as a result of the radiation used to generate images and the manufacturing and testing of the Company's products,

the Company and its Directors and officers may be subject to sanctions and penalties, and in addition:

- may lead to a drop in productivity, reputational damage, workers compensation premium increases and/or litigation; and
- may adversely affect the Company's safety record and reputation, which may make it difficult for the Company to hire and retain personnel and win new business.

This, in turn, may have an adverse impact on the financial and operational performance of the Company.

Doing business internationally

There are certain risks inherent for any company seeking to do business on an international level, such as the potential need to obtain licences to operate and/or sell or distribute products. This may increase the regulatory compliance cost which is applicable to the Company and its business.

Unexpected changes in regulatory requirements (including taxation), tariffs, customs, duties and other trade barriers, longer payment cycles, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, seasonal reductions in business activity and potentially adverse tax consequences may all affect a company seeking to do business on an international level.

As the Company's business partners and customers will be primarily outside Australia, the Company faces all of the above risks, any of which could adversely impact on the success of the Company's present and future proposed international operations.

Other

Other risk factors that apply generally in the conduct of a business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise), loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may all interfere with the Company's business and adversely affect its performance.

## Section 7

# Risks continued

### 7.3 Investment risk factors

Investment risk factors	Risk
General economic and financial market conditions	<p>General economic conditions (both domestically and internationally), including long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may adversely impact the Company's business and the price of Shares. A prolonged downturn in general economic conditions may impact the demand for the Company's products or make it difficult to win or renew contracts. Economic conditions in Australia and international jurisdictions may also encourage increased competition. These factors may in turn have a material adverse effect on the financial and operational performance of the Company.</p> <p>The Company's ability to access capital markets to obtain funding on acceptable terms will be dependent on prevailing economic and market conditions.</p>
Price of Shares	<p>There are risks associated with investments in a company listed on the ASX. The market price for the Shares may be volatile and subject to fluctuations in response to numerous factors, many of which are beyond the control of the Company, including the following:</p> <ul style="list-style-type: none"><li>• actual or anticipated fluctuations in the Company's results and recommendations by securities research analysts;</li><li>• general operational and business risks, including significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;</li><li>• general economic conditions, including interest rates, inflation rates, exchange rates and commodity prices;</li><li>• changes in the economic performance or market valuations of other medical and defence equipment businesses or other companies that investors deem comparable to the Company;</li><li>• fluctuations in the domestic and international market for listed securities;</li><li>• changes to government policy, legislation or regulation;</li><li>• inclusion in or removal from market indices;</li><li>• the nature of markets in which the Company operates;</li><li>• general and operational business risks;</li><li>• natural disasters;</li><li>• access to debt and capital markets; and</li><li>• global hostilities, tensions and acts of terrorism.</li></ul> <p>Financial markets have at times experienced significant price and volume fluctuations that have particularly affected the market price of equity securities of companies, and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, there is no assurance that the price of the Shares will increase following their quotation on the ASX, irrespective of the Company's performance.</p> <p>Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be permanent, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur and that the Company's operations will not be adversely impacted, or that the trading price of the Shares will not be adversely affected.</p>

## Investment risk factors

## Risk

Trading in Shares may not be liquid	<p>Prior to the Offer, there has been no public market for the Shares. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.</p> <p>The Existing Shareholders will not sell any of their Existing Shares in the Offer.</p> <p>The Company expects that the Shares held by Xintek post Completion of the Offer will be subject to a voluntary escrow arrangement as set out in Section 11.6. Subject to Xintek entering into that voluntary escrow arrange and in addition factors including the period of time which the Lead Manager determines that any such escrow should remain in effect, this may impact on the liquidity of the trading in the Shares.</p> <p>At Completion of the Offer, the Existing Shareholders will hold approximately 66.4% to 72.6% of the total issued share capital of the Company (based on the Maximum Subscription and Minimum Subscription respectively).</p> <p>Escrow arrangements applying to the Existing Shareholders are set out in Section 11.6, which also includes information regarding certain exceptions to those restrictions. The absence of any sale of escrowed Shares during their Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.</p> <p>Following the end of the relevant Escrow Period, a significant sale of Shares by the existing Shareholders, or the perception that such a sale might occur, could adversely affect the market price of the Shares.</p>
Shareholder dilution	<p>In the future, the Company may elect to issue Shares or engage in capital raisings to fund the development of products, for working capital purposes or for other opportunities that the Company may decide to pursue. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.</p>
Force majeure events	<p>Events may occur within or outside Australia that could impact upon the Australian economy, the operations of the Company and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's products and its ability to conduct business.</p>
Australian Accounting Standards	<p>AAS are set by the AASB and are outside the control of the Company and its Directors. The AASB is due to introduce new or refined AAS during the period from 2015 to 2018, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.</p> <p>There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could have an adverse impact on the financial performance and position reported in the Company's consolidated financial statements.</p>
No guarantee in respect of investment	<p>The risk factors set out in this Section and in the Prospectus generally should not be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The expressly specified factors, and others not specifically referred to above, may materially affect the financial performance of the Company and the value of the Shares. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.</p> <p>None of the Directors or any other person guarantees the market performance of the Shares or the payment of dividends.</p>

## Section 8

# Interests and benefits

### 8.1 Interests and benefits

This Section 8.1 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the issue or sale of Shares or financial services licensee involved in the issue or sale of Shares under this Prospectus,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer;

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

#### (a) Interests of advisers and others

The Company has engaged the following professional advisers:

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**Lodge Corporate Pty Ltd** has acted as Lead Manager to the Offer (Lodge Corporate Pty Ltd ABN 50 125 323 168 is a Corporate Authorised Representative (AR 316212) of Lodge Partners Pty Ltd ABN 25 053 432 769 AFSL 246271). The Company has paid, or agreed to pay, the Lead Manager the fees described in Section 11.5.

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**Minter Ellison** has acted as the Australian legal adviser (other than in relation to taxation and patent matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$250,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges.

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**Grant Thornton Corporate Finance Pty Ltd** has acted as the Investigating Accountant and has prepared the Investigating Accountant's Reports in Sections 10. The Company has paid, or agreed to pay, approximately \$23,000 (excluding disbursements and GST) for this service until the Prospectus Date. For further details on fees the Company has paid, or agreed to pay, refer to the financial services guide attached to the Investigating Accountant's Reports. Further amounts may be paid to Grant Thornton Corporate Finance Pty Ltd in accordance with its normal time-based charges.

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**Grant Thornton Audit Pty Ltd** has undertaken financial, accounting and tax due diligence in relation to the Offer. The Company has paid, or agreed to pay, approximately \$35,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Grant Thornton Audit Pty Ltd in accordance with its normal time-based charges.

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**Grant Thornton Australia Limited** has provided certain tax advice in relation to the Offer. The Company has paid, or agreed to pay, approximately \$10,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Grant Thornton Australia Limited in accordance with its normal time-based charges.

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**Davies Collison Cave Patent Attorneys** has acted as the patent attorneys for the Company and has prepared the IP Report in Section 12. The Company has paid, or agreed to pay, approximately \$30,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Davies Collison Cave Patent Attorneys in accordance with its normal time-based charges.

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Other than as otherwise stated, to the extent that these amounts, and other expenses of the Offer, are payable by the Company, they will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 9.1.

## (b) Managing Director, Executive Director and key Management interests and remuneration

The following persons are the current key senior employees of Micro-X. The key terms and conditions of their employment are as follows:

Name	Position	Contract commencement date	Key employment terms
Peter Rowland	Managing Director	Current contract commenced on 1 September 2014	<p><b>Cash and non-cash benefits</b></p> <p>Mr Rowland's per annum salary is currently \$156,000. Following the IPO date, Mr Rowland's salary will be \$250,000 per annum (to be reviewed in June 2016).</p> <p>Mr Rowland is entitled to an incentive payment of:</p> <ul style="list-style-type: none"><li>• \$25,000 upon the occurrence of the IPO; and</li><li>• either 25% of the salary where all KPIs set by the Company are achieved, or a relative percentage of the salary where one or more but not all KPIs are achieved.</li></ul> <p>Mr Rowland is also entitled to be issued Options. Mr Rowland will be issued with that number of Options equal to 1.75% of the Shares in the capital of Micro-X as at the date on which the Shares are either or both allotted or transferred under a prospectus (or other relevant offer document) lodged with ASIC in relation to an initial public offering of Shares and the admission of the Company to the Official List. Mr Rowland's Options will expire on 31 December 2019 and vest in three separate tranches. Subject to Mr Rowland applying under the Award Offer, it is proposed that these Options be issued to Mr Rowland under the Award Offer as Award Options.</p> <p><b>Notice period for termination</b></p> <p>Micro-X or Mr Rowland may terminate the employment contract at any time provided that either party gives notice as follows:</p> <ul style="list-style-type: none"><li>• on or before 1 September 2016 – 3 months' notice;</li><li>• on or before 1 September 2017 – 4 months' notice;</li><li>• on or before 1 September 2018 – 5 months' notice; and</li><li>• on or before 1 September 2019 – 6 months' notice.</li></ul> <p><b>Post-employment restraints</b></p> <p>Following termination, Mr Rowland will be restrained from:</p> <ul style="list-style-type: none"><li>• engaging in any prohibited business (meaning any business that is engaged in the development and/or sale of X-ray related products that utilise carbon nanotubes as the source);</li><li>• interfering with the relationship between the Company and its customers, employees or suppliers; or</li><li>• inducing or assisting in the inducement of any employee of the Company to leave that employment,</li></ul> <p>for a period of 24 months from the date of termination.</p>

## Section 8

# Interests and benefits continued

Name	Position	Contract commencement date	Key employment terms
Richard Hannebery (part-time)	Executive Director	Current contract commenced on 1 September 2014	<p><b>Cash and non-cash benefits</b></p> <p>Mr Hannebery's per annum salary is currently \$62,500. Following the IPO date, Mr Hannebery's salary will be \$125,000 per annum (to be reviewed in June 2016).</p> <p>Mr Hannebery is entitled to an incentive payment (upon the annual December review) of either:</p> <ul style="list-style-type: none"> <li>• 25% of the salary if all KPIs set by the Company are achieved; or</li> <li>• a percentage of the salary where one or more but not all KPIs are achieved.</li> </ul> <p>Mr Hannebery is also entitled to be issued with Options. Mr Hannebery will be issued with that number of Options equal to 1.75% of the Shares in the capital of Micro-X as at the date on which the Shares are either or both allotted or transferred under a prospectus (or other relevant offer document) lodged with ASIC in relation to an initial public offering of Shares and the admission of the Company to the Official List. Mr Hannebery's Options will expire on 31 December 2019 and vest in three separate tranches. Subject to Mr Hannebery applying under the Award Offer, it is proposed that these Options be issued to Mr Hannebery under the Award Offer as Award Options.</p> <p><b>Notice period for termination</b></p> <p>Micro-X or Mr Hannebery may terminate the employment contract at any time provided that either party gives notice as follows:</p> <ul style="list-style-type: none"> <li>• on or before 1 September 2016 – 3 months' notice;</li> <li>• on or before 1 September 2017 – 4 months' notice;</li> <li>• on or before 1 September 2018 – 5 months' notice; and</li> <li>• on or before 1 September 2019 – 6 months' notice.</li> </ul> <p><b>Post-employment restraints</b></p> <p>Following termination, Mr Hannebery will be restrained from:</p> <ul style="list-style-type: none"> <li>• engaging in any prohibited business (meaning any business that is engaged in the development and/or sale of X-ray related products that utilise carbon nanotubes as the source);</li> <li>• interfering with the relationship between the Company and its customers, employees or suppliers; or</li> <li>• inducing or assisting in the inducement of any employee of the Company to leave that employment,</li> </ul> <p>for a period of 24 months from the date of termination.</p>

Name	Position	Contract commencement date	Key employment terms
Adam Williams	Production Manager	Current contract commenced on 1 September 2015	<p><b>Cash and non-cash benefits</b></p> <p>Mr Williams' per annum salary is currently \$130,000 (to be reviewed in June 2016).</p> <p>Mr Williams is entitled to receive an incentive payment (during the month following a salary review) of either:</p> <ul style="list-style-type: none"> <li>• 10% of the salary if all KPIs are achieved; or</li> <li>• a percentage of the salary where one or more but not all KPIs set by the Company are achieved.</li> </ul> <p>Micro-X may make a discretionary grant of Options to Mr Williams. Subject to Mr Williams applying under the Award Offer, it is proposed that a discretionary grant of Options, in the form of the relevant Award Options detailed in Section 13 be issued to Mr Williams under the Award Offer as Award Options.</p> <p><b>Notice period for termination</b></p> <p>Micro-X or Mr Williams may terminate the employment contract at any time provided that either party gives notice as follows:</p> <ul style="list-style-type: none"> <li>• on or before 7 September 2017 – 1 months' notice; and</li> <li>• on or before 7 September 2019 – 2 months' notice.</li> </ul> <p><b>Post-employment restraints</b></p> <p>Following termination, Mr Williams will be restrained from:</p> <ul style="list-style-type: none"> <li>• engaging in any prohibited business (meaning any business that is engaged in the development and/or sale of X-ray related products that utilise carbon nanotubes as the source);</li> <li>• interfering with the relationship between the Company and its customers, employees or suppliers; or</li> <li>• inducing or assisting in the inducement of any employee of the Company to leave that employment,</li> </ul> <p>for a period of six months following the date of termination (in cases where termination occurs before 1 September 2018).</p>

## Section 8

# Interests and benefits continued

Name	Position	Contract commencement date	Key employment terms
Alexander Blackburn	Quality and Supply Chain Manager	Current contract commenced on 1 September 2015	<p><b>Cash and non-cash benefits</b></p> <p>Mr Blackburn's per annum salary is currently \$120,000 (to be reviewed in June 2016).</p> <p>Mr Blackburn is entitled to an incentive payment (during the month following a salary review) of either:</p> <ul style="list-style-type: none"> <li>• 10% of the salary if all KPIs set by the Company are achieved; or</li> <li>• a percentage of the salary if one or more but not all KPIs are achieved.</li> </ul> <p>Micro-X may make a discretionary grant of Options. Subject to Mr Blackburn applying under the Award Offer, it is proposed that a discretionary grant of Options, in the form of the relevant Award Options detailed in Section 13 be issued to Mr Blackburn under the Award Offer as Award Options.</p> <p><b>Notice period for termination</b></p> <p>Micro-X or Mr Blackburn may terminate the employment contract at any time provided that either party gives notice as follows:</p> <ul style="list-style-type: none"> <li>• on or before 5 October 2017 – 1 months' notice;</li> <li>• on or before 5 October 2019 – 2 months' notice.</li> </ul> <p><b>Post-employment restraints</b></p> <p>Following termination, Mr Blackburn will be restrained from:</p> <ul style="list-style-type: none"> <li>• engaging in any prohibited business (meaning any business that is engaged in the development and/or sale of X-ray related products that utilise carbon nanotubes as the source);</li> <li>• inducing or assisting in the inducement of any employee of the Company to leave that employment,</li> <li>• interfering with the relationship between the Company and its customers, employees or suppliers; or</li> </ul> <p>for a period of six months following the date of termination (in cases where termination occurs before 1 September 2018).</p>

### (c) Non-Executive Director remuneration

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than executive Directors) may be paid or remunerated for their services a total amount or value not exceeding \$300,000 per annum or such other maximum amount fixed by the Company in general meeting. Annual Directors' fees currently agreed to be paid by the Company are \$60,000 to the Chairman Patrick O'Brien and \$40,000 to each of the other independent Non-Executive Directors.

Subject to:

- Mr O'Brien;
- Mr Gosling; and
- Mr Symons,

applying under the Award Offer, it is proposed that a discretionary grant of Options, in the form of the relevant Award Options detailed in Section 13 in respect of that Applicant, be issued to them under the Award Offer as Award Options.

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue. All Directors' fees are inclusive of statutory superannuation.

### (d) Other interests and benefits

Mr Hannebery is engaged by the Lead Manager as a consultant. Mr Hannebery has previously been paid fees by the Lead Manager in relation to advising the Company, including on its previous capital raisings, for an amount totalling \$283,500 (paid in a combination of cash and Series B Converting Preferred Shares). Mr Hannebery is also eligible to receive, from the Lead Manager, fees in relation to the Offer. The amount which Mr Hannebery will receive in relation to the Offer is dependent on a number of factors, including the quantum that the Lead Manager pays to the Brokers. The amount which Mr Hannebery may receive, as part of this fee, will be no greater than \$447,500.

Mr Hannebery has previously been the beneficiary of fees and interest totalling \$59,440, which was paid to an Existing Shareholder in consideration for arranging a convertible loan facility (which is no longer in existence) for the Company.

Mr O'Brien has previously assisted the Lead Manager in relation to two of the Company's previous capital raisings and received remuneration totalling \$178,000 (paid in a combination of cash and Series B Converting Preferred Share in the Company) for his services. Mr O'Brien is not eligible to receive any fees from the Lead Manager or the Company in relation to the Offer.

Mr O'Brien may be entitled to receive a fee from parties on whose behalf he invested in the Company under earlier capital raisings. Any such fee will be calculated in accordance with the terms of an agreement between Mr O'Brien and those parties, and will be dependent upon the extent to which the rate of return achieved by those parties under those capital raisings exceeds an agreed threshold. This fee will be no greater than \$420,000 in aggregate.

### (e) Deeds of indemnity, access and insurance for Directors

The Company has entered into deeds of indemnity, access and insurance with each Director and the company secretary of Micro-X which contain rights of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of indemnity, access and insurance, operates from the date of appointment as a Director or officer of the Company until the seventh anniversary of that Director or officer's retirement date. Subject to the terms of a Director or officer's liability insurance policy, the Company indemnifies each Director and officer against all liabilities incurred by that Director or officer in or arising out of the discharge of that Director or officer's duties (as a director or officer of the Company) and any and all reasonable legal costs which relate to any such liability, in each case to the maximum extent permitted by law (including certain statutory restrictions), the Constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy. If a Director or officer of the Company is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. Under the terms of the deed, the Company will not indemnify a Director or officer of the Company in circumstances where to do so would involve the Company or any of its subsidiaries being in breach of any law.

Under the Constitution, the Company may arrange and maintain Directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director or officer, maintain or procure the maintenance of insurance for the Director or officer's period of office and for a period of seven years after the Director or officer ceases to hold office.

The deed allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.

### (f) Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. However, the Shareholdings (and their holding of Award Options, assuming each of them applies for the maximum number of Award Options allocated to them under the Award Offer) of all Directors on Completion of the Offer is expected to be as follows:

Directors	Number of Shares held directly or indirectly on Completion of the Offer	Number of Award Options held following Completion of the Offer
Peter Rowland	12,350,000	1,914,670 (at Minimum Subscription) and 2,089,670 (at Maximum Subscription), as detailed in Section 8.1
Richard Hannebery	3,512,400	1,914,670 (at Minimum Subscription) and 2,089,670 (at Maximum Subscription), as detailed in Section 8.1
Patrick O'Brien	3,369,064	600,000
Alexander Gosling	Nil	400,000
David Symons	1,907,600	400,000

## 8.2 Corporate governance

This Section 8.2 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and greater value for Shareholders, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Company's code of conduct outlines how the Company expects Directors and other personnel to behave and conduct business in a range of circumstances. In particular, the code specifies standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors, Management and employees and requires awareness of, and compliance with, laws and regulations relevant to the Company's operations as well as other policies that Directors and employees are required to comply with, including occupational health and safety, privacy and fair dealing and conflict of interest. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available at [www.Micro-X.com](http://www.Micro-X.com).

## Section 8

# Interests and benefits continued

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The third edition of the ASX Recommendations takes effect for a listed entity's first full financial year commencing on or after 1 July 2014. The ASX Recommendations are not prescriptive, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Board does not expect that it will depart from the ASX Recommendations. However, it may do so in the future if it considers that such departure would be reasonable.

### (a) Board of Directors

The Board of Directors comprises three independent Non-Executive Directors (including the Chairman), the executive Director of Corporate Development and the Managing Director.

Detailed biographies of the Board members are provided in Section 5.1.

The Board considers an Independent Director to be a Non-Executive Director who is not a member of the Company's Management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines and thresholds of materiality for the purpose of determining the independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Patrick O'Brien, David Symons and Alexander Gosling is an Independent Director for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Having regard to the definition and indications of independence in the ASX Recommendations, neither Peter Rowland, the Managing Director of the Company, nor Richard Hannebery, Executive Director of Corporate Development of the Company, is considered to be an Independent Director.

Accordingly, the Board will consist of 60% Independent Directors, with the Chairman being an Independent Director and having a casting vote in addition to his deliberative vote. Regardless, the Board considers that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

### (b) Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established the Audit and Risk Committee and the Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

#### Audit and Risk Committee

Currently, all 3 Non-Executive Directors are members of this committee. Patrick O'Brien is Chairman of this committee.

The primary role of this committee is to assist the Board in discharging its financial responsibility in relation to risk management. The objective of the Audit and Risk Committee include, among other things:

- promoting a culture of compliance;
- providing a forum for communication between the Board and the Group's management in relation to audit and compliance matters affecting the Group; and
- reviewing and commenting on the Group management's plans for managing the material financial and reporting risks faced by the Group.

#### Nomination and Remuneration Committee

Currently, all 3 Non-Executive Directors are members of this committee. David Symons is Chairman of this committee.

The primary role of the Nomination and Remuneration Committee is to assist the Board to ensure that the Group:

- has coherent remuneration policies and practices to attract, motivate and retain executives and directors who will create value for shareholders and who are appropriately skilled and diverse;
- observes those remuneration policies and practices;
- fairly and responsibly rewards executives having regard to the Company's performance, individual performance, the performance of the executives and the general external pay environment; and
- integrates human capital and organisational issues into its overall business strategy.

### (c) Governance policies

Policy	Comments
Diversity policy	<p>The Company has not followed ASX Recommendation 1.5 and has not adopted a formal diversity policy. The Board supports the ASX Recommendations with respect to gender diversity and diversity more broadly, but considers that, given the size of the Company, the profile of the current Board and the limited number of employees, it is inappropriate at this present time to adopt a formal diversity policy. In the future, as the Company increases in activity and size, it will assess all staff and Board appointments on merit with consideration of diversity as an important element in the decision making. As a consequence, the Board is committed to establishing measurable objectives for achieving gender diversity (as well as broader forms of diversity to include matters of age, race, disability, religious or cultural background and sexual orientation) when the Company has grown to a point where it is appropriate to do so.</p>
Fraud and corruption policy	<p>The Company has adopted a fraud and corruption policy for the purposes of establishing policies, control and procedures for prevention and detection of fraudulent and corrupt activities.</p> <p>The policy requires all officers, employees (including Directors, executive and managers) and contractors at all times to act honestly and with integrity, and to safeguard the Company resources for which they are responsible. The policy establishes protocols for the investigation and reporting of suspected fraud or corrupt activity, and allocates areas of responsibility for fraud and corruption control to various people and teams within the Company, as appropriate.</p>
Shareholder communication policy	<p>The Company has adopted the shareholder communication policy to promote effective communication with Shareholders and encourage effective participation at general meetings of the Company. The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and to inform Shareholders of major developments affecting the state of affairs of the Company in accordance with all applicable laws.</p> <p>Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on the Company's website, <a href="http://www.Micro-X.com">www.Micro-X.com</a>.</p> <p>In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. Announcements made by the Company to the ASX are, subject to applicable securities laws, available to shareholders:</p> <ul style="list-style-type: none"><li>(a) on the 'Investor Relations' section of the Company's website;</li><li>(b) under the 'Company Announcements' section of the ASX website; and</li><li>(c) by email notification (when shareholders provide the Company with their email address and elect to be notified of all the Company's ASX announcements).</li></ul>
Continuous disclosure policy	<p>Once Listed, the Company will be required to comply with the requirements of the ASX Listing Rules and the Corporations Act. Subject to the exception contained in the ASX Listing Rules, the Company will be required to disclose to the ASX 'price-sensitive information' to the market. Price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of a Company's Securities. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.</p> <p>The Company has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and the Group's Management are aware of and fulfilling their obligations in relation to the timely disclosure of material price-sensitive information.</p> <p>Under the disclosure policy, the Board or the Disclosure Committee will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website, <a href="http://www.Micro-X.com">www.Micro-X.com</a>.</p>
Remuneration policy	<p>The Company has adopted a remuneration policy to be adhered to by the Nomination and Remuneration Committee.</p> <p>The remuneration policy addresses remuneration packages for both executive Directors and the Group's Management and Non-Executive Directors, and provides that the Nomination and Remuneration Committee must develop recommendations to the Board regarding remuneration with regard to motivating the Directors and the Group's Management to pursue the Group's long-term growth and success, demonstrating a clear relationship between the Group's overall performance and the performance of individuals and compliance with all relevant legal and regulatory provisions.</p>

## Section 8

# Interests and benefits continued

Policy	Comments
Risk management policy	<p>The identification and proper management of the Company's risks are an important priority of the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.</p> <p>The Board is responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by Management. The active identification of risks and implementation of mitigation measures is also the responsibility of Management. To assist the Board in discharging these obligations, the Board has delegated certain functions to the Audit and Risk Committee. The responsibilities of the Audit and Risk Committee include overseeing the establishment and implementation of risk management and internal compliance and control systems and reviewing the Group's financial risk management procedures to ensure that it complies with its legal obligations, including assisting the Managing Director and the CFO to provide declarations required under section 295A of the Corporations Act.</p> <p>The Company has in place a system whereby the Group's Management must report at each Board meeting as to the extent to which the current risk management program effectively identifies all areas of potential risk, and adequate policies and procedures have been implemented to manage identified risks (among other issues).</p>
Securities Policy	<p>The Company has adopted a Securities trading policy which will apply to the Company and its Directors, officers, employees and the Group's Management, including those persons having authority and responsibility whether direct or not, for the planning, direction and control of the Company's activities. The policy is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish procedures in relation to dealings in Securities by Directors, the Group's Management or employees.</p> <p>The policy defines certain closed periods during which trading in Securities by the Company's Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly (and any associates of those people) is prohibited. The closed periods are currently defined as:</p> <ul style="list-style-type: none"><li>• the period commencing one month prior to the release of the Company's half-yearly results to ASX and ending 24 hours after such release;</li><li>• the period commencing one month prior to the release of the Company's full year results to ASX and ending 24 hours after such release;</li><li>• the period commencing two weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting; and</li><li>• any additional periods determined by the Board from time to time.</li></ul> <p>During closed periods, unless certain exceptions (set out in the policy) apply, Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, must receive clearance for any proposed dealing in Shares, which will only be provided in exceptional circumstances. In all instances, buying or selling of Securities is not permitted at any time by any person who possesses price-sensitive information.</p>

Policy	Comments
Board Charter	<p>The Board considers that strong and effective corporate governance can add to the Company's performance, create value for Shareholders, and engender investor confidence. To that end, the Board has adopted a written charter to provide a framework for the effective operation of the Board, the purpose of which is to:</p> <ul style="list-style-type: none"> <li>• promote high standards of corporate governance;</li> <li>• clarify the role and responsibilities of the Board; and</li> <li>• enable the Board to provide strategic guidance for the Group and effective oversight of the management of the Group.</li> </ul> <p>The Board's role is to, among other things:</p> <ul style="list-style-type: none"> <li>• oversee the Group, including providing leadership and setting its strategic objectives; oversee the nomination and appointment, and monitor the performance, of the Group's Management (and in particular, the Managing Director and the CFO);</li> <li>• approve succession plans for the Group's Management;</li> <li>• review performance, operations and compliance reports from the Managing Director and the CFO, including reports and updates on strategic issues and risk management matters;</li> <li>• approve and monitor systems of risk management, accountability, internal compliance and control, and legal compliance to ensure that appropriate compliance frameworks and controls are in place;</li> <li>• approve, and monitor the progress of, major capital expenditure, capital management and acquisitions and divestitures;</li> <li>• approve budgets; and</li> <li>• approve, and monitor corporate, financial position and other reporting systems including external audit and overseeing their integrity.</li> </ul> <p>Matters which are specifically reserved for the Board or its committees include:</p> <ul style="list-style-type: none"> <li>• appointment of the Chairman;</li> <li>• appointment and removal of the Managing Director;</li> <li>• appointment of Directors to fill a vacancy or as an additional Director;</li> <li>• establishment of Board committees, their membership and their delegated authorities;</li> <li>• approval of dividends;</li> <li>• review of corporate codes of conduct;</li> <li>• approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to the Group's Management;</li> <li>• calling of meetings of Directors or Shareholders; and</li> <li>• any other specific matters nominated by the Board from time to time.</li> </ul>
Code of Conduct for Directors	<p>The Code of Conduct for Directors addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. The purpose of the code is to:</p> <ul style="list-style-type: none"> <li>• articulate the high standards of honest integrity, ethical and law-abiding behaviour expected of Directors and other senior executives;</li> <li>• encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors);</li> <li>• guide Directors and other senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and</li> <li>• set out the responsibility and accountability of Directors and other senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.</li> </ul>

# Section 9

## Details of the Offer

### 9.1 The Offer

This Prospectus relates to an IPO of a minimum subscription of \$15 million, based on the issue of 30 million Shares by the Company. The total number of Shares on issue at Completion of the Offer is expected to be 109,409,725 and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent between approximately 27.4% (Minimum Subscription) to 33.5% (Maximum Subscription) of the Shares on issue on Completion of the Offer.

The Offer is expected to raise between \$15 million (Minimum Subscription) to \$20 million (Maximum Subscription).

Successful Applicants under the Share Offer will pay the Offer Price, being \$0.50 per Share. Shares issued to Applicants may trade significantly below the Offer Price when the Shares are quoted on the Official List.

The Offer also includes the Award Offer, which is an offer to the Eligible Award Participants to apply for, in aggregate, up to 10,329,340 Award Options. The Award Offer is detailed in Section 13.

#### (a) Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, consisting of an invitation by Brokers to investors in Australia and to New Zealand Investors to acquire Shares under this Prospectus;
- the General Priority Offer, which is only open to investors in Australia or to New Zealand Investors nominated by the Company;
- the Institutional Offer, which consists of an offer to Institutional Investors in Australia and Hong Kong, and to New Zealand Investors, made under this Prospectus or the Institutional Offering Memorandum, as applicable; and
- the Award Offer, which is made solely to the Eligible Award Participants.

No general offer to investors will be made under the Offer. The allocation of Shares between the Broker Firm Offer, General Priority Offer and the Institutional Offer will be determined by the Lead Manager, in consultation with the Company, having regard to the allocation policy outlined in Sections 9.3, 9.4 and 9.5.

Details of each component of the Offer and their respective allocation policies are described in Sections 9.3, 9.4 and 9.5.

#### (b) The Offer is conditional

Completion of the Offer is subject to a number of conditions, including:

- Minimum Subscriptions being received before the Closing Date; and
- the ASX approving Micro-X's application for admission to the Official List within three months after such application is made (or any longer period permitted by law).

In addition, and without limiting the above and to the extent permitted by law, Micro-X reserves the right not to proceed with the Offer at any time before the Completion of the Offer.

If the Offer does not proceed for any reason, all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

#### (c) Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- fund the development of the MBI and the Ruggedised Nano;
- fund the fit out of the Company's development and assembly facility in Tonsley, South Australia;
- achieve a listing of the Company on the ASX to broaden the Shareholder base and provide a liquid market for the Shares; and
- improve the Company's future access to capital markets.

The proceeds of the Offer will be applied to:

- making a substantial follow-on investment in XinRay;<sup>8</sup>
- tooling and other production ramp up;
- provision of working capital to the Company; and
- payment of the costs associated with the Offer.

The use of proceeds table on page 6 of this Prospectus additional information regarding the proposed use of funds, include a breakdown of how funds will be applied and the use of funds assuming Minimum Subscription and Maximum Subscription.

#### (d) Pro forma consolidated historical statement of financial position

Micro-X's pro forma consolidated historical statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 6.

#### (e) Capitalisation

Micro-X's capitalisation following Completion of the Offer and upon Listing is set out on page 6.

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8. The additional investment in XinRay is subject to the Company raising a minimum of \$18 million under the Offer.

## (f) Capital structure

The details of the ownership of Shares and other securities, at the Prospectus Date and on Completion of the Offer, are set out below.

	Number pre-Offer	Number under Minimum Subscription	Award Options as % of Total Shares under Minimum Subscription	Number under Maximum Subscription	Award Options as % of Total Shares under Maximum Subscription
Shares held by Existing Holders	75,575,350	75,575,350	-	75,575,350	-
Indicative number of Shares to be issued pursuant to Xintek/XinRay Agreement	3,834,375	3,834,375	-	3,834,375	-
Shares to be issued under the Offers		30,000,000	-	40,000,000	-
Total Shares (excluding Award Options)	79,409,725	109,409,725	-	119,409,725	-
Award Options*		9,979,340	9.12%	10,329,340	8.65%
Total Shares (including Award Options)^	79,409,725	119,389,065	-	129,739,065	-

\* Award Options weighted average exercise price is \$0.6083. The exercise price of each of the Award Options is greater than the Offer Price.

^ This includes Shares issued upon exercise of Award Option. The terms of the Award Options are detailed in Section 13. Investors should be aware that not all of the Award Options vest on Completion of the Offer.

## (g) Control implications of the Offer

The Directors do not expect any Shareholder to control (as defined in section 50AA of the Corporations Act) Micro-X on Completion of the Offer.

## (h) Potential effect of the fundraising on the future of Micro-X

The Directors believe that on Completion of the Offer, the Company's cash reserves plus the cash proceeds of the Offer will be sufficient to fund the Company's stated business objectives.

## Section 9

# Details of the Offer continued

### 9.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	<p>Shares (being fully paid ordinary shares in Micro-X) are being offered under the Share Offer.</p> <p>Award Options (being Options as detailed in Section 13) are being offered under the Award Offer.</p>
What are the rights and liabilities attached to the security being offered?	<p>A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.8(c).</p> <p>A description of the Award Options, including the rights and liabilities attaching to them, is set out in Section 13.</p>
What is the consideration payable for each security being offered?	<p>The Offer Price is \$0.50 per Share.</p> <p>Successful Applicants under the Share Offer will pay the same Offer Price.</p> <p>No amount is payable by the Eligible Award Participants for the issue of Award Options.</p>
Application Monies	<p>Applications Monies must be paid in accordance with any instructions set out in the relevant Application Form.</p> <p>No Application Monies are payable in respect of the Award Offer and Award Options.</p> <p>Application Monies must be in Australian dollars.</p> <p>The Broker Firm Offer and the Institutional Offer will be settled via 'delivery versus payment'. Applicants under these offers should ensure that sufficient funds are held in the relevant account(s) to cover payment of Application Monies.</p> <p>Applicants under the General Priority Offer are required to deposit their Application Monies directly into the segregated account of the Lead Manager. Applicants under the General Priority Offer should ensure that cleared funds are available in the Lead Manager's segregated account by the Closing Date.</p> <p>Details of the Lead Manager's segregated account are:</p> <p>Lodge Partners Segregated Account National Australia Bank BSB: 083 004 Account Number: 243 221 334 (If overseas transfer) Swift Code: NATAAU3303M</p> <p>Cheque(s) or bank draft(s) must be drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the direction of the Broker from whom the Applicant receives a firm allocation (under the Broker Firm Offer) or in accordance with the instructions in the Application Form (for the General Priority Offer and the Institutional Offer).</p> <p>Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of the cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specific on your Application Form, you may be taken to have applied for such lower dollar amount of Shares as your cleared Application Monies will pay for (and to have specified that amount on your Application Form) or your Application may be rejected, by the Company in its absolute discretion.</p>

Topic	Summary
What is the Offer period?	<p>The Offer opens at 9:00am (Melbourne time) on 3 December 2015.</p> <p>The Offer closes at 5:00pm (Melbourne time) on 9 December 2015.</p> <p>The key dates are set out on page 6. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time.</p> <p>The Lead Manager, in consultation with the Company, reserves the right to vary the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or any Applicant). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</p> <p>Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p>
What are the cash proceeds to be raised?	<p>\$15 million based upon the Minimum Subscription and up to \$20 million based upon the Maximum Subscription is expected to be raised under the Offer.</p>
Is the Offer underwritten?	<p>No.</p>
What is the minimum and maximum Application size under the Share Offer?	<p>Applications under the Share Offer for Applicants who are not residents of Hong Kong must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</p> <p>Subject to the above:</p> <ul style="list-style-type: none"> <li>the minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker; and</li> <li>the Lead Manager, in conjunction with the Company, reserves the right to set the minimum Application amounts under the General Priority Offer.</li> </ul> <p>The minimum Application for Institutional Offer for Applicants who are residents of Hong Kong is 500,000 Hong Kong dollars. The Lead Manager, in conjunction with the Company, reserves the right to set the minimum Application amounts under the Institutional Offer at an amount greater than 500,000 Hong Kong dollars.</p> <p>There is no maximum value of Shares that may be applied for under the Share Offer. However, the maximum size of the General Priority Offer is as to be agreed between the Company and the Lead Manager. The Lead Manager, in consultation with the Company, reserves the right to scale back Applicants under the General Priority Offer and the Institutional Offer in their absolute discretion.</p> <p>The Lead Manager, in conjunction with the Company, also reserves the right to aggregate any Applications that it believes may be multiple Applications from the same person.</p>
What is the allocation policy?	<p>The allocation of Shares between, and under each of the Broker Firm Offer, General Priority Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company, having regard to the allocation policy set out in Sections 9.3, 9.4 and 9.5.</p> <p>The Lead Manager, in consultation with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.</p> <p>The allocation of the Award Options has been determined by the Company and is set out in Section 13.</p>

## Section 9

# Details of the Offer continued

Topic	Summary
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be despatched by standard post on or about 16 December 2015.</p> <p>Refunds to Applicants for Shares who make an Application and paid their Application Monies, but are scaled back, will be made as soon as possible post the issue of the Shares, which is expected to occur on or about 14 December 2015.</p>
Will the Shares be quoted?	<p>The Company will apply to the ASX within 7 days after the date of this Prospectus for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code MX1).</p> <p>Completion of the Offer is conditional on, among other things, the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
Will the Award Options be quoted?	No.
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on or about 22 December 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry, the Lead Manager and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Micro-X Offer Information Line or confirmed your firm allocation through a Broker.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 11.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	No.
Are there any tax considerations?	<p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 11.11.</p> <p>The tax consequences of any investment in Shares and Award Options will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares or Award Options under the Offer.
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Micro-X Offer Information Line on 1300 386 019 (toll free within Australia) or +61 3 9415 4387 (outside Australia) from 8:30am until 5:30pm (Melbourne time), Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

## 9.3 Broker Firm Offer

Topic	Summary
Who may apply	<p>The Broker Firm Offer is open to persons who have received an invitation to participate from their Broker and who have a registered address in Australia or New Zealand.</p> <p>An invitation may only be sent to persons in New Zealand who are New Zealand Investors.</p> <p>Investors who are offered a firm allocation of Shares by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.</p> <p>You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.</p>
How to apply	<p>If you have received an invitation to participate from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions.</p> <p>If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.</p> <p>Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.</p> <p>Applicants under the Broker Firm Offer should contact their Broker or the Micro-X Offer Information Line on 1300 386 019 (toll free within Australia) or +61 3 9415 4387 (outside Australia) from 8:30am until 5:30pm (Melbourne time), Monday to Friday to request a Prospectus and Application Form, or download a copy at <a href="http://www.Micro-X.com">www.Micro-X.com</a>. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Melbourne time) on the Closing Date or any earlier closing date as determined by your Broker.</p> <p>By making an Application, you declare that you were given access to the Prospectus, together with an Application Form, which may be downloaded in its entirety from <a href="http://www.Micro-X.com">www.Micro-X.com</a>. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.</p> <p>The Company, the Share Registry, the Lead Manager and the Existing Shareholders take no responsibility for any acts or omissions committed by your Broker in connection with your Application.</p> <p>The Broker Firm Offer opens at 9:00am (Melbourne time) on 3 December 2015 and is expected to close at 5:00pm (Melbourne time) on 9 December 2015. The Lead Manager, in consultation with the Company, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible.</p>
How to pay	<p>Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.</p>

## Section 9

# Details of the Offer continued

Topic	Summary
Application acceptances and Application Monies	<p>An Application under the Broker Firm Offer is an offer by the Applicant to the Company to apply for Shares in the Australian dollar amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> <p>An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on the ASX.</p> <p>The Lead Manager, in consultation with the Company, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.</p> <p>Successful Applicants under the Broker Firm Offer will be issued Shares at the Offer Price and will receive the number of Shares equal to the value of their Application accepted by Micro-X divided by the Offer Price.</p> <p>The Company, the Share Registry, the Lead Manager and the Existing Shareholders will exclusively determine whether an Applicant receives an issue of Shares.</p>
Allocation policy in the Broker Firm Offer	<p>The allocation of firm Shares to Brokers will be determined by the Lead Manager, in consultation with the Company. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.</p>

### 9.4 General Priority Offer

Topic	Summary
General Priority Offer	<p>The General Priority Offer is only open to investors in Australia or New Zealand nominated by the Company. General Priority Offer investors will receive a personalised invitation to apply for Shares under the General Priority Offer.</p> <p>Applicants under the General Priority Offer may apply for an amount up to the amount stated on their personalised invitation. Any amount tendered in excess of this may be refunded in full (without interest) or accepted in full or in part, with amounts not accepted refunded (without interest).</p> <p>General Priority Offer applicants must apply in accordance with the instructions on their personalised Application Form.</p> <p>Applications under the General Priority Offer for an amount less than the amount stated on the Applicant's personalised invitation must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 of Shares thereafter.</p> <p>General Priority Offer applicants are guaranteed an allocation of Shares in the amount specified in their personalised invitation or such lesser amount validly applied for (rounded down to the nearest whole Share).</p>
Allocation policy under General Priority Offer	<p>The allocation of Shares under the General Priority Offer will be determined by the Lead Manager, in consultation with the Company and taking into consideration the guaranteed minimum allocation of \$2,000 worth of Shares per nominated investor, as the case may be.</p> <p>The Lead Manager, in consultation with the Company, will have absolute discretion regarding the basis of allocation of Shares and there is no assurance that a nominated investor will receive any number of Shares applied for under General Priority Offer. There is no maximum value of Shares that may be applied for under the General Priority Offer. The maximum size of the General Priority Offer is as to be agreed between the Company and the Lead Manager.</p> <p>The Company will confirm the number of Shares to be issued to nominated investors who have made an Application under the General Priority Offer by 14 December 2015.</p>

## 9.5 Institutional Offer

Topic	Summary
Institutional Offer	<p>The Company may invite certain eligible Institutional Investors to apply for Shares under the Institutional Offer. The Institutional Offer will comprise those invitations made to eligible Institutional Investors.</p> <p>The Institutional Offer will be managed by the Lead Manager. Full details of how to participate, will be provided to the relevant eligible Institutional Investors by the Lead Manager.</p> <p>Applicants under the Institutional Offer must apply in accordance with the details provided to them by the Lead Manager.</p> <p>Applicants under the Institutional Offer may apply for any maximum amount of Shares.</p> <p>Applications under the Institutional Offer from eligible Institutional Investors who are residents of Australia or New Zealand must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 of Shares thereafter. The minimum Application under the Institutional Offer for eligible Institutional Investors who are residents of Hong Kong is 500,000 Hong Kong dollars. The Lead Manager, in conjunction with the Company, reserves the right to increase the minimum Application amount under the Institutional Offer.</p>
Allocation policy under the Institutional Offer	<p>The allocation of Shares among Applicants under the Institutional Offer will be determined by the Lead Manager in consultation with the Company. The Lead Manager, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.</p> <p>The allocation policy will also be influenced by, but not constrained by, the following factors:</p> <ul style="list-style-type: none"><li>• the Shares applied for under the Broker Firm Offer and the General Priority Offer;</li><li>• the number of Shares applied for that particular Institutional Investor; and</li><li>• any other factors that the Lead Manager, in consultation with the Company, consider appropriate, in their sole discretion.</li></ul> <p>The Lead Manager, in consultation with the Company, have absolute discretion regarding the allocation of Shares to Applicants under the Institutional Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.</p>

## 9.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States.

Each Applicant in the Broker Firm Offer and General Priority Offer and each person in Australia and other selected jurisdictions other than the United States to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Each Applicant under the Institutional Offer will also be required to make certain representations, warranties and covenants set out in the confirmation letter distributed to it.

## Section 9

# Details of the Offer continued

### 9.7 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Lead Manager, in consultation with the Company, also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than applied for.

### 9.8 ASX listing and registers and holding statements

#### (a) Application to the ASX for listing of Micro-X and quotation of Shares

The Company will apply to the ASX within 7 days after the date of this Prospectus for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code MX1).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Micro-X to the Official List is not to be taken as an indication of the merits of Micro-X or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after such application is made (or any later date permitted by law), all Application Monies received by Micro-X will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Micro-X from time to time), the Company will be required to comply with the ASX Listing Rules.

#### (b) CHESS and issuer sponsored holdings

Micro-X will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in Shares quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Micro-X and the Share Registry may charge a fee for these additional issuer sponsored statements.

### (c) Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of shareholders. The summary assumes that the Company is admitted to the Official List.

#### Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid share held by the Shareholder.

#### Meetings of members

Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days' notice required by the Corporations Act (which at the date of this Prospectus is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.

#### Dividends

The Board may by resolution either:

- declare a dividend and fix the amount, the time for and method of payment; or
- determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 11.3.

#### Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Listing Rules or the ASX Settlement Operating Rules. Subject to compliance with the ASX Listing Rules, the ASX Settlement Operating Rules and the Constitution, Shares may be transferred by a written instrument of transfer in any usual or common form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares in any of the circumstances permitted by the ASX Listing Rules. The Board must refuse to register a transfer of Shares when required to do so by the ASX Listing Rules.

### Issue of further Shares

Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Directors may issue and allot, or dispose of, Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to shareholders whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant options over unissued shares and issue and allot shares; with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus shares for whose issue no consideration is payable to the Company.

### Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders of the Company in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of shareholders, but the liquidator may not require a shareholder to accept any shares or other Securities in respect of which there is any liability.

### Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

### Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy shares in the Company on terms and at times determined by the Board.

### Variation of class rights

At Listing, the Company's only class of shares on issue will be Shares. The rights attached to any class of shares may be varied in accordance with the Corporations Act.

### Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum number of Directors is seven unless the shareholders of the Company pass a resolution varying that number. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

### Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the ASX Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

### Directors – remuneration

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is \$300,000, with the initial remuneration of the Directors set out in Section 8.1(b). Any change to that maximum aggregate sum needs to be approved by shareholders. Pursuant to the Constitution, Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

### Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a Director or company secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a Director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Company, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outlined in this paragraph. The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

### Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the votes cast by shareholders of the Company present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

## Section 10

# Investigating Accountant's Report on Historical Financial Information



Board of Directors  
Micro-X Limited  
1 Dalmore Drive  
SCORESBY VIC 3179

25 November 2015

Dear Directors,

### **INDEPENDENT LIMITED ASSURANCE REPORT ON THE HISTORICAL AND PRO FORMA FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE**

#### **Introduction**

We have prepared this Independent Limited Assurance Report at the request of the Directors of Micro-X Limited ("Micro-X") for inclusion in a Prospectus ("Prospectus") to be dated on or about 25 November 2015 to be issued by Micro-X, in respect of the planned initial public offering on the Australian Securities Exchange.

Expressions defined in the Prospectus have the same meaning in this report.

#### **Scope**

Grant Thornton Corporate Finance has been requested to prepare this report on the following financial information:

#### **Historical Financial Information**

The Historical Financial Information of Micro-X, as set out in **Section 6** of the Prospectus comprises the following:

- The consolidated statement of comprehensive income for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- The consolidated statement of cash flows for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- The consolidated statement of financial position as at 30 June 2015;

(hereafter, the 'Historical Financial Information').

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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E info.vic@au.gt.com  
W www.grantthornton.com.au



The Historical Financial Information has been extracted from the audited financial statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015, which were audited by Grant Thornton Audit Pty Ltd.

#### **Pro forma Financial Information**

The Pro forma Financial Information as set out in **Section 6** of the Prospectus comprises the pro forma consolidated statement of financial position as at 30 June 2015 assuming completion of the Offer and includes the Pro forma Adjustments (“Pro forma Adjustments”) as at that date as disclosed in **Section 6**,

(hereafter, the ‘Pro forma Financial Information’).

(the Historical Financial Information and Pro Forma Financial Information form the ‘Financial Information’).

The Financial Information has been prepared in accordance with the stated basis of preparation being the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies. The Financial Information is also presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

This report has been prepared for inclusion in the Prospectus. Grant Thornton Corporate Finance disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Prospectus.

#### **Directors Responsibility for the Historical and Pro Forma Financial Information**

The Directors have prepared and are responsible for the preparation and presentation of the Historical and Pro forma Financial Information. The Directors are also responsible for the determination of the Pro forma Adjustments as set out in **Section 6** of the Prospectus. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

#### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Historical and Pro forma Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. Our procedures consisted of reading relevant Board minutes, reading relevant contracts and other legal documents, enquiries of management personnel and the Directors, and analytical and other procedures applied to Micro-X’s accounting records.

## Section 10

# Investigating Accountant's Report on Historical Financial Information *continued*



These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information

### **Conclusion Statements**

#### *Review conclusion on the Financial Information*

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that:

- a The Historical Financial Information does not present fairly the Historical Financial Information in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia;
- b The Pro forma Adjustments do not provide a reasonable basis for the Pro Forma Financial Information;
- c The Pro Forma Financial Information has not been prepared on the basis of the assumptions set out in **Section 6** of the Prospectus; and
- d The Pro forma Financial Information does not present fairly the pro forma consolidated statement of financial position as at 30 June 2015 in accordance with the measurement and recognition (but not all of the presentation and disclosure requirements) of applicable Accounting Standards in Australia as if the Pro forma Adjustments set out in **Section 6** of the Prospectus had occurred at 30 June 2015.

### **Independence and Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this report.

### **Financial Services Guide**

We have included our Financial Services Guide as **Appendix A** to this report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in this report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Michael Cunningham  
Partner – Audit & Assurance

Neil Cooke  
Partner – Corporate Finance

## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 25 November 2015.

### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Micro-X Limited (Micro-X) or (the Company) to provide general financial product advice in the form of an Independent Limited Assurance Report (the Report) in relation to the offer of shares in the Company (the Issue). This report is included in the Prospectus dated on or about 25 November 2015 (the Prospectus). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

### 2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

### 4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail finance product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

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## Section 10

# Investigating Accountant's Report on Historical Financial Information continued



### **5 Fees, commissions and other benefits we may receive**

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$23,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd.

None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

### **6 Referrals**

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

### **7 Associations with issuers of financial products**

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

### **8 Complaints**

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.



### **9 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

### **10 Contact Details**

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

# Section 11

## Additional Information

### 11.1 Registration

Micro-X was registered in Victoria, Australia on 16 September 2011 as a proprietary company limited by shares. The Company changed its company type to a public company limited by shares on 7 September 2015.

### 11.2 Company tax status and financial year

The Company expects to be taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

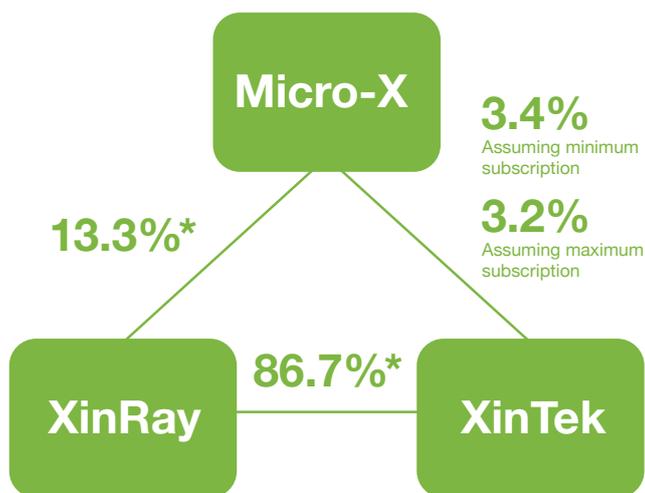
### 11.3 Dividend policy

Micro-X does not currently generate a profit and as it continues to expand its business operations the Company does not anticipate paying dividends in the foreseeable future, and expects that any future profits should remain in the Company to fund additional growth opportunities rather than be distributed in the form of dividends.

No assurance is given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend in future. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including specific and general business conditions, the operating results and financial performance and position of the Company, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Micro-X and any other factors the Directors may consider relevant.

### 11.4 Corporate structure

The following diagram shows a high level corporate structure of the Company on Completion of the Offer.



\* Micro-X's shareholding in XinRay will increase to 30%, and Xintek's shareholding will decrease to 70% if the XinRay Investment T3 is completed.

Micro-X currently has no subsidiaries. The Company has a strategic shareholding in XinRay from whom its CNT technologies are exclusively licensed and sourced. This shareholding will be approximately 13% upon listing on ASX and, should more than \$18 million be raised under the Offer, the Company intends to make the XinRay Investment T3.

Prior to Micro-X's subscription and acquisition of shares in XinRay under the XinRay Agreement and the XinRay Subscription Agreement, XinRay was wholly owned by Xintek.

At Completion of the Offer, it is expected that Xintek will hold approximately 3.4% of the Shares on issue in Micro-X (assuming Minimum Subscription) or 3.2% of the Shares on issue in the Company (assuming Maximum Subscription).

### 11.5 Material contracts

Along with the Offer Management Agreement, the Directors consider that there are a number of contracts which are significant or material to the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares and/or Award Options. Summaries for material contracts set out in this Prospectus (including the summary of the Offer Management Agreement set out below) do not purport to be complete and are qualified by the text of the contracts themselves.

#### Agreements with Carestream

Micro-X and Carestream have entered into a Commercialisation Agreement to formalise the parties' relationship with respect to exclusivity and their intention to commercialise the DRX Revolution Nano. The Commercialisation Agreement also contemplates the negotiation and execution by the parties of specific agreements with respect to:

- (i) the proposed design, development and acceptance testing of the DRX Revolution Nano (being the Development Agreement); and
- (ii) the proposed exclusive sale and purchase arrangement of Carestream branded DRX Revolution Nanos from Micro-X to Carestream (being the Supply Agreement).

#### (a) Commercialisation Agreement between Micro-X and Carestream

Under the Commercialisation Agreement, the parties have agreed to terms with respect to their exclusivity, and also agree to use reasonable efforts to enter into a Development Agreement and Supply Agreement in relation to the development and manufacture of the DRX Revolution Nano.

#### Term and termination

The Commercialisation Agreement has an effective date of 11 November 2014 and will remain in effect until it is terminated. Either party may terminate the Commercialisation Agreement, upon 30 days' notice to the other party, if the Development Agreement and Supply Agreement have not both been executed on or before 31 December 2014. As at the Prospectus Date, the Commercialisation Agreement has not been terminated. The agreement will also terminate automatically upon expiration or other termination of the Supply Agreement.

#### Exclusivity rights

The Commercialisation Agreement contains a number of exclusivity rights in favour of Carestream. Under the terms of the Commercialisation Agreement, the Company is prohibited from:

- (i) developing or contracting to design, licence, manufacture, lease, sell or otherwise transfer mobile medical, dental, veterinary or non-destructive testing x-ray devices, or dedicated key components for such devices to any competitor of Carestream;

- (ii) selling or granting any of the Company's manufacturing services or technology or licences for manufacturing of mobile medical, dental, veterinary or non-destructive testing x-ray devices to any competitor of Carestream; and
- (iii) pledging or otherwise encumbering the Company's background rights in any manner that may adversely impact any licence or grant to Carestream under the Commercialisation Agreement, the Development Agreement or Supply Agreement.

The Company has received an express acknowledgement from Carestream under which Carestream acknowledges and agrees that the XinRay Arrangements do not conflict with the exclusivity provisions under the Commercialisation Agreement.

### Non-assertion of rights

The Commercialisation Agreement contains a non-assertion of rights clause, under which the Company agrees to waive and not assert any exclusivity rights it has with third parties that may prevent Carestream's access to components from such third parties for use in any mobile device other than a DRX Revolution Nano, subject to a one-off payment or unit royalty percentage based on the value of the component. The non-assertion of rights clause is expressed to survive termination of the Commercialisation Agreement.

### New product right of first refusal

The Commercialisation Agreement includes a right of first refusal clause in favour of Carestream in respect of entry into a supply agreement for new product introductions by the Company. In the instance that such a right is not exercised by Carestream, the exclusivity rights will not apply to that new product and the Company may supply that product to a third party, provided that such supply is on terms no more favourable than those offered to Carestream.

### Agreements with XinRay

The Company has entered into a number of agreements with XinRay and Xintek to govern the parties' long-term strategic partnership. The arrangements with respect to the parties' exclusivity, as well as with respect to the specific terms and conditions of the development and supply of the carbon-nanotube technology for the DRX Revolution Nano, the Ruggedised Nano and the MBI are spread across a number of agreements.

#### (a) XinRay Subscription Agreement

Micro-X, Xintek and XinRay entered into an agreement on or around the Prospectus Date in relation to the subscription by Micro-X for fully paid ordinary shares in XinRay.

Under the terms of this subscription agreement, Micro-X has agreed to subscribe for fully paid ordinary shares (common stock) in XinRay in the following three tranches:

- (i) the first tranche subscription was completed prior to the lodgement of this Prospectus, under which Micro-X was issued 5,167 fully paid ordinary shares (common stock) in XinRay at an issue price per share of \$US145.15 representing 4.5% of the issued share capital of XinRay in consideration for the settlement of various loans and for a cash payment by Micro-X of approximately \$US187,644.05;

- (ii) under the second tranche subscription, Micro-X has irrevocably agreed to subscribe for a further 1,722 fully paid ordinary shares (common stock) in XinRay, at an issue price per share of \$US145.15 representing 1.5% of the issued share capital of XinRay (and for a total consideration of \$US249,948.30), within 2 business days after the Closing Date of the Offer; and
- (iii) under the third tranche subscription, Micro-X agrees to subscribe for an additional number of fully paid ordinary shares in XinRay, for a total consideration of US\$4 million based upon an exchange rate of AUD/USD of 0.71, to increase its aggregate equity interest in XinRay to approximately 30% at an issue price per share of \$US145.15. The third tranche subscription is conditional on Micro-X raising more than \$18.0 million under the Offer and completion shall occur within 30 days of Micro-X being in receipt of its IPO funding.

Subject to Micro-X making the US\$4 million follow-on investment in XinRay by 28 February 2016 Micro-X shall have the option to increase its investment in XinRay to 40.0% ownership. The option will expire on 31 December 2016 and may be exercised at any time by Micro-X subject to the follow-on US\$4 million investment being made.

XinRay has the right to issue securities, after the third tranche subscription but potentially before Micro-X exercises its option to increase its investment in XinRay as described above, under its employee plan. To the extent securities are so issued, this may decrease Micro-X's ownership percentage in XinRay below 40%.

The maximum number of securities which XinRay is permitted to issue, under its employee plan and in accordance with the terms of the XinRay Subscription Agreement, is approximately 16,278, which is equal to 15% of XinRay's issued share capital as at the Prospectus Date.

#### (b) Xintek Agreement

Micro-X and Xintek entered into an agreement on or around the Prospectus Date in relation to certain shares in XinRay which are held by Xintek.

In accordance with its call option right under the Xintek Agreement, Micro-X has exercised its right to purchase from Xintek fully paid ordinary shares in XinRay at a price of US\$161.28 per share, representing 7.3% of the issued share capital of XinRay. The consideration for Micro-X's acquisition of these XinRay shares is the issue of 3,834,375 Shares, by Micro-X, to Xintek.

Completion under the Xintek Agreement:

- (i) is subject to Micro-X must serve notice on Xintek that its call option is being exercised and confirmation of Micro-X's admission to the Official List; and
- (ii) will occur 1 'Business Day' after Xintek receives an exercise notice from Micro-X.

After completion under the Xintek Agreement, Micro-X's total shareholding in XinRay will be approximately 13.3%.

## Section 11

# Additional Information continued

### (c) Strategic Supplier Agreement between Micro-X and XinRay

The Company and XinRay have entered into the Strategic Supplier Agreement, under which the parties have agreed to develop a commercial relationship in the following phases:

- (i) technical feasibility phase whereby the fixed anode x-ray tube (Product) intended for use in mobile radiography units for medical, dental or veterinary applications will be modelled for performance (Phase One);
- (ii) detailed design and development phase for the manufacture, test and supply of the Product (Phase Two); and
- (iii) volume production of the Product (Phase Three).

#### Term

The Strategic Supplier Agreement begins on 25 September 2013 and continues for as long as the exclusivity period lasts. The exclusivity period (which commences on the date of the Strategic Supplier Agreement and lapses after two years (unless extended by mutual agreement) is automatically extended upon:

- (i) execution of a 'Detailed Design and Development Agreement' and will lapse two years after completion of the 'Detailed Design and Development Agreement' unless extended by mutual agreement; and
- (ii) execution of a 'Production Supply Agreement' in relation to Phase 3 and shall only be maintained by the Company placing orders under the 'Production Supply Agreement' for certain quantities each year.

The exclusivity period under the Strategic Supplier Agreement was extended on execution of the Design and Development Agreement by the parties.

#### Exclusivity

Under the Strategic Supplier Agreement, the parties are in an exclusivity relationship whereby XinRay agrees that:

- (i) it shall not supply the relevant product, its design or designs developed under subsequent agreements or any technical information to anyone other than the Company (except in limited circumstances involving XinRay's actual or prospective vendors or subcontractors, where such sharing is to be covered by non-disclosure arrangements);
- (ii) it shall not perform any work for nor enter into any agreement with a third party to develop or manufacture a similar x-ray tube for any use in mobile radiography for medical, dental and veterinary applications; and
- (iii) it will be the sole manufacturer of the relevant product and the Company shall be the sole customer.

#### Change of control

The Strategic Supplier Agreement stipulates that, provided the Company is not in breach of the Design and Development Agreement and/or any future Production Supply Agreement, if the Company is acquired by a third party, this in itself is not a cause for termination of the Strategic Supplier Agreement or termination of the exclusivity period. The Company has received an express acknowledgement from XinRay under which XinRay acknowledges and agrees that any change of control in the ownership of the Company on the Company's IPO does not trigger the termination of the Strategic Supplier Agreement or the termination of the exclusivity period.

### Intellectual property rights

The Strategic Supplier Agreement provides that:

- (i) the product design developed under the development subcontract will be owned by the Company and the Company shall grant a royalty free, perpetual, irrevocable and exclusive license to XinRay to use this intellectual property in areas which do not conflict with the exclusivity provisions (i.e. outside of medical, dental and veterinary applications);
- (ii) intellectual property (other than the product design) which is created jointly under the related agreements will be jointly owned and both parties shall have unlimited rights to use the jointly developed intellectual property without accounting or payment of royalties to the other, provided that the parties have legal rights to use any necessary underlying intellectual property;
- (iii) the existence and scope of any jointly developed intellectual property will be identified and agreed in writing between the parties, any intellectual property developed under the related agreements (other than the product design) that the parties have not identified and agreed in writing as constituting jointly developed intellectual property shall be presumed to be the intellectual property of the party contributing the preponderance of the inventive contribution; and
- (iv) if the parties identify and agree on the existence of jointly developed intellectual property they shall promptly thereafter execute an agreement to this effect which shall be attached as an addendum to this agreement.

The Company has received an express warranty that XinRay will not, in exploiting any intellectual property jointly owned between itself and the Company, compete with the Company in the mobile medical and veterinary fields (as defined in the Strategic Supplier Agreement) or in relation to mobile back-scatter imagers (as defined in the Heads of Agreement described in paragraph (e) of this Section).

### (d) Design and Development Agreement between Micro-X and XinRay

The Company and XinRay have entered into the Design and Development Agreement. The Design and Development Agreement is in relation to, and governs, the detailed design and development phase for the manufacture, test and supply of the 'Product' (which is to occur during Phase Two of the Strategic Supplier Agreement).

#### Termination

Either party may terminate this agreement without cause at any time on 30 days prior written notice. If either party terminates this agreement without cause:

- (i) the Company must pay XinRay for any unpaid costs and expenses XinRay incurred related to the project through to the date of termination; and
- (ii) XinRay will provide all work in progress from the development process and reasonable assistance to the Company in turning over the work and other results.

### Exclusivity

The parties are in an exclusivity relationship whereby XinRay agrees that:

- (i) it shall not supply the relevant product, its design or designs developed under subsequent agreements or any technical information to anyone other than the Company (except in limited circumstances involving XinRay's actual or prospective vendors or subcontractors, where such sharing is to be covered by non-disclosure arrangements);
- (ii) it shall not perform any work for nor enter into any agreement with a third party to develop or manufacture a similar X-ray tube for any use in mobile radiography for medical, dental and veterinary applications; and
- (iii) it will be the sole manufacturer of the relevant product and the Company shall be the sole customer.

The exclusivity period under the Strategic Supplier Agreement is extended by the execution of the Design and Development Agreement and lapses two years after its completion, unless automatically extended by mutual agreement on execution of a 'Production Supply Agreement' in relation to Phase 3 of the Strategic Supplier Agreement. From then on, the parties exclusive relationship shall only be maintained by the Company placing orders for certain quantities each year under a separate 'Production and Supply Agreement' to be executed which defines the terms and conditions for the manufacture and supply of the relevant product.

### Licence

The design of the X-ray tubes developed under the Design and Development Agreement and paid for by the Company shall be owned by the Company, and the Company shall grant a royalty free, perpetual, irrevocable and exclusive licence to XinRay to use the intellectual property created as a result of the Design and Development Agreement.

### Restraint

During the term of the Design and Development Agreement and for a period of one year following the expiration of the term (or the earlier termination of the Design and Development Agreement), either party cannot solicit for employment the employees of the other party or otherwise encourage such employees to terminate their employment with the other party.

### (e) Heads of Agreement for a Mobile Backscatter Imager between Micro-X and XinRay

The Company and XinRay have entered into the Heads of Agreement for a Mobile Backscatter Imager (the HoA). Under the HoA, the parties agree to develop a commercial relationship in the following phases:

- (i) Phase One – technical feasibility phase for the concept design of the MBI or respective components thereof and modelling of performance;
- (ii) Phase Two – demonstration of technical feasibility, design, construction, test and demonstration of tabletop setup to demonstrate capabilities of system concept;
- (iii) Phase Three – detailed design and development of prototype MBI; and
- (iv) Phase Four – volume production of the MBI.

### Exclusivity

The parties are in an exclusivity relationship whereby XinRay agrees that:

- (i) it will share its system concept/design and know-how with the Company;
- (ii) it will not claim infringement or unauthorised use of intellectual property by the Company for using its shared design and know-how for the MBI during the exclusivity period;
- (iii) it will not develop such a system by itself or with a third party during the exclusivity period; and
- (iv) it will be the sole source manufacturer for the x-ray tubes, electronic control systems, anode power supplies and related accessories such as high voltage cables for the MBI for the Company.

The exclusivity period will commence on execution by the parties of the Phase One contract and shall lapse two years after the date of contract completion unless extended by mutual agreement.

The exclusivity period will be extended:

- (i) on execution of an agreement in respect of Phase Two, and will lapse two years after the date of that Phase Two contract completion unless extended by mutual agreement;
- (ii) on execution of an agreement in respect of Phase Three, and will lapse two years after the date of that Phase Three contract completion unless extended by mutual agreement; or
- (iii) in respect to Phase Four, on execution of a 'Production Supply Agreement' and shall only be maintained by the Company placing orders under the 'Production Supply Agreement' for certain quantities each year.

### Intellectual property rights

The HoA contemplates that under the Phase One contract, the parties will jointly own any jointly developed intellectual property and that each party will have unlimited rights to use the jointly owned intellectual property without accounting or payment of royalties to the other party.

# Section 11

## Additional Information continued

### Arrangements with Hydrix

The Company and Hydrix have entered into an arrangement whereby Hydrix agrees to design, test and project manage the development of the DRX Revolution Nano.

#### (a) Hydrix Development Stage 2 Proposal

The Company and Hydrix have entered into the Hydrix Development Stage 2 Proposal (the Proposal). Under the Proposal, Hydrix agrees to undertake work in respect of the Company's mobile x-ray system during Phase 2 of the Strategic Supplier Agreement, including project management, system design, medical device and project risk management, mechanical and industrial design, software and hardware design, system test, system verification and validation planning and regulatory affairs.

The Proposal is accompanied by a 'Standard Terms and Conditions' document, which sets out additional terms and conditions for the supply of work described in the Proposal.

#### Term

Stage 2 of the Strategic Supplier Agreement, to which the Proposal relates, is expected to be completed over a period of approximately 15 months, structured around 15 milestones.

#### Project cost summary

The cost of the project contemplated by the Proposal will run on a time and materials basis at the standard Hydrix hourly rate.

Costs outside the scope of the budget will be billed to the Company without mark up.

#### Company obligations

The Company agrees to:

- (i) provide Hydrix with all relevant information for Hydrix to complete the works under the Proposal;
- (ii) be responsible for acceptance testing, as well as any other testing or trials needed to take the relevant product to the market;
- (iii) carry out the Company's responsibilities under the 'Standard Terms and Conditions' with due care and skill and in accordance with industry standards; and
- (iv) be responsible for any other roles which would reasonably be expected of a customer in this situation.

The Company agrees it will be responsible for identifying all hazards and risks which may be involved in either normal use or foreseeable misuse of the relevant product, and advise those to Hydrix. Hydrix's role will be to advise the Company on possible strategies to mitigate those risks (within the scope of Hydrix's role as set out in the Proposal).

The Company agrees that Hydrix will bear no responsibility for any liability arising as a result of the Company not advising Hydrix to carry out any mitigation strategies, the Company failing to authorise Hydrix to implement a proposed mitigation strategy, or the Company otherwise failing to follow Hydrix's advice in relation to mitigating the risk.

#### Ownership of materials

Hydrix retains ownership and immediate right to possession of all materials created by or on behalf of Hydrix (including all product documentation, product specifications and prototypes) until all outstanding fees have been paid. Ownership in materials is transferred to the Company simultaneously on payment of fees.

#### Ownership of intellectual property

Hydrix retains ownership of all intellectual property rights created by or on behalf of Hydrix pursuant to the Proposal until such time as its fees are paid by Micro-X. On receipt of those fees, Hydrix agrees to assign all of its right, title and interest in the developed intellectual property to Micro-X.

#### Cancellation, postponement and recommencement

Either party may terminate the Proposal for any reason by giving the other party 30 days' written notice. The Company will continue to be liable for all fees, costs and expenses incurred up to the date of termination, as well as any unavoidable loss Hydrix incurs or sustains that is attributable to the works (provided Hydrix substantiates the costs and any such losses to the Company).

If work is suspended or postponed, the Company is liable for all fees, costs and expenses incurred up to the date of postponement. If Hydrix agrees to recommence work, Hydrix will require a payment from the Company (determined by mutual agreement with the Company) to recommence work, which reflects any costs associated with the ramp down or ramp up of the continued work.

#### Non-solicitation

For the term of the Proposal, and two years thereafter, the Company will not hire, contract, solicit for hire, or solicit for contract, directly or indirectly, any employee or contractor of Hydrix who was involved in the performance of work resultant to the Proposal, unless Hydrix agrees in writing to release an employee or contractor.

#### Liability and indemnity

To the extent permitted by law, Hydrix's liability to the Company for all claims relating to a breach of the 'Standard Terms and Conditions' or in negligence, is limited to the total amount of fees paid to Hydrix, as agreed under the Proposal (excluding GST).

The Company agrees to indemnify Hydrix against all claims, suits, liabilities, costs, damages, charges, expenses, etc, arising from any indirect or consequential loss, diminution in goodwill or in the value of trademarks, loss of profits, revenue or opportunity arising from the design of the relevant product.

#### Contract between Defence Science and Technology Group and Micro-X

The Company and the Commonwealth of Australia (the Commonwealth) have entered into a contract which documents the proposal between the parties for the Company to develop and demonstrate a military variant of its mobile X-ray unit for use in field hospitals or humanitarian aid situations, as well as an MBI for the decommissioning of explosive devices, in accordance with certain milestones (the Contract).

#### Contract price

The consideration for the Company's technology is the contract price to be paid in accordance with the achievement of the milestones specified in the Contract.

### Liability and indemnity

The Company indemnifies the Commonwealth against the liability of the Commonwealth for the personal injury or death of any person employed by the Company (excluding that which results from unlawful or negligent acts or omissions on the part of the Commonwealth). The Company indemnifies the Commonwealth against claims by any person in respect of loss of or damage to property, and the costs and expenses of defending or settling any claim referred to above, arising out of a default or unlawful or negligent act of the Company.

### Contract management

The Company warrants that, to the best of its knowledge after making diligent inquiries at the date of the Contract, no conflict or interest exists or is likely to arise in the performance of its obligations under the Contract by itself, its employees, officers, agents or subcontractors approved by the Commonwealth. The Company shall also notify the Commonwealth in writing immediately if such a conflict arises, or appears to arise. Failure to notify the Commonwealth, or failure to resolve the issue after notifying the Commonwealth may lead to termination of the Contract for default.

### Post defence separation employment

The Company shall not permit any defence personnel or service provider to perform or contribute to the performance of the Contract, who, at any time during the preceding 12 month period was engaged or involved in the preparation or management of the Contract, the assessment or selection of the Contractor, or the planning or performance of the procurement or any activity relevant or related to the Contract.

There is an exception provided in circumstances where the project manager from the Commonwealth gives written approval, which must not unreasonably be withheld.

### Disputes and termination

The Commonwealth may terminate the Contract or reduce the scope of the Contract if the Company breaches in accordance with Default provision.

The Commonwealth may, in its absolute discretion, terminate the Contract if the Commonwealth reviews the progress of the Contract, forms the view that the Contract is not progressing satisfactorily, and provides written notice to the Contractor setting out the basis on which the Commonwealth has formed that view. The Company may, within 14 days, provide a written response to the Commonwealth's notice, which the Commonwealth will review. The decision of the Commonwealth to terminate can be unilateral. The Company has no independent or reciprocal rights of termination under the Contract.

### Intellectual property rights

Under the Contract, the Company grants the Commonwealth:

- (i) a royalty-free, irrevocable, world-wide, perpetual, non-exclusive licence to use any intellectual property created under the agreement for defence purposes; and
- (ii) a royalty-free, irrevocable, world-wide, perpetual, non-exclusive licence to its background intellectual property for purposes including to use, maintain and dispose of, modify, develop and manufacture the technology for defence purposes.

### South Australian Government Loan

The Company is in the process of finalising a \$3 million commercial debt facility from the South Australian Government Financing Authority to establish its production facility in Adelaide.

As at the Prospectus Date, no formal contract has been executed in relation to this proposed commercial debt facility. Accordingly, there is no guarantee that, or the time frame in which, this contract will be executed or that any conditions precedent under this contract will be executed.

Micro-X expects that one of the conditions of this proposed commercial debt facility will be a requirement that Micro-X employs a minimum of 12 full-time employees who are based in South Australia until December 2022. In addition, Micro-X expects that, in the event that this obligation is breached, \$7.5 million of liquidated damages will become payable.

### Offer Management Agreement

The Company and the Lead Manager entered into the Offer Management Agreement on or around the Prospectus Date. Under the Offer Management Agreement, the Lead Manager has agreed to arrange and lead manage, and act as sole bookrunner for, the Offer. The Lead Manager has also agreed to manage the allocation of the Shares issued under the Offer and manage the settlement obligations of the Offer. The Lead Manager may at any time with the consent of the Company, appoint co-managers and brokers to the Offer.

### Commissions, fees and expenses

If the Minimum Subscription under the Offer is received, the Company has agreed to pay the Lead Manager in cleared funds:

- (i) an offer management fee equal to 2% of the funds raised under the Offer; and
- (ii) a selling fee of 4% of the amount equal to the Shares to be issued under the Offer in respect of which the Lead Manager or a broker has received or procured valid applications under the Institutional Offer, the Broker Firm Offer or the General Priority Offer respectively.

In addition to the fees described above, the Company has agreed to reimburse the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in relation to the Offer.

### Termination events

The Lead Manager may terminate the Offer Management Agreement without any cost or liability to the Lead Manager, at any time before Completion by written notice to the Company, if any of the following events occur:

- (i) Subject to clause 4.1(b) of the Offer Management Agreement, the Company fails to comply with the timetable set out in the Offer Management Agreement or where Completion of the Offer does not occur on or before 18 January 2016;
- (ii) the S&P/ASX 200 Index or the S&P/ASX Small Ordinaries Index at any time falls to a level which is 90% or less than the level at the close of trading on the date of this agreement;

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# Additional Information continued

- (iii) any matter or event occurs that has a material adverse effect on (i) the general affairs, business, operations, assets, liabilities, financial position or performance, profits, losses, prospectus, earnings position, shareholder's equity, or results of operations of Micro-X and each Related Body Corporate of Micro-X or otherwise (taken as a whole); (ii) any of the following: (A) the Offer (including the marketing, promotion, success, acceptance or settlement of the Offer) or Completion; or (B) the willingness of investors to pay the Offer Price for the Shares offered under the Prospectus; or (iii) any matter occurs that may give rise to liability for the Lead Manager under the Corporations Act or any other law or regulation;
- (iv) the Company withdraws the Prospectus, any Supplementary Prospectus or Replacement Prospectus or the Offer, or indicates that it intends to do any of those things;
- (v) the Company changes the material terms of the Offer as set out in the Prospectus (or any Supplementary Prospectus) except with the prior written consent of the Lead Manager;
- (vi) the Company does not provide a confirmation certificate in the manner required by the Offer Management Agreement or a statement in a confirmation certificate is untrue in any material respect, incorrect or misleading or deceptive;
- (vii) any minimum subscription condition that is stated in the Prospectus is not satisfied by 5.00pm on the Closing Date;
- (viii) ASX makes an official statement to any person, or indicates to the Company or the Lead Manager that:
  - (A) the Company will not be admitted to the official list of ASX;
  - (B) ASX decides not to admit the Company to the official list of ASX, or decides not to grant quotation on ASX of all of the Company's Shares; or
  - (C) ASX decides to admit the Company to the official list of ASX, or decides to grant quotation on ASX for all of the Company's Shares but not before 31 December 2015,
- (ix) ASX's decision to admit the Company to the Official List, or to grant quotation on ASX for all of the Shares (subject only to customary listing and quotation conditions imposed by ASX) has not been given before the Quotation Approval Date (as defined in the Offer Management Agreement), or if ASX approval is granted, such approval is subsequently withdrawn qualified or withheld before Completion of the Offer;
- (x) the Company or a Related Body Corporate of the Company disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus, or ceases or threatens to cease to carry on business (in either case without the prior written consent of the Lead Manager);
- (xi) there is a material omission from the Prospectus or any other disclosure document of information required by the Corporations Act or any other applicable law or requirement;
- (xii) this Prospectus or any other disclosure document contains a misleading or deceptive statement or such a statement becomes misleading or deceptive in any material respect;
- (xiii) a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus;
- (xiv) a disclosure document does not comply in any material respect with the applicable law;
- (xv) the due diligence report or any other information supplied by or on behalf of the Company to the Lead Manager in relation to Shares, the Company, or the Offer, is untrue, incorrect, misleading or deceptive in a material respect;
- (xvi) ASIC issues or threatens to issue proceedings in relation to the Offer or commences, or threatens to commence any inquiry or investigation in relation to the Offer or any subscription of shares in the Company;
- (xvii) any of the following occurs:
  - (A) ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
  - (B) a person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus or any Supplementary Prospectus;
  - (C) ASIC gives notice of intention to hold a hearing in relation to the Prospectus, or makes an interim order or any other order under section 739 of the Corporations Act in relation to the Prospectus or any Supplementary Prospectus;
  - (D) any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act in relation to the Prospectus or any Supplementary Prospectus;
  - (E) any person (other than the Lead Manager) who consented to the inclusion of a statement in, or to being named in, the Prospectus (or any Supplementary Prospectus) withdraws that consent;
  - (F) an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or any Supplementary Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus or any Supplementary Prospectus;
  - (G) the Lead Manager reasonably forms the view that a Supplementary Prospectus must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a Supplementary Prospectus in the form, with the content and within the time reasonably required by the Lead Manager;
  - (H) an Insolvency Event (as defined in the Offer Management Agreement) occurs with respect to the Company or a Related Body Corporate of the Company; and
  - (I) any Director or general manager of the Company is prosecuted for a criminal offence involving a matter of honesty or an offence liable to the maximum penalty of imprisonment of 1 year or more; and
  - (J) any circumstance arising after lodgement of the Prospectus that results in the Company being required, by ASIC or under any applicable law, to either repay the funds received from applicants under the Offer on account of the Offer Price or offer applicants under the Offer an opportunity to withdraw their applications for Shares and be repaid the amounts paid by them on account of the Offer Price.

### Material termination events

The Lead Manager may terminate the Offer Management Agreement without any cost or liability to the Lead Manager, at any time before Completion of the Offer by written notice to the Company, if any of the following events occur, provided that in the reasonable opinion of the Lead Manager it determines that the event had or would have a material adverse effect on (i) the general affairs, business, operations, assets, liabilities, financial position or performance, profits, losses, prospectus, earnings position, shareholder's equity, or results of operations of Micro-X and each Related Body Corporate of Micro-X or otherwise (taken as a whole), (ii) the Offer (including marketing, promotion, success, acceptance or settlement of the Offer) or Completion of the Offer or the willingness of investors to pay the Offer Price for the Offer Securities or (iii) it may give rise to liability for the Lead Manager under the Corporations Act or any other law or regulation:

- (i) There is a material breach by the Company of the Offer Management Agreement.
- (ii) There is introduced, or there is a public announcement of a proposal to introduce into any legislature of Australia, a law or regulation, or a new government policy is adopted by a government in any of those jurisdictions or there is a public announcement of a proposal to adopt a new government policy by such a government (other than a law or government policy announced before the date of this Offer Management Agreement) any of which does or is likely to prohibit the Offer, capital issues or the taxation treatment of the Offer Securities or regulate or affect the Offer, capital issues or taxation treatment of the Offer Securities in a material adverse fashion.
- (iii) Any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, New Zealand, the United Kingdom, the United States of America or Hong Kong.
- (iv) Any information supplied by or on behalf of the Company to the Lead Manager (including information provided during the due diligence investigations and information which becomes available as a result of a new circumstance arising after the date of this Offer Management Agreement) in relation to the Company or the Offer is or becomes false, misleading or deceptive, including by way of omission.
- (v) A general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States of America or Hong Kong is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries.
- (vi) A suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.
- (vii) Any event specified in the timetable set out in the Offer Management Agreement is delayed for more than two business days without the prior written approval of the Lead Manager (such approval not to be unreasonably withheld or delayed).
- (viii) A material contract or an agreement referred to in the Prospectus is, without the prior written consent of the Lead Manager, breached by the Company or a Related Body Corporate or terminated (whether by breach or otherwise).
- (ix) The Company is in default of any of the material terms or conditions of this agreement or breaches any warranty, undertaking or covenant given or made by it under this Offer Management Agreement and that default or breach is either incapable of remedy or is not remedied within five business days after it occurs.
- (x) Other than as disclosed from those identified in the Prospectus, the Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property.
- (xi) Any of the following occurs:
  - (A) A Director or member of the executive team of the Company (as listed in the Prospectus) is charged with an indictable offence.
  - (B) Any governmental agency commences any public action against the Company or any of its Directors or senior managers in their capacity as a Director or senior manager of the Company.
  - (C) Any Director or senior manager of the Company is disqualified from managing a corporation under any law of any jurisdiction.
  - (D) The Company or a Director or senior manager of the Company engages in any fraudulent conduct or activity.
  - (E) Other than as contemplated in the Prospectus, a change in the Directors or senior management of the Company is announced or occurs without the written consent of the Lead Manager.
  - (F) Any representation or warranty contained in this agreement on the part of the Company is breached or becomes false, misleading or incorrect.
  - (G) There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America, Hong Kong, People's Republic of China, India, Indonesia, any member of the European Union, South Korea and Japan, or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.

### Representations, warranties, undertakings and other terms

The Offer Management Agreement contains certain standard representations, warranties and undertakings by the Company to the Lead Manager (as well as common conditions precedent).

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls.

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# Additional Information continued

The Company's undertakings include that it will not: (a) without the prior written consent of the Lead Manager at any time after the date of the Offer Management Agreement and before the expiration of 180 days after the Completion of the Offer, issue or agree to issue any shares (including Shares), options to acquire shares, or other interests or securities in the Company, other than pursuant to the Offer or the Offer Management Agreement, or the exercise of options currently on issue or as disclosed in the Prospectus; or (b) in any way reduce, reorganise, or otherwise alter the Company's capital structure, or agree or announce an intention to do any of those things, without the prior written consent of the Lead Manager at any time after the date of the Offer Management Agreement and before the expiration of 180 days after the Completion of the Offer, provided that this paragraph (b) will not apply if the alteration of the Company's capital structure arises from a takeover bid or merger proposal which has been approved by the Directors acting in accordance with their fiduciary duties.

### Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct, gross negligence or a material breach of the Offer Management Agreement by an indemnified party, the Company agrees to keep the Lead Manager and certain affiliated parties indemnified from certain Liabilities (as that term is defined in the Offer Management Agreement).

### Employee and Executive Incentive Plan

The Company has adopted the EEIP to encourage executives and employees to have a greater involvement in the achievement of the Company's objectives. Under the EEIP, eligible employees (including executives, officers, employees and executive Directors) selected by the Plan Committee (or the Board, if no Plan Committee is established) which has been delegated power by the Board to administer the EEIP may be offered Shares or granted Options or Rights. The Company may offer additional incentive schemes to the management and employees over time.

### Eligibility

Eligibility to participate in the EEIP and the number of Shares, Options or Rights offered to each individual participant, will be determined by the Plan Committee. Eligible participants include persons who satisfy one or more of the following eligibility requirements and whom the Plan Committee determines to be an eligible participant: (a) full-time or part-time employee of a body corporate in the Group (including any employee on parental leave, long service leave or other special leave as approved by the Plan Committee) (b) an individual who provides services to a body corporate in the Group whom the Plan Committee determines to be an employee for the purposes of the EEIP (c) a director of a body corporate in the Group who holds a salaried employment or office in a body corporate in the Group and (d) an executive Director. Non-Executive Directors of the Company who do not otherwise meet the aforementioned eligibility requirements are not permitted to participate in the EEIP.

Provided that a Director satisfies the eligibility criteria, then that Director will be eligible to participate in the EEIP, as determined by the Plan Committee from time to time.

The Award Options offered to Mr Peter Rowland and Mr Richard Hannebery will be granted in accordance with the terms of the EEIP (as required by the terms of their respective employment agreements with Micro-X as detailed in Section 8.1(b)) and pursuant to the Award Offer under this Prospectus.

### Grants

Under the rules of the EEIP, Shares, Options and/or Rights may be offered or granted to eligible employees of the Company from time to time, subject to the conditions (if any) determined by the Plan Committee and specified in the offer or grant.

### Terms and conditions

The Plan Committee may set the terms and conditions (including conditions in relation to vesting, disposal restrictions or forfeiture and any applicable exercise price) on which it will offer Shares or grant Options or Rights under the EEIP. The Plan Committee will determine the procedure for offering Shares or granting Options or Rights (including the form, terms and content of any offer, invitation or acceptance procedure) in accordance with the rules of the EEIP.

### Ranking of Shares

Shares issued (including Shares issued upon exercise of Options or Rights granted) under the EEIP will rank equally in all respects with the other issued Shares.

### Voting and dividend rights of Options and Rights

Options and Rights do not carry any voting or dividend rights. Shares issued or transferred to participants on exercise of an Option or Right carry the same rights and entitlements as other issued Shares, including voting and dividend rights.

### Exercise of Options or Rights

A participant may exercise Options or Rights in respect of which the Plan Committee has given a vesting notice and which have not expired or been forfeited. To exercise an Option or Right, the participant must lodge with the Company a signed notice of exercise and comply with any requirements under the rules of the EEIP or as specified by the Plan Committee.

### Expiry of Options or Rights

Options and Rights which have not been exercised will expire if the applicable vesting conditions and any other conditions to exercise are not met during the prescribed performance period or if they are not exercised before the applicable expiry date. In addition, Options and Rights will lapse if the participant deals with the Options and Rights in breach of the rules of the EEIP or in the opinion of the Directors, a participant has acted fraudulently or dishonestly.

### Vested Options or Rights

If the offer of Shares is subject to vesting conditions, the Board (or the Plan Committee, as the case may be) must give a participant a vesting notice upon the vesting conditions relating to the Shares issued (or transferred) to the Participant having been satisfied or waived.

### Quotation

Options and Rights will not be quoted on ASX. The Company will apply for official quotation of any Shares issued under the EEIP either upon the issue of unvested Shares or issue of Shares upon exercise of Options or Rights, in accordance with the ASX Listing Rules.

### Options exercise price

The Plan Committee may in its absolute discretion determine that a participant is required to pay an exercise price to exercise the Options offered or granted to that participant.

### No hedging and no transfer

Without the prior approval of the Plan Committee, unvested Shares, or Options or Rights which have not been exercised, may not be sold, transferred, encumbered or otherwise dealt with. Further, participants cannot enter into any transaction, scheme or arrangement which hedges or otherwise affects the participant's economic exposure to the Shares, Options or Rights before they vest.

### Capital limit

Subject to the rules of the EEIP, the Board (or Plan Committee, as the case may be) must not offer Shares, Options or Rights if making the offer would breach the 5% capital limit on the issue of shares as set out in ASIC Class Order 14/1000 in relation to employee share schemes or contravene the Corporations Act, ASX Listing Rules or instruments of relief issued by ASIC from time to time.

To the extent permitted by law, the Board (or Plan Committee, as the case may be) may offer such number of Shares, Options or Rights which is greater than 5% of the issued Shares from time to time, provided that the Company will only issue up to the 5% capital limit as set out in ASIC Class Order 14/1000, with the balance to be issued pursuant to other available exemptions, including, for example, section 708 of the Corporations Act.

### Cessation of employment

The EEIP contains provisions concerning the treatment of vested and unvested Shares, Options or Rights in the event a participant ceases employment.

### Corporate control event

If a Corporate Control Event occurs (as defined in the EEIP), the Plan Committee may determine that this constitutes an Accelerated Vesting Event (as defined in the EEIP). If an Accelerated Vesting Event occurs or is expected to occur while a participant is employed with the Group, the Plan Committee has the absolute discretion to: (a) bring forward the exercise date of all Options or Rights to a date determined by the Plan Committee and (b) waive or vary any exercise condition in regard to an Option or Right subject to any shareholder approval requirements in the EEIP.

### Capital reconstruction

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, The Board (or Plan Committee, as the case may be) may make such adjustments as it considers appropriate under the EEIP, in accordance with the provisions of the ASX Listing Rules.

### Costs and administration

The Company must bear any costs incurred in the administration of the EEIP.

### Other terms of the EEIP

The EEIP also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the EEIP.

## 11.6 Escrow arrangements

At Completion of the Offer, it is expected that Xintek will hold approximately 3.5% of the Shares on issue in the Company (assuming a Minimum Subscription) or 3.2% of the Shares on issue in the Company (assuming a Maximum Subscription).

Provided that the Shares held by Xintek post Completion of the Offer are not Restricted Securities, the Company expects that the Shares held by Xintek post Completion of the Offer will be subject to a voluntary escrow arrangement between Xintek and the Lead Manager, which the Company expects will be entered into before the Closing Date, and under which the Shares held by Xintek will be escrowed until 31 December 2016, but otherwise determined at the absolute discretion of the Lead Manager.

It is expected that ASX will, as a condition of approving Micro-X's application for admission of its Shares for quotation on the Official List, classify certain Existing Shares held by the Existing Shareholders as Restricted Securities. In addition, certain Award Options will likely be classified as a Restricted Security.

Prior to the Completion of the Offer, each holder of Restricted Securities (being an Escrowed Shareholder), together with applicable controlling parties, will be required to enter into an appropriate restriction agreement with Micro-X in respect of their Restricted Securities.

Up to 75,575,350 Shares, being the total number of the Existing Shares, may be classified as Restricted Securities. This will represent approximately 72.6% of the Shares on issue (assuming a Minimum Subscription) and approximately 66.5% (assuming a Maximum Subscription), following the admission of Micro-X's Shares to quotation on the Official List.

The Company has made submissions to the ASX in respect of its views on the classification of Existing Shares as either Restricted Securities or otherwise, however, the final outcome and decision of the ASX will not be known until the ASX provides its listing decision.

To the extent that Shares are classified as Restricted Securities, then during the relevant Escrow Period for each relevant Escrowed Shareholder, there will be limited circumstances in which the Existing Shareholders may deal with any of their escrowed Shares, including where the dealing arises in connection with:

- (a) acceptance of a bona fide takeover bid for all of the Shares on issue provided all of the conditions in ASX Listing Rule 9.18 applicable to a takeover are met and the escrowed Shares continue to be held on the terms of the escrow arrangement if the relevant bid does not become conditional or does not otherwise proceed;
- (b) the transfer or cancellation of Shares as part of a scheme of arrangement provided all of the conditions in ASX Listing Rule 9.18 applicable to a scheme of arrangement are met and the escrowed Shares continue to be held on the terms of the escrow arrangement if the relevant scheme does not take effect;
- (c) a dealing required by applicable law (including an order of a court of competent jurisdiction); or
- (d) the acquisition or cancellation of escrowed Shares under any other reorganisation of capital undertaken by the Company (including any Share buy-back).

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## Additional Information continued

### 11.7 Lead Manager

The Lead Manager to the Offer is Lodge Corporate Pty Ltd (Lodge Corporate Pty Ltd ABN 50 125 323 168 is a Corporate Authorised Representative (AR 316212) of Lodge Partners Pty Ltd ABN 25 053 432 769 AFSL 246271).

### 11.8 Insurance

The Company currently has Directors' and officers' liability insurance.

The Company intends to put in place, on or around the Prospectus Date, a range of insurance policies to manage the risks of its day-to-day business and certain other activities.

Micro-X believes these policies will provide cover for the types of risks generally insured by a company of the size and nature of the Company. These include:

- property and business interruption;
- general and product liability insurance;
- workers compensation insurance; and
- employment practices.

There are additional, more specific policies in place to cover other relevant business risks, including corporate travel.

### 11.9 Legal proceedings

As at the Prospectus Date, so far as the Directors are aware, apart from the potential claim described in this Section 11.9, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Micro-X is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Micro-X.

The Directors are aware of a threatened claim from Ms Alison Coutts, an Existing Shareholder and former director of the Company. Particulars of the potential claim are unclear. As at the lodgement of this Prospectus, no proceeding has been issued by Ms Coutts and Ms Coutts has not particularised or quantified the potential claim. Based on the limited information available, the Directors do not consider the potential claim to have merit, and it is too early to determine whether the threatened claim or any proceedings will eventuate. The Directors cannot determine with a meaningful degree of certainty the outcome of any claim which might arise, the timing of any claim or to quantify any potential costs relating to this matter.

### 11.10 Regulatory matters

Micro-X believes it holds and is in compliance with all material licences, regulatory authorisations, registrations and approvals that are necessary for its business and operations.

### 11.11 Summary of Australian tax issues in respect of the Shares for Australian tax resident investors

#### (a) Australian taxation considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors (other than life insurance companies). These comments do not apply to non-Australian tax resident investors, banks, insurance companies, investors that hold Shares on revenue account or carry on a business of trading in shares, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made elections for the fair value or reliance on financial reports methodologies.

#### (b) Dividends paid on Shares

##### Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident shareholder. Australian tax resident shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a 'qualified person' (as discussed below). The tax offset can be applied to reduce the tax payable on the shareholder's taxable income. Where the tax offset exceeds the tax payable on the shareholder's taxable income, such shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

##### Australian tax resident corporate shareholders

Australian tax resident corporate shareholders are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend. An Australian tax resident corporate shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but may in certain circumstances be converted into carry forward tax losses.

### Australian tax resident trusts and partnerships

Shareholders who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

### Shares held 'at risk'

The benefit of franking credits can be denied where a shareholder is not a 'qualified person' in which case the shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', a shareholder must satisfy the holding period rule and, to the extent necessary, the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as a period of at least 45 days commencing the day after the Shares were acquired and at the latest ending on the 45th day after the day on which the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) may not be counted as a day on which the investor held the Shares 'at risk'. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. It may be the case that the holding period rule cannot be satisfied (except in the case of individual beneficiaries who have franking credit entitlements of less than \$5,000 in a year). If you are the trustee of a discretionary trust, it is strongly recommended that you seek professional advice.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above and, more specifically, within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Australian Government has recently introduced specific integrity rules that may apply to deny franking tax offsets to certain "dividend washing" arrangements. Broadly, dividend washing (or 'distribution washing') is a type of scheme by which a taxpayer can obtain multiple franking credits in respect of a single economic interest by selling an interest after an entitlement to a franked distribution has

accrued and then immediately purchasing an equivalent interest with a further entitlement to a corresponding franked distribution. Shareholders should have regard to these proposed changes in considering the tax implications of their personal circumstances.

### (c) Australian capital gains tax implications

Australian capital gains tax (CGT) implications for Australian tax resident shareholders on a disposal of Shares. Most Australian tax resident shareholders will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs. In an arm's length transaction, the capital proceeds should generally be the cash proceeds received from the sale of Shares.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities, broadly where the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) is 50%, and for complying superannuation entities is 33<sup>1</sup>/<sub>3</sub>%.

In relation to trusts, the rules are complex, but this discount may be able to be flowed up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

### (d) Tax file numbers

An investor is not required to quote their TFN to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

### (e) Stamp duty

No Australian stamp duty should be payable by Shareholders in respect of the Offer or their acquisition or disposal of their Shares in the Company whilst it is a listed company. Individual Shareholders should obtain their own independent advice depending on their individual circumstances.

## Section 11

# Additional Information continued

### (f) Australian goods and services tax

The acquisition of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

Eligible Award Participants should obtain their own advice in relation to the tax consequences relating to the Award Options.

### 11.12 Consents

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

**Lodge Corporate Pty Ltd** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager to the Offer in the form and context in which it is named.

**Minter Ellison** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to patent, trademark and taxation matters) to the Company in relation to the Offer in the form and context in which it is named.

**Grant Thornton Corporate Finance Pty Ltd** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Investigating Accountant to the Company in relation to the Historical Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Reports in Section 10 and the statements specifically attributed to it in the text of this Prospectus in the form and context in which they are respectively included (and all other references to that report and those statements in this Prospectus).

**Grant Thornton Australia Limited** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the provider of certain Australian taxation advice to the Company in relation to the Offer in the form and context in which it is named.

**Grant Thornton Audit Pty Ltd** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor to the Company (and all references and statements relating to the audited accounts of the Company audited by the Auditor in this Prospectus), in the form and context in which it is named.

**Computershare** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Computershare has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

**XinRay** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a supplier, including the supplier of the CNT-based X-ray emitter, business partner and strategic investee of the Company in relation to the Offer in the form and context in which it is named, and all statements attributed to it in the text of this Prospectus.

**Hydrix** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the outsourced engineering team to the Company in relation to the Offer in the form and context in which it is named, and all statements attributed to it in the text of this Prospectus.

**Davies Collison Cave Patent Attorneys** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as patent attorneys for the Company in relation to the IP Report in Section 12 in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the IP Report (and all references to the IP Report in this Prospectus) in the form and context in which it appears.

No entity or person referred to in this Section 11.12 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the entities referred to in this Section 11.12 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

### 11.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

### 11.14 Statement of Directors

This Prospectus is authorised by each Director who each consents to its lodgement with ASIC and its issue.

# Section 12

## Intellectual Property Report

20 November 2015

Micro-X Limited  
1044a, Dandenong Road  
Carnegie VIC 3163

**Attention:** Mr Peter Rowland

**DCC Ref:** 35242764/MRF/SBT

**Re:** Intellectual Property Report  
Micro-X Limited  
X-Ray Cart

Dear Peter,

We act on behalf of Micro-X Limited (ABN 21 153 273 735) ("Micro-X") and have been asked to provide this report on patents, patent applications, design registrations and design applications in the name of Micro-X. The report includes Schedules 1 and 2, which list patent applications and design applications, respectively, filed by Micro-X in relation to an X-Ray Cart.

### Patents

A patent provides legally enforceable exclusive rights to exploit an invention for a limited period of time in a given jurisdiction, e.g. a single country.

Different jurisdictions have respective criteria for patentability and their own laws as to the rights afforded by a patent, and advice should be sought for each jurisdiction.

We have prepared and filed six Australian provisional patent applications directed to aspects of the X-Ray Cart, which applications are listed in Schedule 1.

A provisional patent application is filed to establish a priority date, which may be claimed by subsequent patent applications filed in different jurisdictions. The priority date established by each of the six provisional applications is 21 October 2015.

### Design Registrations

A design registration (known in some jurisdictions, including the United States, as a "design patent") provides legally enforceable exclusive rights to exploit a design for a limited period of time in a given jurisdiction.

Different jurisdictions have respective criteria for registrability of a design and their own laws as to the rights afforded by a design registration, and advice should be sought for each jurisdiction.

We have prepared and filed two Australian design applications directed to respective designs associated with the X-Ray Cart, which applications are listed in Schedule 2. The filing of a design application establishes a priority date which may be claimed by subsequent design applications



INTELLECTUAL PROPERTY

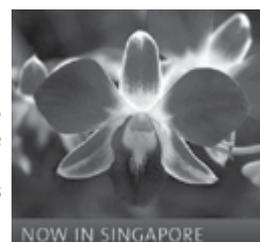
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In association with  
Davies Collison Cave Law



AUSTRALIA  
NEW ZEALAND  
SINGAPORE  
ASIA PACIFIC

## Section 12

# Intellectual Property Report continued

- 2 -

20 November 2015

filed in different jurisdictions. The priority date established by each of the two design applications is 20 October 2015.

### **Limitations**

The Schedules have been prepared based on our records and information supplied by IP Australia, either through official communications or through publication on official databases. We cannot take responsibility for missing or erroneous data that is provided by IP Australia, and accordingly are not responsible for the accuracy of the information provided.

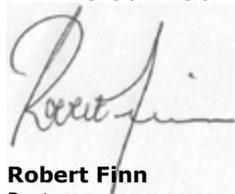
We can provide no assurance that any of the applications listed in the Schedules will result in the issuance of an enforceable patent or design registration, or as to the scope of any such patent or design registration.

It is important to understand that issuance of a patent or design registration is not a guarantee of validity, and that patents and design registrations can be held subsequently unenforceable, for example in court proceedings. We can provide no assurance as to the validity a patent or design registration deriving from any of the applications listed in the Schedules.

Also we can provide no assurance that any patents or design registrations deriving from the applications listed in the Schedules 1 and 2, even if valid, will cover the commercial activities of Micro-X, or that exploitation of any of the inventions and designs the subject of those applications will not infringe any rights held by third parties.

Yours sincerely,

**DAVIES COLLISON CAVE**



**Robert Finn**

Partner

[rfinn@davies.com.au](mailto:rfinn@davies.com.au)

## **SCHEDULE 1**

### **PATENT APPLICATIONS OF MICRO-X**

<b>AUSTRALIAN PROVISIONAL PATENT APPLICATION NO.</b>	<b>TITLE</b>	<b>FILING DATE</b>
2015904308	<i>Grip for manoeuvring a mobile apparatus and releasing brakes of the apparatus</i>	21 October 2015
2015904309	<i>Handle arrangement for positioning a radiographic component and adjusting a collimator aperture therein</i>	21 October 2015
2015904310	<i>Mobile radiographic apparatus having counterbalanced slewable arm</i>	21 October 2015
2015904311	<i>Backscatter shield for a radiographic apparatus</i>	21 October 2015
2015904312	<i>Rotary keeper for cabling</i>	21 October 2015
2015904313	<i>Articulated arm for suspending an x-ray head</i>	21 October 2015

## Section 12

# Intellectual Property Report continued



### **SCHEDULE 2**

#### **DESIGN APPLICATIONS OF MICRO-X**

<b>AUSTRALIAN DESIGN APPLICATION NO.</b>	<b>TITLE</b>	<b>FILING DATE</b>
201515550	<i>Mobile X-ray apparatus</i>	20 October 2015
201515551	<i>Hand-graspable grip</i>	20 October 2015

# Section 13

## Award Offer

### 13.1 Introduction

The Eligible Award Participants are entitled to participate in the Award Offer. The number of Award Options offered to each of the Eligible Award Participants has been determined by Micro-X and are set out in Section 13.2.

The Eligible Award Participants comprise the following persons: Peter Rowland, Richard Hannebery, Adam Williams, Alexander Blackburn, Richard Bower, Patrick O'Brien, Alexander Gosling, David Symons and the nominated Micro-X Consultants. The Award Offer is made solely to the Eligible Award Participants and no other person or persons are eligible for the Award Offer.

### 13.2 Terms of the Award Offer

Eligible Award Participants will be offered the opportunity to apply for, in aggregate, up to:

- (a) 9,979,340 Award Options (at Minimum Subscription); and
- (b) 10,329,340 Award Options (at Maximum Subscription).

The number of Award Options which each of the Eligible Award Participants may apply for are set out below:

Eligible Award Participant	Maximum number of Award Options	Award Option terms
Peter Rowland	Number of Award Options which is equal to 1.75% of the Shares in the capital of Micro-X as at the date on which the Shares are either or both allotted or transferred under a prospectus (or other relevant offer document) lodged with ASIC in relation to an initial public offering of Shares and the admission of the Company to the Official List (being 1,914,670 Award Options at Minimum Subscription and 2,089,670 Award Options at Maximum Subscription), as detailed in Section 8.1.	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Peter Rowland commences on the date of Listing and expires on 31 December 2019</p> <p><b>Vesting Date</b> The Award Options vest on the following dates: (a) as to the Tranche 1 Award Options, 1 September 2015 (Tranche 1); (b) as to the Tranche 2 Award Options, on 1 September 2016 (Tranche 2); and (c) as to the Tranche 3 Award Options, on 1 September 2017 (Tranche 3).</p> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.  The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.  The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>

## Section 13

# Award Offer continued

Eligible Award Participant	Maximum number of Award Options	Award Option terms
Richard Hannebery	Number of Award Options which is equal to 1.75% of the Shares in the capital of Micro-X as at the date on which the Shares are either or both allotted or transferred under a prospectus (or other relevant offer document) lodged with ASIC in relation to an initial public offering of Shares and the admission of the Company to the Official List (being 1,914,670 Award Options at Minimum Subscription and 2,089,670 Award Options at Maximum Subscription), as detailed in Section 8.1.	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Richard Hannebery commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:            (a) as to the Tranche 1 Award Options, 1 September 2015 (Tranche 1);            (b) as to the Tranche 2 Award Options, on 1 September 2016 (Tranche 2); and            (c) as to the Tranche 3 Award Options, on 1 September 2017 (Tranche 3).</p> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>
Adam Williams	1,000,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Adam Williams commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:            (a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);            (b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and            (c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</p> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>

Eligible Award Participant	Maximum number of Award Options	Award Option terms
Alexander Blackburn	750,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Alexander Blackburn commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b></p> <p>The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>
Richard Bower	750,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Richard Bower commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b></p> <p>The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>

## Section 13

# Award Offer continued

Eligible Award Participant	Maximum number of Award Options	Award Option terms
Patrick O'Brien, Director of Micro-X	600,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Patrick O'Brien commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>
Alexander Gosling, Director of Micro-X	400,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to Alexander Gosling commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>

Eligible Award Participant	Maximum number of Award Options	Award Option terms
David Symons, Director of Micro-X	400,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to David Symons commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to the Tranche 1 Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to the Tranche 2 Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the Tranche 3 Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>
Micro-X Consultants	2,250,000	<p>The key Award Option terms are as follows:</p> <p><b>Issue Price</b> No amount is payable on the issue of Award Options.</p> <p><b>Exercise Period</b> The exercise period for the Award Options issued to the Micro-X Consultants commences on the date of Listing and expires on 31 December 2019.</p> <p><b>Vesting Date</b> The Award Options vest on the following dates:</p> <ul style="list-style-type: none"> <li>(a) as to one-third of the Award Options, on the date that is one (1) year from the date of Listing (Tranche 1);</li> <li>(b) as to two-thirds of the Award Options, on the date that is two (2) years from the date of Listing (Tranche 2); and</li> <li>(c) as to the remaining one-third of the Award Options, on the date that is three (3) years from the date of Listing (Tranche 3).</li> </ul> <p><b>Exercise Price</b> The exercise price per Share for each option for Tranche 1 is an amount equal to 1.15 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 2 is an amount equal to 1.25 multiplied by the Offer Price.</p> <p>The exercise price per Share for each option for Tranche 3 is an amount equal to 1.25 multiplied by the Offer Price.</p>

No monetary consideration will be payable by any of the Eligible Award Participants to the Company for the Award Options. The Award Offer will be funded by the Company and the costs of the Award Offer have been taken into account in the financial information that is presented in Section 6.

## Section 13

# Award Offer continued

The Award Options will not be quoted on the ASX.

The terms of the Award Options which each of the Eligible Award Participants may apply for may differ, and a summary of the material terms of the Award Options which the Eligible Award Participants may apply for are set out in the table above. The Award Options are being issued for the following reasons:

Eligible Award Participant	Basis for issue of Award Options
Peter Rowland, Director of Micro-X	In accordance with the terms of his executive contract, details of which are set out in Section 8.1(b)
Richard Hannebery, Director of Micro-X	In accordance with the terms of his executive contract with Micro-X, details of which are set out in Section 8.1(b)
Adam Williams, Employee of Micro-X	To incentivise performance and further align interests with Shareholders
Alexander Blackburn, Employee of Micro-X	To incentivise performance and further align interests with Shareholders
Richard Bower, Contractor of Micro-X	To incentivise performance and further align interests with Shareholders
Patrick O'Brien, Director of Micro-X	To incentivise performance and further align interests with Shareholders
Alexander Gosling, Director of Micro-X	To incentivise performance and further align interests with Shareholders
David Symons, Director of Micro-X	To incentivise performance and further align interests with Shareholders
Micro-X Consultants	Award for contribution to product development of the DRX Revolution Nano

A separate offer letter, together with access to this Prospectus, will be provided to the Eligible Award Participants, detailing the terms of the Award Offer.

Eligible Award Participants should read the entirety of the separate offer letter and this Prospectus, carefully and in its entirety, before deciding whether to apply for the Award Options under the Award Offer. If you are unclear in relation to any matter or are uncertain as to whether the Award Options are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional advisor before deciding whether to invest.

The impact of the Award Offer on the capital structure of the Company is detailed in Section 1.8, with the total number of Shares to be issued under the Offer expressed both:

- (a) exclusive of the Award Options (and any Shares which may be issued on the exercise of the Award Options in accordance with their terms); and
- (b) inclusive of the Award Options, by assuming that each Eligible Award Participant applies for the maximum number of Award Options for which they are eligible, and that those Award Options are fully converted into Shares on the Completion of the Offer (notwithstanding that the terms of the relevant Award Options may preclude their conversion until a later date), to detail for investors the maximum dilutionary effect of the Award Option on the Shares on issue as at the Completion of the Offer.

# Appendix A - Glossary

Term	Definition
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board. An Australian Government agency that develops and maintains accounting standards for entities in the private, public and not-for-profit sectors of the Australian economy.
ABN	Australian Business Number.
ACN	Australian Company Number.
Applicant	A person who submits an Application.
Application	An application made to apply for Shares or Award Options offered under this Prospectus.
Application Form	An application form relating to the Offer included in or accompanying this Prospectus (including any personalised Application Forms).
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or its financial market, the Australian Securities Exchange, as the context requires.
ASX Listing Rules	The listing rules for the ASX, with any modification or waivers which the ASX may grant to the Company from time to time.
ASX Recommendations	The Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council and available on the ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> .
ASX Settlement	ASX Settlement Pty Limited or the clearing and settlement facility it operates, as the context requires.
ASX Settlement Operating Rules	The operating rules of ASX Settlement.
AUD, A\$, \$ or cents	Australian currency.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
Award Offer	An invitation to Eligible Award Participants to apply for Award Options offered under this Prospectus for nil monetary consideration, as detailed in Section 13.
Award Option	An Option issued to an Eligible Award Participant pursuant to the Award Offer, as detailed in Section 13.
Board	The board of Directors of Micro-X.
Broker	A broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer.
Broker Firm Offer	The invitation to Australian and New Zealand resident retail clients of Brokers to acquire Shares offered under this Prospectus.
Carestream	Carestream Health Inc., an entity which Micro-X believes to be a global market leader in healthcare imaging with a broad portfolio of digital radiography solutions.
Carestream Arrangements	The contracts, agreements and understandings between Micro-X and Carestream (or a subsidiary or related body corporate of Carestream) from time to time, including but not limited to the Commercialisation Agreement.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CGT	Capital gains tax.
Chairman	The chairman of the Company, being, as at the Prospectus Date, Mr Patrick O'Brien.
CHESS	Clearing House Electronic Subregister System.
Closing Date	The date by which Applications must be lodged for the Offer, being 5:00pm (Melbourne time) unless varied.
CNT	Carbon nanotube.
Commercialisation Agreement	The commercialisation agreement between the Company and Carestream, as detailed in section 11.5.
Completion of the Offer	Completion in respect of the issue of Shares pursuant to the Offer.

## Appendix A - Glossary *continued*

Term	Definition
Computershare	Computershare Investor Services Pty Limited ACN 078 279 277
Constitution	The constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CR	Computed Radiology.
CT	Computed tomography scan.
Derivative	The meaning given in the Corporations Act, and includes the following if they relate to or derive their value from Company Securities: put or call options, forward contracts, futures, warrants, depositary receipts, structured financial products, swaps, contracts for difference, spread bets, caps and collars, and any other hedging or investment arrangement.
Development Agreement	The proposed development agreement which Micro-X is proposing to enter into with Carestream, as detailed in Section 4.2.
Directors	The Directors of the Company.
DR	Direct Radiology.
DRX Revolution	A mobile medical X-ray system developed, manufactured and distributed by Carestream.
DRX Revolution Nano	An ultra-lightweight mobile medical X-ray system developed by Micro-X, which, assuming the Development Agreement and Supply Agreement, in a form acceptable to the Company, are executed, will be an OEM product for Carestream.
Employee and Executive Incentive Plan or EEIP	Micro-X Limited Employee and Executive Incentive Plan.
Eligible Award Participants	The persons described in Section 13.
EOD	Explosive ordnance disposal.
Escrow Deed	An escrow deed between Micro-X and an Existing Shareholder.
Escrow Period	The relevant period of escrow applicable to the relevant Restricted Securities and/or Escrowed Shareholder, as applicable.
Escrowed Shareholders	Each holder of Restricted Securities.
Existing Shareholders	A holder of one or more Existing Shares.
Existing Shares	Shares currently on issue prior to the Offer.
Expiry Date	25 December 2016.
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period.
FBI	Federal Bureau of Investigation. The domestic intelligence and security service of the United States.
FDA	Food and Drug Administration. An agency of the US Department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of medical devices inter alia.
Financial Information	The Historical Financial Information.
FPD	Flat panel detector of the type incorporated in a medical X-ray system.
FY	Financial Year.
General Priority Offer	The meaning given in Section 9.4.
Group	The consolidated group comprising the Company and its controlled entities (as at the Prospectus Date, the Company has no subsidiaries or other controlled entities) from time to time.
Group Company	A company or other entity included in the Group.
GST	Goods and services tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Historical Financial Information	The Statutory Historical Financial Information and Pro forma Historical Financial Information.

Term	Definition
Hydrix	Hydrix Services Pty Ltd ACN 113 572 160.
ICU	Intensive care unit.
IED	Improvised explosive device.
IFRS	International Financial Reporting Standards.
Independent Director	A member of the Board as described in Section 8.2(a).
Independent Limited Assurance Report	The Independent Limited Assurance Report produced by Grant Thornton Corporate Finance Pty Ltd and is contained in Section 10.
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality with which the Company is willing to comply), including in Australia persons to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus under section 708 of the Corporations Act.
Institutional Offer	The meaning given in Section 9.5.
Investigating Accountant	Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.
Investigating Accountant's Reports	The Investigating Accountant's Reports include the Investigating Account's Report on Historical Financial Information (see Section 10).
IPO	Initial public offering.
IP Report	The report in relation to certain intellectual property of Micro-X, prepared by Davies Collison Cave Patent Attorneys and included in Section 12.
KPI	Key Performance Indicator.
Lead Manager	Lodge Corporate Pty Ltd ACN 125 323 168 (Lodge Corporate Pty Ltd is a Corporate Authorised Representative (AR 316212) of Lodge Partners Pty Ltd ABN 25 053 432 769 AFSL 246271).
Listing	The commencement of trading in Shares on the Official List.
Management	The executives of the Company identified in Section 5.2.
Managing Director	The managing director of the Company, being, as at the Prospectus Date, Mr Peter Rowland.
Maximum Subscription	The maximum amount to be raised pursuant to this Prospectus and the Offer, being \$20 million.
MBI	Mobile backscatter imaging, an advanced X-ray imaging technology which detects the radiation that reflects from the target.
Micro-X or Company	Micro-X Limited ACN 153 273 735 and, as the context requires, its Group Companies.
Micro-X Consultants	Nominated persons who have provided engineering consultancy services to the Company in relation to the development of the DRX Revolution Nano.
Micro-X Offer Information Line	1300 386 019 (toll free within Australia) or + 3 9415 4387 (outside Australia); from 8:30am to 5:00pm (Melbourne time), Monday to Friday.
Minimum Subscription	The minimum amount to be raised pursuant to this Prospectus and the Offer, being \$15 million.
Non-Executive Director	A member of the Board who does not form part of Company's Management.
OEM	Original equipment manufacturer.
Offer	The invitation by the Company to apply for Shares under the Share Offer and the invitation by the Company to apply for Award Options under the Award Offer, under this Prospectus.
Offer Price	The price per Share that all Successful Applicants under the Broker Firm Offer, General Priority Offer and the Institutional Offer will pay for Shares, denominated in Australian currency.
Offer Securities	The new Shares (being a minimum of 30,000,000 Shares and a maximum number of 40,000,000 Shares) offered under the Offer.

## Appendix A - Glossary *continued*

Term	Definition
Official List	Official list of entities that the ASX has admitted to, and not removed, from listing.
Offer Management Agreement	The offer management agreement of that name between the Company and the Lead Manager on or about the Prospectus Date.
Option	An option issued to a person to acquire, by way of issue, a Share, including those options issued to a participant under the EEIP.
Plan Committee	The committee which has been delegated power by the Board to administer the EEIP or if there has been no delegation, the Board.
Prospectus	This document dated the Prospectus Date (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document.
Prospectus Date	The date of this Prospectus, being 25 November 2015.
Related Body Corporate	A related body corporate for the purposes of section 50 of the Corporations Act.
Replacement Prospectus	Any replacement prospectus to the Prospectus lodged with ASIC under Chapter 6D of the Corporations Act in connection with the Offer.
Related Body Corporate	A related body corporate for the purposes of section 50 of the Corporations Act.
Restricted Securities	Has the meaning given to that term in the ASX Listing Rules.
Rights	A right issued to a participant under the EEIP to acquire by way of issue or transfer: <ul style="list-style-type: none"> <li>(a) a Share; or</li> <li>(b) an option to acquire a Share.</li> </ul>
Ruggedised Nano	A derivative of the DRX Revolution Nano tailored to military and disaster relief applications as well as large-animal veterinary markets.
Securities	Shares (including but not limited to ordinary and preference shares), debentures, any legal or equitable right or interest in shares or debentures, options, convertible notes, Derivatives, interests in managed investment schemes and other financial products.
Series A Converting Preferred Share	A Series A Converting Preferred Share of the Company conferring on its holder the rights and entitlements contained in its terms of issue.
Series B Converting Preferred Share	A Series B Converting Preferred Share of the Company conferring on its holder the rights and entitlements contained in its terms of issue.
Series C Converting Preferred Share	A Series C Converting Preferred Share of the Company conferring on its holder the rights and entitlements contained in its terms of issue.
Share	A fully paid ordinary share in the capital of Micro-X Limited.
Share Offer	The invitation by the Company to apply for Shares under the Broker Firm Offer, General Priority Offer and the Institutional Offer under this Prospectus.
Share Registry	Computershare.
Shareholder	A holder of one or more Shares.
Shareholders Agreement	The shareholders agreement between the Company and certain Existing Shareholders which governs the relationship between the parties in relation to the Company. With effect from Completion of the Offer, the shareholders agreement will cease.
Successful Applicant	An Applicant who is issued Shares under the Offer and an Eligible Award Participant who is issued Award Options under the Offer.
Supplementary Prospectus	Any supplementary prospectus to the Prospectus lodged with ASIC under Chapter 6D of the Corporations Act in connection with the Offer.
Supply Agreement	The proposed supply agreement which Micro-X is proposing to enter into with Carestream, as detailed in Section 4.2.
TFN	Tax file number.

Term	Definition
TSA	Transport Security Administration. An agency of the US Department of Homeland Security responsible for the security of transportation systems inside, and connecting to the USA.
UNC-CH	The University of North Carolina at Chapel Hill
United States, USA or US	The United States of America, its territories and provinces, and any state of the United States of America.
USD or US\$	US currency.
US Securities Act	United States Securities Act of 1933, as amended.
XinRay	XinRay Systems Inc
XinRay Arrangements	The contracts, agreements and understandings between Micro-X and XinRay , including but not limited to the Strategic Supplier Agreement, the Design and Development Agreement and the Heads of Agreement for a Mobile Back Scatter Imager.
XinRay Investment T3	The subscription, by Micro-X, of the third tranche of shares in XinRay, in accordance with the terms of the XinRay Subscription Agreement.
XinRay Subscription Agreement	The agreement between Micro-X and Xintek, on or around the Prospectus Date, in relation to the subscription by Micro-X for fully paid ordinary shares in XinRay as detailed in Section 11.5.
Xintek	Xintek, Inc., the majority owner of XinRay.
Xintek Agreement	The call option agreement between Micro-X and Xintek, pursuant to which Micro-X will hold a 13.3% equity interest in XinRay (assuming Micro-X exercises its option under that agreement and completion occurs).

# Corporate directory

## Registered Office

Micro-X Limited  
1 Dalmore Drive Scoresby, Victoria 3179, Australia

## Share Registry

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford, Victoria 3067, Australia

## Micro-X Offer Information Line

Within Australia: 1300 386 019  
Outside Australia: +61 3 9415 4387  
Hours of operation: 8.30am to 5.00pm Monday to Friday  
(Melbourne time)

## Offer website

[www.Micro-X.com](http://www.Micro-X.com)

## Lead Manager

Lodge Corporate Pty Ltd  
(Lodge Corporate Pty Ltd ABN 50 125 323 168 is a Corporate  
Authorised Representative (AR 316212) of Lodge Partners Pty Ltd  
ABN 25 053 432 769 AFSL 246271)

Level 5, 60 Collins Street  
Melbourne, Victoria 3000, Australia

## Australian Legal Adviser

Minter Ellison  
Level 23, Rialto Towers, 525 Collins Street  
Melbourne, Victoria 3000, Australia

## Patent Attorney

Davies Collison Cave Patent Attorneys  
1 Nicholson Street  
Melbourne, Victoria 3000, Australia

## Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd  
Level 30, The Rialto, 525 Collins Street  
Melbourne, Victoria 3000, Australia

## Auditor

Grant Thornton Audit Pty Ltd  
Level 30, The Rialto, 525 Collins Street  
Melbourne, Victoria 3000, Australia



## How to complete this form

- A Shares applied for:** Enter the number of Shares you wish to apply for. The Application must be for a minimum of \$2,000 worth of Shares for Applicants who are not residents of Hong Kong and in multiples of \$500 worth of Shares thereafter. The minimum Application for the Institutional Offer for Applicants who are residents of Hong Kong is 500,000 Hong Kong dollars. The Offer Price of the Shares is payable in full on Application.
- B Application Monies:** Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the issue price of \$0.50 per Share. The minimum amount of Application Monies is \$2,000 and Applications for less than this amount may be rejected.
- C Applicant Name(s)** Enter the full name you wish to appear on the register of Shares and statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.
- D Postal Address:** Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E Contact Details:** Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.
- F CHES:** The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).
- G Payment:** Make your cheque, money order or bank draft payable to “Micro-X Limited - Share Offer” in Australian currency and cross it ‘Not Negotiable’, or as otherwise set out in the Prospectus dated 25 November 2015, including in relation to Applicants under the Broker Firm Offer, to their Broker in accordance with instructions provided by that Broker. Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Cash will not be accepted. No receipt for payment will be forwarded to Applicants.**

**Acknowledgements:** I/we declare that by lodging this Application Form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates. By lodging this Application Form, I/we represent, warrant and agree that I/we am/are and each person on whose behalf I am/we are submitting this Application Form is named on the front of this Application Form and has a registered address in Australia, New Zealand or Hong Kong (as applicable) and is not located in the United States and is not acting for the account or benefit of any person in the United States. I/we understand that the Shares have not been and will not be, registered under the U.S Securities Act or the securities laws of any state or other jurisdiction of the United States, and accordingly, the Shares may not be offered, sold or resold in the United States or in any other jurisdiction outside Australia except in transactions exempt from or not subject to registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold. I/we have not, and I/we agree that I/we will not, send this Application Form or any material relating to the Offer to any person in the United States; and I/we hereby authorise the Company to complete and execute any documents necessary to effect transfer or issue of any Shares.

**Declaration:** By submitting this Application Form, I/we declare, represent and warrant that this Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus and this Application Form and declare that all declarations, details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue of me/us of any number of Shares equal to or less than the value indicated in this Application Form which may be issued to me/us pursuant to the Prospectus. It is not necessary to sign an Application Form. Any Applications may be rejected without giving reasons, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured. If your Application Form is not completed correctly, is late or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company’s decision as to whether to treat your Application as valid, and how to construe, amend or complete it, is final. An Application may be accepted in part only and Applicants may be allocated fewer Shares than the Applicant applied for. The Company’s decision on the number of Shares to be allocated to you is final. An Applicant will not, however, be treated as having offered to subscribed for a higher dollar value of Shares than is indicated on the Application Form. If an Application Form is rejected, or is accepted in part only, the Applicant will receive a refund of the relevant Application Monies without interest (as applicable). No refund pursuant to rounding will be provided.

**Lodgement of Application:** Application Forms must be received by the Lead Manager or as otherwise set out in the Prospectus dated 25 November 2015, including in relation to Applicants under the Broker Firm Offer, to their Broker in accordance with instructions provided by that Broker by no later than 5:00pm AEDT on 9 December 2015. You should allow sufficient time for this to occur. Unless otherwise instructed by your Broker (in relation to the Broker Firm Offer), or as otherwise set out in the Prospectus dated 25 November 2015, return the Application Form with cheque(s) attached to: **Lodge Corporate Pty Ltd, Level 5, 60 Collins Street, Melbourne VIC 3000.** Neither Computershare Investor Services Pty Limited (CIS) nor the Company accept any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application, please contact the Micro-X Information Line on 1300 386 019 (within Australia), or +61 3 9415 4387 (outside Australia).

**Privacy Statement:** Personal information is collected on this form by CIS for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Company may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf or to third parties upon direction by the Company where related to their administration of your securityholding, or where you have otherwise agreed we may disclose it. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

**Correct forms of registrable title(s):** Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



# MICRO-X

