



Silex
Systems Limited

Silex and Cameco sign binding agreement with GE-Hitachi Nuclear Energy for the purchase of its 76% interest in Global Laser Enrichment

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Key Points:

- ***Silex Systems and Canadian uranium producer Cameco Corporation have signed a binding purchase agreement for the joint purchase from GE-Hitachi Nuclear Energy of its 76% interest in SILEX technology licensee Global Laser Enrichment (GLE);***
- ***Subject to obtaining US Government approvals and other factors, closing of the agreement would result in Silex acquiring a 51% interest in GLE, and Cameco increasing its interest in GLE from 24% to 49%;***
- ***The transaction provides an ideal path to market for GLE and for the continued commercialisation of the SILEX technology in the US, with the Paducah tails re-enrichment project pivotal on this path.***

Silex Systems Limited (Silex) (ASX: SLX) (OTCQX: SILXY) is pleased to announce today the execution of a binding agreement (the "Agreement") between Silex and Canadian uranium and nuclear fuel producer Cameco Corporation (Cameco) – the "Purchasers", and GE-Hitachi Nuclear Energy (GEH) – the "Sellers", for the purchase of GEH's 76% interest in GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive Licensee for the SILEX laser uranium enrichment technology. Closing of the Agreement, which remains subject to US government approvals and other factors, would result in Silex acquiring a 51% interest in GLE and Cameco increasing its interest in GLE from 24% to 49%.

"This is a very positive step forward for both Silex and GLE," Dr Michael Goldsworthy, Silex CEO said today. "Successful closing of the Agreement will enable GLE to continue the development program for the SILEX technology at the Test Loop facility in the US, and to potentially move towards commercialising the technology through the Paducah project. Importantly, we are very heartened by the willingness of Cameco, one of the world's largest uranium and nuclear fuel suppliers, to step up to a 49% stake in GLE. We look forward to working with Cameco to take this exciting technology to market through GLE" he added.

The Agreement includes the following key terms and provisions:

- i) Deferred annual purchase payments to GEH totalling US\$20 million (consisting of four annual payments of US\$5 million) triggered after the first year GLE generates US\$50 million in revenues (Silex's pro-rata share totalling approximately US\$13.4 million);
- ii) A Site Lease for the Wilmington, North Carolina Test Loop facility for an initial term of 3 years with options to extend;
- iii) A Transition Services Agreement which provides for various site support services from GEH until GLE transitions these services to its own account;
- iv) Continued funding for the Wilmington Test Loop activities of ~US\$330,000 per month, to be paid pro-rata by the Purchasers, that is, 51% for Silex (equating to ~US\$170,000 per month) and 49% for Cameco (equating to ~US\$160,000 per month) until Closing or termination of the Agreement (should Closing not occur);
- v) A payment from Silex to GEH of US\$1.125 million being for reimbursement of costs held over from the previous term sheet signed between the parties; and
- vi) A termination fee of US\$1 million payable by Silex to GEH in the event Silex terminates the Agreement (without cause) before closing of the Agreement, except for termination due to the inability to obtain satisfactory US government approvals, or if the GLE-DOE tails agreement is terminated for any reason before Closing.

Notwithstanding Silex's acquisition of the 51% interest in GLE, the Agreement does not affect the license agreement between Silex and GLE, under which Silex will be potentially entitled to a perpetual royalty of a minimum of 7% on revenues generated by GLE from future use of the SILEX technology, including the Paducah tails re-enrichment project.

Silex and Cameco have also separately agreed on several ancillary documents which will support the restructure of GLE under the proposed transaction, including a new shareholders' agreement for the governance of GLE after Closing of the Agreement. Under these documents, Silex and Cameco have negotiated several other key terms, including an option for Cameco to purchase in the future from Silex at fair market value, an additional 26% interest in GLE, increasing their interest to 75% (subject to US Government approvals).

Closing of the now executed Agreement will be conditional on obtaining US Government approvals and on the 2016 GLE-DOE Sales Agreement (for GLE's purchase of DOE tails inventories) remaining in full force and effect. The availability of the DOE's tails inventories is critical to the Paducah commercial plant project as detailed in prior releases. To this end, Silex, Cameco, GEH and the DOE have negotiated terms for an amendment to the GLE-DOE Sales Agreement involving changes to certain provisions and timelines which re-align the agreement to current market conditions. Execution of formal documentation for this amendment is expected in the next few months.

In the meantime, a focused technology commercialisation effort will continue at GLE's Test Loop facility in Wilmington, North Carolina in parallel with the activities continuing at Silex's Lucas Heights facility in Sydney. Timing of the completion of the technology demonstration program by GLE and Silex and the commencement of the Paducah Commercial Plant will continue to be reviewed in light of market conditions in conjunction with all stakeholders.

Successful commercialisation of the SILEX laser enrichment technology for uranium enrichment remains dependent on several risk factors, including the following:

- Granting of US government approvals and closing of the GLE restructure;
- The GLE-DOE Sales Agreement remaining in full force and effect (as amended);
- Successful completion of the SILEX technology commercialisation program; and
- Improved market conditions, particularly in relation to the uranium market price.

Further information on the Company's activities can be found on the Silex website: www.silex.com.au or by calling +61 2 9704 8888.

Forward Looking Statements and Business Risks:

Silex Systems Limited (Silex) is a research and development company whose primary asset is the SILEX laser uranium enrichment technology, originally developed at the Company's technology facility in Sydney, Australia. The SILEX technology was licensed exclusively in 2006 to GE-Hitachi Global Laser Enrichment LLC (GLE) in the USA. GLE has been undergoing a restructure for a number of years after GE-Hitachi disclosed it was seeking to exit the venture. In view of the remaining uncertainty regarding the GLE restructure and the continuing depressed nuclear fuel market conditions, plans for commercial deployment of the SILEX technology have been significantly delayed, and remain at risk. The future of the SILEX technology is therefore highly uncertain and plans for commercial deployment are speculative.

Silex is also in the early stages of pursuing additional commercial applications of the SILEX laser isotope separation technology, including the production of 'Zero-Spin Silicon' for the emerging technology of silicon-based quantum computing. The proposed project for 'Zero-Spin Silicon' remains dependent on several factors, including but not limited to: finalising third party funding contributions; the commercial arrangements between various project participants; and the outcomes of the project undertaken. This project and its outcomes therefore remain at risk.

Silex also has an interest in a unique semiconductor technology known as 'cREO™' through its ownership of subsidiary Translucent Inc. The cREO™ technology developed by Translucent has been acquired by IQE Plc based in the UK. IQE is progressing the cREO™ technology towards commercial deployment in various advanced semiconductor products. The outcome of IQE's commercialisation program is also highly uncertain and remains subject to various technology and market risks.

The commercial potential of our technologies is currently unknown. Accordingly, the statements in this announcement regarding the future of the SILEX technology, the cREO™ technology and any associated commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors.

Risk factors that could affect future results and commercial prospects include, but are not limited to: the outcome of the GLE restructure; the results of the SILEX uranium enrichment engineering development program; the market demand for natural uranium and enriched uranium; the outcome of activities related to additional applications of the SILEX laser isotope separation technology; the potential development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property; the potential impact of prevailing laws or government regulations or policies in the USA, Australia or elsewhere; results from IQE's commercialisation program and the market demand for cREO™ products; and the outcomes of various strategies undertaken by the Company.