

Monday 1st April 2019

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

MICRO-X SIGNS ALLIANCE WITH THALES GROUP

Micro-X Ltd (ASX:MX1) is pleased to announce that late on Friday 29th March in Adelaide it signed contracts to bring into effect its new alliance with Thales Group, the world-leading aerospace, defence, transportation and security technology company headquartered in Paris, France.

The centrepiece of the alliance is a teaming agreement whereby Thales and Micro-X will collaborate on the global sales and support of Micro-X's counter-terrorism Mobile Backscatter Imager for assessment of Improvised Explosive Devices (IEDs). Design and development is already underway in Adelaide following very positive end-user feedback in the USA and Australia about the operational concept and the imaging performance demonstration conducted for the Australian Defence Force's Counter-IED Task Force. Micro-X is already well-positioned in preparation for direct sales to the Five Eyes alliance countries (USA, UK, Canada, Australia & NZ). Under this collaboration Thales, an established global supplier of defence and security technology systems, will sell the MBI product, manufactured in Adelaide, throughout the rest of the world.

Beyond this partnership, a Heads of Agreement has been signed concerning the development by Thales of a future and revolutionary airport checkpoint security system. Micro-X has already developed and demonstrated dual backscatter/transmission x-ray imaging technology under contract to the UK Government's Department for Transport as part of the Future Aviation Security Solutions program. This technology will be licenced to Thales under this agreement. Thales will contract Micro-X's engineering capability to design and develop the core imaging subsystem. The potential revenue impact of this project to Micro-X can be estimated closer to the product launch date. Thales is already a major global supplier of technology solutions in air transportation including aircraft avionics, air traffic control and airport security systems.

Underpinning the alliance on new products, Micro-X and Thales will join forces on the design and manufacture of a revolutionary new range of ultra-miniature X-ray tubes combining Micro-X's world-leading experience in CNT x-ray sources with Thales's 60 years' experience in X-ray devices. These tubes will be produced by Thales and manufactured in France, and will power both Thales and Micro-X's future roadmap of innovative x-ray products for medical and security markets.

To assist Micro-X to finance the development costs of this next generation of unique products, including the development of new x-ray tubes, Thales will subscribe for a 6-year A\$10M convertible bond. The loan will be convertible at any time during the sixth year of the loan at a 20% discount to the 30-day VWAP at the time of conversion. The bonds will pay an annual interest rate 185 bps above the 6-month Australian BBSW, equating to a rate of approximately 3.7% at present. This deal is subject to approval from the Foreign Investment Review Board. Upon approval, Micro-X shall receive A\$5M proceeds from the issuance of the bond with the balance being drawn on an as-required basis to support the planned technology and product development program.

“Entering this long-term, multi-dimensional alliance with Thales marks a key inflection point in Micro-X’s development and changes our growth trajectory considerably” said Micro-X’s Managing Director, Peter Rowland. “The close, long term working relationship and collaboration agreed with Thales on technology, manufacturing, product development and sales activities positions us well to propel Micro-X’s value creation quickly to the point where the company has multiple, unique products in production and sales are generating the healthy EBITDA margins which flow from our unique technology advantage.”

“This is just the beginning.” said Jean-Jacques Guittard, Thales Vice President, Microwave and Imaging Sub-Systems. “Like those Silicon Valley pioneers in the 70’s we are at the birth of a new technology evolution. CNT is a game changer in so many fields but none offer such practical and quantifiable benefits as in the X-ray imaging market. From airport checkpoints to counter terrorism activities to future medical imaging devices, Thales and Micro-X are on the edge of a historically decisive moment. In addition to these high-tech synergies and as a major player in the digital domain, this partnership will give us a technological leap none else can offer.”

For further information please contact:

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About Micro-X: Micro-X Limited (“MX1”) is an Australian Securities Exchange listed company developing and commercialising a range of highly innovative products based on proprietary carbon nanotube emitter technologies which enable the unique miniaturisation of a number of X-ray applications in global medical and security markets.