MICRO-X $15.0M PLACEMENT & UNDERWRITTEN ENTITLEMENT OFFER

Adelaide, Australia, 17th April 2020: 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, is pleased to announce that it has received funding commitments totalling approximately $15.0 million, being a Placement of $8.75 million and a fully underwritten Entitlement Offer of approximately $6.25 million at 14 cents per share (collectively the **Offers**).

Key Points

- **$8.75m of commitments received for a Placement to sophisticated and professional investors**
- **$6.25m Non-Renounceable Entitlement Offer on a 1 for 5.6 basis - fully underwritten**
- **Funds from the Offers will be used to accelerate Nano scale up in response to COVID-19 demand, accelerate commercialisation of Rover product including high power generator and add funding runway**
- **$15m funding from Offers plus $8.1m cash at 31 March 2020 provides funding runway into 2022**
- **New institutional investors to join the register**
- **Prospectus for the Placement and Entitlement Offer to be lodged today.**

Purpose of the Offers

The Company intends to use the proceeds of the Offers to fund key growth strategies, including ramping up of Nano production in response to COVID-19 driven demand and positioning the Company to capture as many Nano sales as possible. The Company will also accelerate the commercialisation of the Rover product for the military market with an FDA filing and first sales targeted in 2020. The planned high power generator project will also be accelerated to enable the high powered Rover product from 2021. The detailed Use of Funds is set out below:

USE OF FUNDS – PLACEMENT + ENTITLEMENT OFFER	
Nano - Scale up & inventory	$4.00m
Rover - High power generator	$3.50m
Rover - Regulatory & Commercial launch	$1.00m
Mobile Backscatter Imager - Development	$1.50m
Commercialisation & Working Capital	$4.00m
Costs associated with Placement & Entitlement Offer	$1.00m
Total	**$15.0m**

The Company's updated presentation is **attached**.

Placement

The Company has received commitments totalling $8.75 million (the **Placement**) for new fully paid ordinary shares in the Company at 14 cents per share (the **Placement Shares**). The Company is pleased to welcome new institutional and sophisticated investors as shareholders in addition to the support of a number of existing shareholders.

The key terms of the Placement are as follows:

- 62.5 million Placement Shares at $0.14 per Placement Share to raise approximately $8.75 million

- The issue price of the Placement Shares represents a:
  - 20.0% discount to the last traded price of 17.5 cents on 14 April 2020; and
  - 18.9% discount to the 5-day volume weighted average price (**VWAP**), 14.3% discount to the 15-day VWAP immediately prior to the date of the Placement.
- The Placement will be made under the Company's available capacity under ASX Listing Rule 7.1, which has been increased from 15% to 25% as part of the temporary emergency capital raising measures introduced by the ASX on 31 March 2020.
- The Placement was available to investors in Australia who qualified as professional or sophisticated investors under the requirements of the Corporations Act 2001 (Cth) and sophisticated and professional investors in select other jurisdictions.
- Placement Shares will rank equally with existing ordinary shares of the Company.
- Placement Shares will be allotted on Thursday 23 April 2020.
- A transaction specific Prospectus will be lodged with the ASX and ASIC on 17 April 2020 (the **Prospectus**) to facilitate resale of Placement Shares.
- Morgans Corporate Limited and Bell Potter Securities Limited were engaged as Joint Lead Managers for the Placement with Hawkesbury Partners acting as Corporate Advisor.

Fully Underwritten Entitlement Offer

The Company also announces that it will lodge a Prospectus today and invite eligible shareholders to subscribe for 1 new Share for each 5.6 Shares held at a price of 14 cents per Share, under a fully underwritten, Non-Renounceable Entitlement Offer to raise approximately $6.25 million (**Entitlement Offer**).

The key terms of the Entitlement Offer are as follows:

- An Entitlement Offer of approximately 44.65 million Shares to raise approximately $6.25 million.
- The Entitlement Offer will be extended to shareholders with a registered address in Australia or New Zealand on the record date of Wednesday, 22 April 2020.
- Eligible holders will be entitled to subscribe for 1 new share for each 5.6 shares held. Eligible holders may also apply for an additional Top Up amount of Shares up to a maximum of 50% of their entitlement (subject to scale back).
- The issue price of Shares under the Entitlement Offer is the same as the Placement Shares and represents a:
  - 20.0% discount to the last traded price of 17.5 cents on 14 April 2020; and
  - 18.9% discount to the 5-day volume weighted average price (**VWAP**), 14.3% discount to the 15-day VWAP immediately prior to the date of the Placement.
- Morgans Corporate Limited and Bell Potter Securities Limited have agreed to fully underwrite the Entitlement Offer, the terms of which are more fully described in the Prospectus.

Key dates

The key dates for the Offers are summarised below and may be subject to change without notice.

Event	Date
Announcement of Placement & Entitlement Offer	9.00am, Friday, 17 April 2020

Event	Date
Prospectus Lodged	Friday, 17 April 2020
Ex Date	Tuesday, 21 April 2020
Record Date for Entitlement Offer	Wednesday, 22 April 2020
Allotment of Shares Issued in Placement	Thursday, 23 April 2020
Prospectus dispatched to eligible shareholders	Friday, 24 April 2020
Entitlement Offer Closes	Wednesday, 6 May 2020
Results of Entitlement Offer Announced	Monday, 11 May 2020
Settlement of Entitlement Offer	Tuesday, 12 May 2020
Allotment of Shares Issued under Entitlement Offer	Wednesday, 13 May 2020

Peter Rowland, Managing Director of Micro-X commented:

"We are very pleased to have attracted this level of investor commitments to help Micro-X expand its Nano production capabilities and to accelerate the development of our Rover product and our High Powered Generator. As a result of the significant change in mobile X-ray purchasing in recent months caused by the COVID-19 pandemic, we recognised a strategic opportunity to seek funds to enable us not only to best position ourselves to capture as much of this surge in demand as possible but also to accelerate our next product, the Rover. These commercial initiatives, which are now funded, help build on our growing business momentum.

We have sought to enable all of our shareholders to be included in this capital raising and I hope that all shareholders who are eligible to participate will take up their entitlement offer as we move to further execute on our commercial goals and transform the Company."

Authorised by the board of Micro-X Limited

– ENDS –

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.

CONTACTS

Micro-X Limited	Investor Enquiries
Peter Rowland Managing Director Tel: +61 8 7099 3966 E: admin@micro-x.com	**David Allen / John Granger** Hawkesbury Partners Tel: +61 2 9103 9494 E: dallen@hawkesburypartners.com jgranger@hawkesburypartners.com

MICRO-X

ACN 153 273 735

ASX: MX1

Capital Raising to accelerate strategic growth

Micro-X responding to significant market demand from COVID-19 pandemic

17 April 2020

Peter Rowland,
Managing Director & CEO

Disclaimer

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Overview

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Next generation X-ray for global health and security markets

- **Next generation, cold cathode, Carbon Nano Tube technology**
  - X-ray products with significant reduction in size, weight and power
  - Platform technology – health and new security applications
- **First product** – *Carestream DRX Revolution Nano*
  - Mobile ultra-lightweight digital x-ray system for hospitals
  - Sold in United States, Asia, Europe and Australia – highly portable and easy to disinfect
- **COVID-19 driving unprecedented market changes – surge in Nano orders**
  - $3.6m of Nano orders since January 2020
- **Major expansion of Nano production to meet increasing sales demand**

Carestream DRX Revolution Nano

- **Accelerating second product** the Rover for military market – **plan for sales later this year**
  - U.S. FDA 510(k) filing 2Q 2020
- **Support of strategic partnerships**
  - Distribution of Nano - Carestream (ex Kodak Medical, US$2.5b sales)
  - Security collaboration - Thales (technology giant, €16b sales)
- **$15m capital raising - $8.75m Placement + $6.25m underwritten Entitlement Offer**
  - **Extends funding runway into 2022 plus funds key growth initiatives**

First product – Nano mobile X-ray for healthcare

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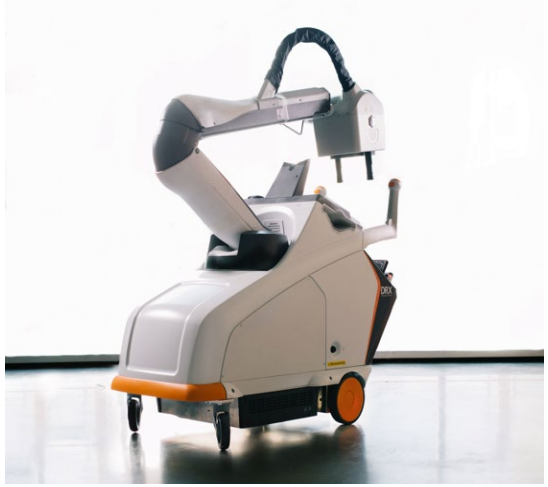
Approved for sale in most global markets – significant COVID-19 related sales demand

- **Bedside imaging** – hospitals & temporary facilities
- **Small & portable** – 90kg compared to 350 to 600kg
- **Approvals** – FDA, CE Mark and TGA
- **Sold into global markets ~** 12 countries already
- **Proven reliability** + Strong **customer feedback**
- Addressable **market ~ $500 million**
- **Orders growing** - $3.0m in March 2020 Quarter and $0.6m in April 2020 already

Product Details

GOOD DESIGN AWARD® BEST IN CLASS

- Class II Medical device
- Optimised for high workflow chest imaging
- 10 images per hour due to ease of use
- Battery operation – 12 hour endurance
- Unique "tusks" for alignment with controls
- Bar code reader for patient-image association
- Exceptional visibility for operator & patient safety
- Sold as the *Carestream DRX Revolution Nano*



Fundamental shift in market – COVID-19 pandemic

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Massive increase in demand for X-ray imaging of COVID-19 infected patients

- COVID-19 pandemic has had global impact with potential future waves of the disease
- COVID-19 symptoms often progress to fluid on lungs similar to pneumonia
  - Chest X-ray enables immediate diagnosis of fluid on lungs and progression of infiltration
- American College of Radiology recommends portable x-rays for COVID-19 patients*
  - Limits the movement of patients in hospitals - minimise transmission risk and equipment sterilisation time
- Government health agencies using emergency procurement processes – urgent delivery < 4 weeks
  - Different from normal purchasing and 8 – 12 week delivery

Image Source: Coronavirus COVID-19 Global Cases by the Center for Systems Science and Engineering, at Johns Hopkins University, 10 April 2020

**American College of Radiology – ACR Position Statement : ACR Recommendations for the use of Chest Radiography and Computed Tomography (CT) for Suspected COVID-19 Infection published on 11 March 2020*

Nano - Production ramping up to meet demand

Strategic decision to invest capital to significantly ramp up production – 2 Nano per day

Objective: Capture **immediate sales opportunity** by increasing ability to **ship as many Nano units as possible < 4 week delivery**

Inventory – committed $1.1m initially and growing to $3.4m

- Additional inventory of components and completed /semi complete Nano units
- Components have long shelf life and most can be used in Nano or Rover product

Supply chain – actively engaged with vendors

- Ensure they can fulfil increased throughput and manage transport logistics

Capex - $0.6m to increase X-ray tube production and testing

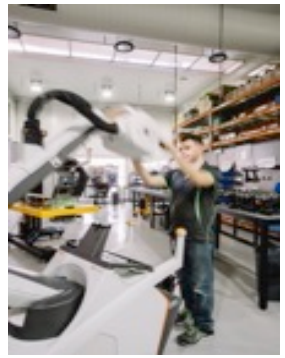
Headcount – currently sufficient and will scale with second shift and other labour as required

Planned increase in production volumes improves margins

Nano - Growing orders and adoption

Purchase orders flowing and revenues building

- Shipments to **12 countries globally** – growing adoption
- **$3.0m** of Purchase Orders in March 2020 Qtr + **$0.6m** in April 2020
  - $1.3m Nano units shipped and invoiced by 31 March 2020
  - Includes United States, Europe, Asia and Australia
- First **major Australian orders of $1.0m** build local awareness
  - NSW health and other agencies
- **The Alfred Hospital, Melbourne** - two Nano units + reference site
  - U.S. reference Hospitals also provide **strong customer endorsement**
- Reference sites can **facilitate urgent sales without demonstrations**



Manufacturing Nano units to meet demand - Tonsley, Adelaide

Rover - Second Product in final test phase

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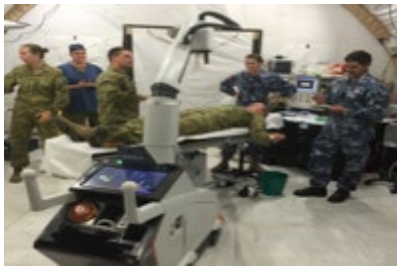
Mobile X-Ray for NATO Role 3 Deployed Military Medical Facilities

- Rover is an **adapted version of the Nano** for the military
  - Deployed medical facilities treat injured military personnel
  - Higher power for trauma use with enhanced ground clearance
- **Unmet need** – military currently using small-animal vet X-ray
- **Limited competition** - means higher potential gross margins
- Requires regulatory approvals (FDA, CE mark and TGA)
- **Direct sales model** – initial focus on NATO countries
  - Dedicated sales executive actively working with US, UK and AU
- **Addressable market in NATO countries ~$170M**

Product Overview

- **Based on key elements of Nano**
- Class II Medical device
- Higher energy X-ray exams used in trauma
- Light & manoeuvrable 90kg
- Rugged packaging for military transport
- Easy battery change
- Operates on uneven surfaces
- Full performance digital imager in deployed medical facilities – Combat support, Disaster Relief



Top – ADF deployed medical facility at Shoalwater Bay

Bottom: ADF demonstration at Enoggera on exercise Giant Viper

Rover – First generation model on sale mid-2020

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Responding to strong US military interest

Objective: to be **selling to two major defence customers** by the end of 2020 - building customer interest for larger follow-on orders

Final stages of development – first generation model completed

- ISO 60601 safety test underway

Regulatory filing in Q2 2020 - US FDA 510(k) filing

- US military may seek to fast track approval due to COVID-19

First sale contract expected Q3 2020 – U.S. Army Medical Materiel Agency

- Completed demonstrations at Fort Detrick, Maryland - interest from U.S. Army and Navy
- **FDA filing** enables military clinical test and assessment
- **FDA approval** enables a Low Rate Initial Production order – **small order without tender**
- Potential for **Multi-Year procurements** - following successful operational assessment

Australian Defence Force sub-contract during 2020

- Part of successful tender for JP2060 project – completing final pricing

AUSTRALIAN DEFENCE FORCE

High powered generator - for Rover

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Strategic decision to advance investment in high powered generator project

Objective: Complete in-house design & manufacture of high power generator by early 2021
- **reduce manufacturing costs** and enable **high-power Rover product for sale**

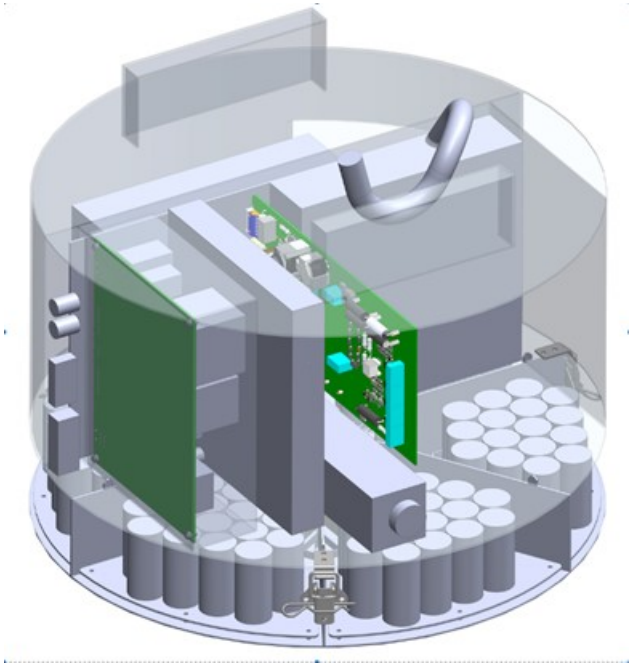
Initial design work for in-house generator project largely completed

Project costing is **$3.5m over 9 to 12 months**

- Build prototype, test and develop manufacturing infrastructure
- $1.6m in materials and Capex
- $1.9m on engineering services – internal + consultants + test agencies

Production of generators targeted by **end of 1Q 2021**

- Enable control of supply chain and reduced manufacturing costs
- Platform technology for future products



Product roadmap

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Planned product evolution – from current X-ray uses to solving unmet needs

Mobile medical X-ray

Nano

Launched 2019

Mobile medical X-ray for Military

Rover

First contract 2H2020

Counter terrorism IED Detection

MBI

Prototype end 2020

Airport screening

MBS

Prototype ~ 2021

Healthcare applications*

Military & Counter terror applications

Security applications

* Additional healthcare opportunities
- e.g. Mobile 3D CT imager for stroke diagnosis

MBI - Third Product in development with Thales

Unmanned assessment of potential *Improvised Explosive Devices*

- Bomb disposal technicians face life threatening harm when placing X-ray detector behind the IEDs
- MBI takes x-ray images without separate detector– **one sided**
- Australian Defence Force **proof of concept imaging completed**
- Customer support - **military and FBI / bomb disposal** interest
- **Addressable market ~$1.8B**
- **No competition & unmet need means high gross margins**

Above – Illustration of MBI carried by EOD* Robot

Above – Current bomb disposal X-ray imaging technique
* EOD – Explosive Ordnance Disposal

Product Characteristics

- **CNT** technology with **Backscatter detector** – enables one-sided X-ray image
- Thales collaborating on new tube development
- Light and able to be carried by any EOD* robot – maintaining distance of bomb technician
- Resolution of better than 0.5mm
- **Ideal in a wide range of counter-terrorism scenarios**

Business model & Strategies

MICRO-X

Commercialise our proprietary technology products with selected global partners

- **Dual Market strategy** in healthcare and defence/security – based on **proprietary technology**
- Maintain world leading **in-house design and technology development** capabilities
- Expand **highly robust quality manufacturing** capability
- **Enter markets** in partnership with **globally recognised brands**
- **First product in healthcare builds credibility** before entering **new markets without competition**

❖ **Earn attractive margins** as a highly differentiated **technology manufacturer** in **large global markets** - seek opportunities to **move up the value chain**

Experienced leadership

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Technical and commercial expertise to support our goals and objectives

Peter Rowland

Managing Director & CEO

- Over 30 years' engineering and management in medical device & and aerospace industries
- Previously BAE Systems, Ellex Medical and Biolase Technology (NASDAQ)

Patrick O'Brien

Non-Executive Chairman

- Over 25 years' business and finance experience in UK, Asia and Australia
- Former Executive Director at Macquarie Group; McKinsey; and Minter Ellison

David Knox

Non-Executive Director

- Extensive international business experience delivering large energy projects
- Formerly CEO of Santos and Australian Naval Infrastructure
- Chair of Snowy Hydro, Director of CSIRO

Yasmin King

Non-Executive Director

- Highly experienced in business, vocation and government
- Currently CEO of Skills IQ, formerly Associate Commissioner of ACCC

Dr Alexander Gosling, AM

Non-Executive Director

- Over 40 years' business, technology and R&D experience
- A founding Director at Invetech (Vision Systems); strategy for Capstone

Kingsley Hall

Chief Financial Officer

25 years experience in senior finance and operations across private and public companies

Anthony Skeats

Engineering Manager

20 years hi-tech engineering & medical product design. Consulting experience with Lucent, Invetech, Hydrix

Alexander Blackburn

Programs Manager

Highly experienced in quality, supply chain and programme management in auto and medical industry in Australia & China.

Daniel Pini

Manufacturing Manager

13 years production scheduling & management experience in auto industry

Diploma in Competitive Manufacturing

Global search underway to add an experienced Sales and Marketing executive to Leadership team

Milestones and Newsflow

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Accelerating key initiatives to deliver commercial outcomes for all stakeholders

CY 2020

Q1 – Nano sales due to COVID-19
Q1 – Major Australian Nano orders
Q2 – Ramp up Nano production
Q2 – Accelerate generator project
Q2 – File 510(k) for Rover 1st gen
2H – Further Nano orders & sales
2H – FDA Rover 510(k) approval
2H – Rover 1st gen U.S. Army contract
2H – MBI first imaging demo
2H – Rover ADF contract

CY 2021

Ongoing Nano sales
High power generator complete
Mark 2 High power Rover
Growth in Rover orders – US & AU
Airport security prototype

Beyond

Ongoing Nano and Rover sales
MBI customer demo / testing
MBI launch in ~ 2022
Breakeven & profitability

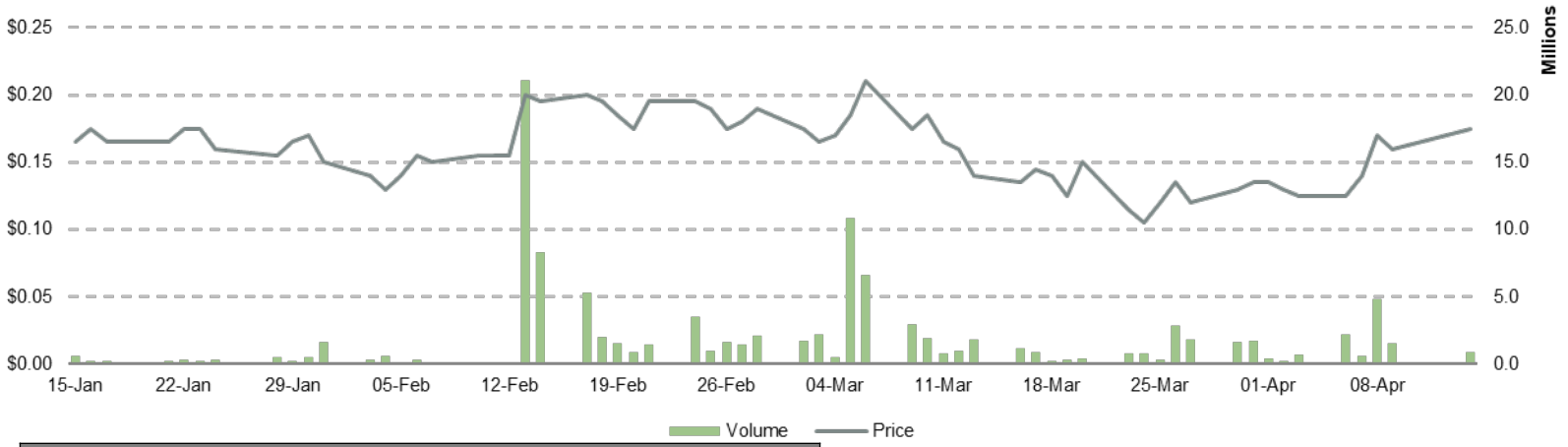
The above forecast dates are estimated and indicative and may change and may require access to capital

Corporate Snapshot

MICRO-X

Growth stage company with institutional and strategic investor support

MX1 - Three month Share trading (to 14 April 2020)



Share & Trading Statistics (Closing Price on 14 April 2020)	
Share Price	**$0.175 per share**
Total Shares On Issue	250.0 million
Options Issued	6.5 million
Market Cap	**~$43.8 million**

Key Financials & Shareholders	
Current Cash	**$8.12 million** (at 31 March 2020)
Loan Facilities	SAFA $3 million facility + Thales $5m Con Notes
Strategic Investors	Carestream (3.8%), Thales ($5m Con Notes)
Institutional Investors	~14.7% including Thorney (6.3%)
Board & Related Parties	~ 7.6%

Realigned financial resources to commercial outcomes

Key terms of Placement & Entitlement Offer

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Structure	**Private Placement** of **A$8.75m or ~ 62.50m shares**, to Institutional and Sophisticated investors at **A$0.14 per share**. **Underwritten Entitlement Offer** to raise **$6.25m or ~ 44.65 shares**. Eligible shareholders at the record date may apply for **1 New Share for each 5.6 existing shares. Eligible shareholders who take up their full entitlement** may also apply for additional shares under a Top Up (of up to 50%) of their pro rata entitlement. The Company will be lodging a transaction specific Prospectus with ASX and ASIC for the Entitlement Offer and to enable Placement Shares to be resold. This contains the full details of the Entitlement Offer and the Underwriting. Morgans Corporate Limited and Bell Potter Securities Limited are acting as Joint Lead Managers of the Placement and Underwriters of the Entitlement Offer. Hawkesbury Partners are Corporate Advisers to Micro-X.

Use of proceeds

USE OF FUNDS	Proceeds
Nano - Scale up & inventory[1]	$4.00m
Rover - High power generator[2]	$3.50m
Rover - Regulatory & Commercial launch[3]	$1.00m
Mobile Backscatter Imager - Development	$1.50m
Commercialisation & Working Capital[4]	$4.00m
Costs associated with Placement & Entitlement Offer	$1.00m
Total	**$15.0m**

Notes

1. Nano scale up and inventory includes $0.6m of CAPEX and $3.4m of components and finished or semi complete Nano units available for sale.
2. Rover high powered generator includes Capex, consultants and internal costs
3. Rover costs associated with regulatory submission to FDA and for CE Mark, final development costs, and commercial launch and sales and marketing expenses.
4. Commercialisation includes sales and marketing and associated activities. Funds for working capital are in addition to cash on hand of $8.12m as at 31 March 2020.

Pricing

The Placement and Entitlement Offer will be undertaken at a Price of **$0.14 per share** which represents a discount of:

- 18.9% to the 5-day VWAP
- **14.3% to the 15-day VWAP**
- 5.7% to the 30-day VWAP
- **20% to the last traded price** of $0.175 per share on 14 April 2020

Timing^ & Settlement

Trading Halt	**15 April 2020**	**Close of Entitlement Offer**	**6 May 2020**
Announce Placement - MX1 Recommences Trading	**17 April 2020**	Results of Entitlement Offer & shortfall (if any)	**11 May 2020**
Prospectus lodged	**17 April 2020**	Settlement of shortfall (if any)	**12 May 2020**
Record date for Entitlement Offer + Placement settlement	**22 April 2020**	Allotment of Entitlement Offer shares including shortfall	**13 May 2020**
Allotment and quotation of Placement shares	**23 April 2020**		
Entitlement Offer Opens – Dispatch of Prospectus and Entitlement Acceptance Forms	**24 April 2020**	**^ Dates are indicative and subject to change at Company's discretion**	

Approvals

The Placement Shares shall be issued in accordance with the Company's capacity under ASX Listing Rule 7.1 as recently amended (25% rule)

Issued Capital

250.0 million ordinary shares + 6.5m options
$0.165m Convertible Notes (40c) and $0.500m Convertible Notes (VWAP discount with 23c floor)

Micro-X well positioned post Capital Raise

Funding will accelerate Nano commercialisation and Rover launch

- **COVID-19 has significantly changed mobile X-ray market** – large immediate opportunity
  - Opportunity to showcase Nano's capability in multiple markets
- **Capital Raise will support strategies to invest more in Nano production + Generator project**
  - Ability to capture as many Nano sales as possible
  - Accelerate Rover commercialisation – FDA filing and first sale this year
  - Enables high power Rover product from 2021 which is the future growth market
- **Current cash + Placement + underwritten Entitlement Offer = $22.1m cash** (after costs)
  - Extends funding runway into 2022

Risk Factors

Risk Factors

MICRO-X

This Risk Factors section includes details of the key risks attaching to an investment in shares in Micro-X. These risks may affect the future strategy, operating and financial performance of Micro-X and the value of Micro-X Shares. The key risks are not set out in any particular order. Additional risks and uncertainties that Micro-X is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Micro-X's strategy, operating and financial performance. You should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of Micro-X, its directors and senior management. Further, you should note that this section focuses on the potential key risks and does not purport to list every risk that Micro-X may have now or in the future.

Business Specific Risks

Current capital reserves and ability to raise additional capital	The Company is at an early revenue stage and there is no guarantee that the Company will ever achieve cashflow breakeven or profitability. As at 31 March 2020, the Company's bank balance was approximately $8.12 million. Furthermore, the Company has secured debt facilities to the South Australian Government Financing Authority (**SAFA**) and Thales AVS France SAS (**Thales**) (together, the **Lenders**). These facilities prevent the Company from raising additional finance, either by way of a loan or debt instrument, without the prior approval of the Lenders. Furthermore, the security granted to the Lenders prevents the Company from dealing with, licensing or selling its intellectual property without the Lenders' prior permission. Accordingly, the Company requires significant additional capital to continue to operate and deliver on its proposed commercial strategies. In the absence of such additional financing, there is a risk that (i) the Company may not be able to continue to operate beyond the next 12 months; and (ii) there may be a delay and indefinite postponement of the Company's activities and potential development programs. There can be no assurance that additional financing will be available when needed. If additional financing is available, the terms of the financing may not be favourable to the Company and may involve substantial dilution to Shareholders. The occurrence of any of these events could have a material adverse effect on the Company's financial performance and financial position.
Funding from the Placement or Entitlement Offer is delayed or not received	The Company is not reliant on the Placement and Entitlement Offer to provide the funding necessary to continue its operations at this time. However, the Company believes that there has been a significant increase in global demand for the Nano as a result of the urgent need for imaging of COVID-19 patients and as such, has decided to ramp up production and reduce delivery times for the Nano, to meet the current and anticipated demand. The funding from the Placement and Entitlement Offer would assist in maintaining working capital at a level to meet increased demand for the Nano with short delivery timeframes. If the funding from the Placement and Entitlement Offer is delayed or not received it may impact the Company's ability to meet the increased demand or delay the development of future products, which could have a material effect on the Company's financial performance and financial position. In the current climate, the Company believes that the long-term forecast demand for the Nano has not been increased but rather, the timing of demand for the Company's sales of the Nano has been brought forward. If the Company is unable to meet the increased short-term demand for the Nano, it may not be able to recoup these sales in the future as the market is unlikely to sustain the current high level of demand for mobile x-ray units (including the Nano) after the COVID-19 pandemic.
Working capital constraints and scale up risk	The Company currently manufactures the Nano product in response to purchase orders received from its exclusive global distributor (**Distributor**). The manufacturing process can currently take up to 12 weeks during which time the Company has to expend funds on the necessary components, labour and other direct costs. Once the Nano products for the purchase order have passed all final tests they are then shipped to the end customer. Upon shipment, the Company issues the Distributor with an invoice for payment for the Nano units which have been shipped. There is a standard period before payment of these invoices is required to be made by the Distributor. The timing gap between when the Company incurs these manufacturing costs and the receipt of payment under the invoice, can place financial pressure on the Company to manage its working capital during this period. The Company is currently ramping up its production for the Nano, such that there are larger numbers of purchase orders being received and Nano units being manufactured and invoiced. This could increase the risk of financial pressure on the Company as a result of managing working capital. The Company may not have sufficient resources to fund this working capital if there are significant purchase orders or there is a delay in payment of invoices for completed Nano units. The Company is currently increasing its inventory levels for the Nano to support the increase in demand being faced. There is a risk that future demand for the Nano may decline or cease and the Company may be left with significant levels of inventory. This would place further pressure on the Company's working capital and the ability to fund its operations, which may have a material adverse effect on the Company's financial position.
Default under debt facilities	If the Company defaulted under either of its debt facilities, then there is a risk that the relevant Lender would be able to demand immediate repayment of the loan. The Company continues to comply with the terms of the debt facilities.

Risk Factors

MICRO-X

Business Specific Risks (Cont/…)

Difficulties encountered with early commercialisation of new technology

There are a number of risks associated with the early commercialisation of new technology, which is the Company's current stage of development, including an inherent risk of failure, and the possibility that the products developed by the Company may fail to demonstrate material customer benefit or advancement, be difficult or impossible to manufacture on the necessary scale, be uneconomical to market or otherwise not commercially exploitable, fail to be developed prior to the successful marketing of alternative products by competitors, or fail to achieve the support of the targeted industry. Accordingly, the Company gives no guarantee that the development and commercialisation of its intellectual property will be successful, that development and commercialisation milestones will be achieved, or that product commercialisations will be successful. Projects can be delayed or fail to demonstrate any performance advantage over existing solutions or may cease to be viable for a range of scientific and commercial reasons. Product development expenditures may be much higher than forecast, and the manufacturing cost of products may preclude successful sales exploitation. The commercialisation risk is also high when developing new medical technologies and also new security applications. These risks include the Company's ability to:

- transition into a commercialisation-stage company, and implement and execute its business strategy as planned;
- increase awareness of its brand and market acceptance of its products;
- obtain and maintain regulatory registrations and market clearances;
- manage expanding operations in multiple markets;
- respond effectively to competitive pressures and developments;
- manage costs and margins to deliver projected returns;
- manage scale up of manufacturing and supply chain logistics;
- manage working capital requirements; and
- access the necessary capital to fund the business.

Competition risk, including larger and better resourced competitors

There can be no assurance that other parties will not develop and commercialise technology or intellectual property that compete with, or substitute, the Company's cold cathode carbon nanotube (CNT) based x-ray technology in either the security or the healthcare markets.

Nano

The mobile diagnostic x-ray market contains a number of mobile x-ray devices (with others likely to be in development) which compete directly with the Nano. These competing products are manufactured and or sold by well established, large and well-resourced competitor companies including Canon, FujiFilm, Sedecal, Siemens, Konica-Minolta, Shimadzu, GE, Philips, Samsung and AGFA (**Competitors**). These Competitors may react to the Company's Nano product through aggressive pricing or other strategies that may diminish the competitiveness of the Nano, the Company's ability to sell the Nano, and/or the Company's ability to achieve the sales price for the Nano.

Rover

The Company does not believe that it has notable competitors for the Rover product for the mobile military X-ray market, however this is no guarantee that a competitor will not enter the market. The military market generally is dominated by large contractors and multi-nationals who can exert significant influence within the market, and the corresponding end-users, which may adversely affect the Company and its ability to sell the Rover. Since the Company is planning to sell the Rover directly, it will not have the benefit of a large partner or distributor to assist against any anti-competitive behaviour. The Company is not currently a registered vendor to military customers and may need to become registered to enable sales of its Rover product to the military. There is a risk of higher than budgeted non-recurring engineering costs. In order for the Rover product to be approved for release to the market, the Company must comply with cyber security requirements (which requires the product to pass the United States Department of Defence (US DoD) risk management Authority to Operate process), obtain an FDA 510(k) approval and engage in a contracting process with the United States Materiel Defence Agency. There is a risk that one or more of these steps may become protracted or delayed or not completed. This would result in delays to the Rover product being approved for release to the market and therefore result in delays to the timing of revenue received by the Company from Rover sales. This may adversely affect the Company's ability to achieve its forecasted growth. To mitigate these risks, the Company has engaged experienced external contractors and partner experts to assist with development of cyber-security requirements, the 501(k) submission and to assist with key communications with the US DoD.

MBI

The MBI is being designed for detection of improvised explosive devices (IEDs), and is intended for sale primarily to government security organisations such as the military and police. While the Company's approach is novel and the Company believes it provides significant advantage, there are existing technologies in use for IED detection, and therefore there is a risk that established competitors will develop competing technology that may diminish the commercial success of the MBI. The Company has internal processes to monitor and measure expenditure, however there is the risk of higher than budgeted non-recurring engineering costs being incurred during the course of product development. Similar to the Rover, there is a risk of a delay to revenue as a result of delays related to cyber security compliance and contracting processes with customers given the Company is required to engage with local authorities, and state and federal government departments in specific countries. To mitigate this risk, the Company has engaged with external contractors that specialise in cyber security compliance and contracting processes in the US, and have similar engagement plans with other customers.

Risk Factors

Business Specific Risks (Cont/..)	
Reliance on partners and distributors to sell the Company's products	The Company's commercial strategy with regards to its Nano product is primarily to act as an OEM supplier to channel partners to its Distributor for sales to end-users. In this context, the Company is wholly reliant on partners' sales and marketing capabilities, willingness, effort, expenditure and infrastructure to sell its products. The Company's partners may not sell the Company's products to the extent forecasted, may change strategy, discontinue or reduce sales of the Company's products, may be acquired by another entity, become insolvent or otherwise cease to trade with the result that the Company's sales revenues will be materially reduced. In 2016, the Company appointed the Distributor for the Nano. The Distributor, however, is not active in Japan, and only has sub distributors in some parts of the European Union. There is a risk that the Distributor may not be able to effectively sell the Nano in all global markets, and that this may negatively impact the Company's ability to derive revenues from those markets. There is a risk that the Distributor, as the Company's exclusive distributor of the Nano, may reorganise or change its current activities, cease or downsize its sales in the mobile x-ray market. Furthermore, there is a risk that the Distributor may seek to renegotiate the Distribution Agreement on less favourable terms, or give notice of non-renewal of the Distribution Agreement on or before 26 January 2021, or cease to be a distributor for the Nano altogether for any reason. In such a case, the Company would require another distributor immediately. If a new distributor could not be appointed on terms acceptable to the Company, the Company may be required to adapt the product to make it more appealing to another distributor partner, or, alternatively, build its own sales and distribution infrastructure, both of which would require significant additional capital of the Company.
Limited sales and marketing experience and resources	The Company currently relies on the Distributor as the exclusive distributor to sell its Nano product, and will require active engagement with the Distributor's sales and marketing activities under this arrangement. The Company plans to sell its next products, the Rover and the MBI, directly to customers. In this respect, the Company has limited sales and marketing resources and its management has limited sales and marketing expertise in the relevant markets in which the Company intends to sell its products. While the Company does not plan to build a large, globally diverse sales operation, it will need to, among other things, employ resources in sales and marketing in order to sell directly its MBI and Rover products and execute its growth strategy. There is a risk that the Company will be unable to develop sufficient sales and marketing capabilities to effectively commercialise its products.
Hospitals and healthcare organisations are facing budget constraints	The Company's ability to generate revenue from the Nano will depend on how effectively the Distributor can market and sell the Nano, which is not a reimbursed product, to organisations within the healthcare industry. Hospitals and healthcare organisations face regular and significant budget constraints; the competition for limited capital budgets is intense and the budget allocation process and approvals for spending on medical equipment is complex and time-consuming. As a result, marketing and sales to hospitals and other healthcare organisations is competitive, and the revenue cycle for medical equipment can be lengthy and unpredictable with highly variable results. These factors may cause the Company's sales of Nano to fluctuate or adversely affect the Company's ability to achieve its forecasted growth.
Contractual risk dealing with military customers	The Company is planning to sell its Rover product directly to the military including the Australian Defence Force, the UK Ministry of Defence and the United States Army Medical Materiel Agency (**Agency**). The Company does not have a track record of dealing with military customers or managing procurement and contracting processes. The Company is also not a registered vendor to the military and this may impact the ability to compete in tenders or provide products to these customers. Military procurement processes can take an extensive period of time to complete and are subject to change, delay or cancellation for a number of factors including global military activity, policy change and change in the political climate. While the Rover and MBI are diagnostic devices not weapons, weapons systems, vehicles or munitions and therefore not considered arms, agreeing to sell to particular militaries, including the United States, may impose further restrictions on trade with other nations' militaries. The Agency has recently advised of a new Cyber Security Risk Management Framework for the US Military that all new equipment procured must meet. The Company will need to make adjustments in the Rover to the software and operating system used in the Nano and to its own internal processes, in order to meet those requirements. These activities may require an external audit to verify compliance and there is a risk that this may cause delays or prevent the Company being able to sell the Rover to the Agency.
Single site for manufacturing activities and research	The Company performs all of its manufacturing activities and the majority of its research and development (R&D) at its facility in Tonsley, Adelaide. Should operations at the facility be disrupted or production halted for any reason (for example, due to labour strikes, extreme weather or other events outside the Company's control), the Company may not have enough products available to satisfy customer demand in a timely manner. While alternative arrangements could be made to transfer the manufacturing process to a different facility, this would take some time and may involve other risks. If such disruption were to occur, it would adversely affect the Company's ability to sell its products and customers might instead purchase products from competitors. There may also be an ongoing sales impact in the form of a reduction of goodwill as a result of the Company ceasing sales for a period of time.

Risk Factors

Business Specific Risks (Cont/..)	
Regulatory approvals to be received and maintained	Medical devices and products which emit ionising radiation exist in a highly regulated environment. The Company's operations are reliant on maintaining regulatory certifications, including ISO13485. Whilst the Company has processes in place and a culture of quality, there is a risk that operations may be impacted if incidents of non-compliance are identified in audit findings by regulatory bodies. Commercialising the Company's products requires regulatory approvals for medical devices, including a CE Mark for the European market, TGA for the Australian market and 510(k) for the US market, among others. Regulatory approvals may take longer than planned or may not be able to be achieved in one or more markets, impacting the Company's ability to commercialise those products. There is also a risk of regulatory approvals being withdrawn due to an issue of non-compliance. Future products may not be able to rely on a predicate device to accelerate regulatory approvals and may involve lengthy and costly clinical trials, which may not succeed, in order to obtain approval to sell into various markets. The regulatory environment globally is not homogeneous and is subject to change which is outside the Company's control. Changes to the regulatory environment may drive significant changes, including delays or cancellation, to the Company's project schedules. The occurrence of any of these events could have a material adverse effect on the operations of the business, and in turn the financial position of the Company. As an x-ray device manufacturer, the Company must retain certification by the South Australian Environmental Protection Authority to operate and manufacture ionizing radiation emitting devices. While the Company has strong radiation control processes in place, any impact to those certifications could impact the Company's ability to manufacture devices and thus commercialise its products.
Product liability	In medical markets, the Company's products are used for diagnostic imaging. For the Nano, the clinical diagnostic decision is made by a qualified radiologist based on an image provided by a qualified radiographer. The imaging software is the Distributor's certified imaging software. As such the potential contribution of the Company's product to an incorrect diagnosis is a very low risk for the Company. The Nano is also a small lightweight product, independently certified and compliant to IEC60601 medical device safety standard. The Company's manufacturing and quality system ensures products manufactured meet the standard. There is risk that injury may occur to a patient or operator from misdiagnosis or through a quality defect in manufacturing, or possibly a failure introduced by misuse. As with all medical devices, these could be reportable issues resulting in a product recall. In security markets and medical markets, Company products pose a radiation and high voltage hazard. All products meet the applicable test standards but risk resides from a failure of protections in place to prevent radiation exposure or electroshock. Failure to meet compliance or safety for radiation and/or high voltage poses a significant risk to patient or operator safety. The likelihood of occurrence is very low however an incident could represent a serious risk in the safety of the Company's products and thus their viability. The occurrence of any of these events could have a material adverse effect on the operations of the business, and in turn the financial performance and financial position of the Company.
Reliance on third party technology vendors and partners	The Company's products include components that are manufactured and supplied by third parties. The Company currently relies, and may in the future rely on, partners to supply key technology or manufacturing services. There are inherent risks in relying on third party suppliers for these product components, since any change to the manufacturing process of an approved medical device requires extensive documentation and, in many cases, supplemental testing. Such partners may not supply to the required price, quality or volume, may change their strategy and discontinue supply, may become insolvent or otherwise cease to trade and the effect of any of these on the Company would be for the Company to incur significant costs and delays in securing replacement services which would interrupt the Company's revenue. The Company does not have second source suppliers for many of these components. A disruption at a key supplier could therefore cause a substantial delay in the availability of the Company's products, leading to a potential loss of sales and reputation in the market. Where partner companies have access to the Company's confidential information, intellectual property or know-how, there is a risk of a whole or partial loss of the confidential information, intellectual property or know-how to competing organisations. The performance of the Company's partners may also be impacted by either related or unrelated regulatory changes or breaches and other actions of other sovereign governments.
Intellectual property	The Company strategy for protecting intellectual property is to obtain legal coverage through patents and registrations using the international patent cooperation treaty (PCT) and completing national filings in Australia, USA, Europe, Japan and China. Company owned patents are held on innovative elements of the Company's products as a barrier to duplication. The Company holds two core patents for high current density field emitters and RF modulation of field emitters. These patents are intended to provide the Company with a barrier to competition, however a published patent can enable an expert in the field to replicate or reverse engineer the technology. Notwithstanding the patents, there is a risk that competitors will replicate this intellectual property and produce competing small x-ray tubes. This risk may also be higher in countries where intellectual property laws may not adequately protect the Company. The Company has a published patent for the CNT technology. This patent has passed the examination phase and has been published but this patent has not yet been granted. There is a risk that an objection may be lodged to the patent and that the patent may not be granted. If the patent was not ultimately granted, the Company may not be able to protect its intellectual property. There is a risk that (i) third parties may circumvent intellectual property, particularly from the leaking of trade secrets from current or ex-employees, or by carrying out intellectual property theft including cyber security attack; (ii) patents may be challenged for validity; or (iii) there may be an inadvertent breach of third party patents of which the Company has not researched in its freedom to operate. The occurrence of any of these events could have a material adverse effect on the operations of the business, and in turn the financial performance and financial position of the Company.

Risk Factors

Business Specific Risks (Cont/..)	
Manufacturing risk and low margins	While the Company has internal capability in manufacturing operations and supply chain management including scaling of production to meet higher volume, there is a risk of delays or issues in the manufacturing processes. The Company is currently developing cost-down initiatives including its own high voltage generator platform. Each of these development projects are required to be completed to enable planned insource manufacture of these items. Each of these components are required to deliver planned margin improvement. There is a risk that these projects may not be successful and the Company may not be able to improve its margins to a satisfactory level.
Reliance on key personnel and ability to recruit additional personnel	The Company's future depends significantly on its ability to attract and retain key personnel, particularly those with highly specialist skills in areas of technology central to the Company's future products. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.
Cyber security	As with most companies, and particularly high-technology companies, the Company stores much of its data electronically. There is a risk that the Company's electronic storage systems may suffer a data breach or attack through hacking, trojans, viruses or other cyber-attacks. Such a breach or attack could cause loss, damage or theft of information relating to intellectual property, trade secrets, product development, company employee data, contract information, strategic and financial information, and regulatory information, causing a disruption to business operations and/or eroding competitive advantage. The occurrence of any of these events could have a material adverse effect on the operations of the business, and in turn the financial performance and financial position of the Company.
International trade and foreign exchange risk	The Company operates in a global market and its business operations are subject to trade agreements. Changes to international trade agreements, including free trade agreements, may have an impact on the commercial viability and supply of components for the manufacture of the Company's products and the sale of those products to its customers. A material portion of the Company's business is with companies operating in the United States. Global markets have seen volatility in United States trade recently and there is a risk the Company's business including commercialisation of product or supply of components could be adversely affected. The Company buys components and sells products in multiple foreign currencies. Changes in foreign exchange, particularly AUD to USD, may adversely impact the commercial viability of the Company's products.
Business Interruption	The Company operates using a global supply and customer base. This global supply and customer base may be exposed to hazards outside of the Company's control including changing political climates and natural disasters which could interrupt business. In the event of such an interruption, the Company cannot guarantee that it will be able to source appropriate replacement components or find alternate customer pathways with a commercially viable arrangement or within a required timeframe to prevent interruption to its operations. Such an interruption may have a material adverse effect on the financial position and financial performance of the Company.
General Risks	
COVID-19	COVID-19 is a major community and economic concern which is having an impact on business operations in the areas affected by the outbreak. While Micro-X has created and is evolving processes and strategies to manage the situation, there is a risk that there may be a major disruption to Micro-X's supply chain and/or internal operations which could impact on Micro-X's ability to deliver its strategy. Whilst over 85% of parts used in the Nano are domestically sourced, Micro-X is dependent on supply chains with countries affected by the outbreak for some components. Some of Micro-X's suppliers, subcontractors or customers may also be dependent on such supply chains or have such links. If suppliers in their supply chains have had to cease or reduce operations, it may take time for suppliers in their supply chains to resume work or return to the same capacity that they were operating at prior to the outbreak. If so, there is a risk that Micro-X's suppliers or subcontractors may not be able to deliver supplies or their contracted scope of works within the scheduled timeframe to complete works or that Micro-X's customers may suspend or delay works. These business interruptions may have a material adverse effect on the profitability of Micro-X and the ability of Micro-X to meet the increased demand for the Nano relating to the COVID-19 pandemic, particularly if the interruptions continue for a prolonged period. There is also a risk that employees and other persons whom Micro-X is reliant on to conduct its business (such as production, supply chain and quality employees) may be unable to work for a period if they contract COVID-19 or are quarantined after visiting an area affected by COVID-19. Further, there is a risk that if one or more of Micro-X's employees contracts COVID-19, there would need to be a temporary shutdown of Micro-X's manufacturing facilities for cleaning and testing of staff. Certain states in Australia have enacted various degrees of lockdown, which could restrict employees and other persons from being able to attend work. Depending on the severity of the COVID-19 outbreak in Australia, Australia may continue to enact more restrictive lockdown measures, which could further restrict employees and other persons from being able to attend work. This could create delays to Micro-X's activities such as manufacturing x-rays tubes and Nano products to meet the increased demand relating to the COVID-19 pandemic, which could increase Micro-X's costs, delay receipt of revenue, result in the loss of revenue for products sold and in turn, could have a material adverse effect on Micro-X's financial position and prospects.

MICRO-X Ltd

ACN 153 273 735

Peter Rowland
Managing Director
1284 South Road
Tonsley SA 5042
+61 8 7099 3966 or +61 418 844 981
admin@micro-x.com

micro-x.com