

ASX MARKET UPDATE

Variation to Thales Agreement; R&D Rebate; Capital Raising Update

Adelaide, Australia, 15 November 2019: Australian high-tech company Micro-X Ltd (ASX: MX1) (**Micro-X** or the **Company**) a leader in cold cathode x-ray technology for health and security markets globally, provides the following update to the market.

Summary Points

- Following a review by the ASX of the Company's AGM Notice of Meeting, the ASX determined that the Convertible Loan Agreement ("Loan Agreement") with Thales AVS France SAS ("Thales") completed on the 2 July 2019 comprises a 'convertible security' under the Listing Rules and as such would utilise Micro-X's placement capacity under Listing Rule 7.1
- Micro-X and Thales have now amended the Loan Agreement so that the convertible security under the Loan Agreement does not take effect unless and until it has been approved by Micro-X shareholders for the purposes of Listing Rule 7.1. A shareholder meeting to approve the convertible security is proposed to be held by 31 December 2019
- ASX has confirmed that, given the change to the Loan Agreement, the Company is not in breach of Listing Rule 7.1
- Micro-X has used the period of trading halt and suspension to address this issue with Thales and ASX. These steps were a precursor to launching a capital raising and Morgans Corporate Limited are appointed as Lead Manager. An announcement regarding the capital raising is expected to be made pre-market open on Tuesday 19 November 2019

Peter Rowland, Managing Director of Micro-X commented:

"When we entered the Thales Loan Agreement in July 2019, a key element was the right for Thales to become an equity partner and shareholder of Micro-X by converting their loans to shares. Even though Thales' ability to convert can only be exercised after July 2024 and we have the option to repay them in cash, we had proposed to put this to a shareholder vote at our upcoming AGM on 29 November 2019. Following the decision by the ASX, we appreciate the support of Thales and their senior management in working to amend the Loan Agreement to make the convertible security conditional on shareholder approval. We will put this to shareholders shortly with the aim of providing Thales their ability to receive equity at their election, if Micro-X does not opt to repay them in cash, which was always the intention and we welcome the ongoing engagement with Thales developing new products including the MBI."

"While we appreciate the time taken has been frustrating for shareholders, we are finally in a position to proceed with a capital raising to fund our growth plans into 2020. We believe this will be an exciting coming year for Micro-X with a fully insourced and higher margin Nano product building on its early sales, our Rover being commercial from mid-2020 and drawing on the support of our global partners in Carestream and Thales."

Variation to Thales Loan Agreement

In July 2019, Micro-X entered into the Loan agreement with Thales. Under the Loan Agreement, Thales made available to Micro-X a facility of up to \$10 million, of which Micro-X drew down \$5 million in July 2019, and which has since been applied to design and development work on Micro-X's counter-terrorism product, the Mobile Backscatter Imager. Thales

is collaborating with Micro-X in this radical new concept of a self-contained, x-ray imaging 'camera' which allows unmanned assessment of improvised explosive devices. This unique product is only made possible by Micro-X's proprietary x-ray emitter technology.

Under the Loan Agreement, the drawn funds (currently \$5m with following \$5m expected to be drawn down over the coming 18 months) may, after 2 July 2024, be converted into Micro-X shares following a request by Thales to do so at which time the Company has the choice to either (i) to repay the Thales loan in cash within 7 days; or (ii) issue Micro-X shares which would be issued at a 20% discount to the 30 day VWAP at time of conversion with a floor price of 25 cents per share (and not at the sole discretion of Thales, as stated in the ASX announcement dated 2 July 2019). Thus, it is for the Company to decide what is in the best interests of shareholders should Thales request conversion during the 12 months after 2 July 2024. This structure, in the view of the Company, did not require shareholder approval due to the nature of any conversion being at the earliest in Year 6 of the Agreement and where the Company had the ability to repay the Loan Agreement in cash.

During the course of the last week since preparing its notice of Annual General Meeting, Micro-X and ASX have been heavily engaged in consideration of the nature of the convertible security under this Loan Agreement.

ASX determined that the Loan Agreement comprises a 'convertible security' under the Listing Rules and as such would utilise Micro-X's placement capacity under Listing Rule 7.1. As a result, Micro-X and Thales have now amended the Loan Agreement so that the conversion security under the Loan Agreement does not take effect unless and until it has been approved by Micro-X shareholders for the purposes of Listing Rule 7.1 at a general meeting to be held on or before 31 December 2019.

Micro-X and Thales have executed a variation to the Loan Agreement to effect this amendment (the **Amendment**). We acknowledge and thank the senior managers at Thales who made this possible so quickly. Micro-X will shortly convene an extraordinary general meeting (proposed to be held in mid-December 2019) (**EGM**) at which shareholder approval of the convertible security under the terms of the Loan Agreement will be sought by Micro-X. In the event that the convertible security for Thales is not approved by shareholders at the EGM, then a review process may be initiated by Thales to agree a strategy with Micro-X to seek rectify the matter. If the review process is unsuccessful in reaching a resolution between both parties, then Thales may seek to cancel the Loan Agreement and seek repayment of 120% of the amount then outstanding.

If and when the convertible security has been so approved by shareholders, the subsequent exercise by Thales of the right and any issue of shares by Micro-X following such exercise by Thales, assuming the cash payment option is not then exercised by Micro-X, will not be subject to the 15% limit in Listing Rule 7.1.

The amendment does not impact Micro-X's placement capacity under Listing Rules 7.1 and 7.1A.

R&D Tax rebate

On 5 November 2019, the Company received confirmation that the ATO had approved its R&D tax rebate in an amount of approximately \$3.56 million. Following the commercial settlement reached with Allora, Micro-X was required to amend its 2017 R&D tax rebate to the extent it related to work previously performed by Allora for the Company. The Company has made a payment of \$0.40 million to the Australian Taxation Office for cash received under the R&D tax rebate which it is no longer eligible to receive due to reduced eligible R&D expenditure. The Company has also repaid in full its R&D Loan (\$3.0 million). This fully extinguishes this facility and releases all security associated with it. The net cash received by the Company was approximately \$0.15 million, and the Company has budgeted to enter a further R&D facility for approximately \$3.5M in April 2020.

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About Micro-X

Micro-X Limited (the **Company**) is an ASX listed hi-tech company developing and commercialising a range of innovative products for the global health and security markets, based on proprietary cold cathode, carbon nanotube emitter technology. The electronic control of emitters with this technology enables X-ray products with significant reduction in size, weight and power requirements, enabling greater mobility and ease of use in existing x-ray markets and a range of new and unique security and defence applications. The Company has its core R&D, engineering and production capability at its facility in Adelaide, Australia.

The Company's first product, the *Carestream DRX Revolution Nano*, is an ultra-lightweight digital medical x-ray system for the rapidly expanding mobile x-ray market in hospitals and healthcare. The *Carestream DRX Revolution Nano* holds 510(k) and CE Mark certifications and is sold commercially in a number of global markets by the Company's exclusive distributor, Carestream Health, Inc. The Company has a portfolio of innovative products in development, aimed at customer solutions where there is little or no competition. This includes the Mobile Backscatter Imager or MBI which will image Improvised Explosive Devices for airport security, defence and counter-terrorism applications. The MBI is being jointly developed in partnership with Thales, a global supplier of defence and security technology systems, who are providing technical support and \$10 million of funding.

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