



Silex
Systems Limited

Market Update

26 March 2020

Key Points:

- ***Silex implements initial response plan for COVID-19 Pandemic***
- ***Partners' Agreement executed for the 'Zero-Spin Silicon' Project***
- ***First minimum royalty payment of US\$400,000 received from IQE***

Silex Systems Limited (Silex) (ASX: SLX) (OTCQX: SILXY) provides the following update on our initial response to the COVID-19 Pandemic and other current matters:

Initial Response to the COVID-19 Pandemic:

In view of the evolving COVID-19 Pandemic and in anticipation of the impacts of domestic and global interventions being undertaken by Governments around the world, Silex has implemented an initial response plan in conjunction with its various business partners. This response plan is focussed on the following priorities:

- i) the health and safety of our employees;
- ii) preservation of our human capital and technical expertise;
- iii) reduction of cash burn involving a rephasing of activities;
- iv) positioning for an efficient recovery post COVID-19; and
- v) restoration of shareholder value as soon as possible.

With respect to the SILEX uranium technology commercialisation project, operations at GLE's Wilmington NC Test Loop facility have been suspended with all staff excluded from site. This step was deemed necessary for a number of factors including worker health and safety, and prioritisation of essential activities at GE-Hitachi's Wilmington nuclear fuel fabrication site. Staff and recurring site costs continue to be met by Silex and Cameco per the Purchase Agreement signed in December 2019 (refer to ASX announcement - 16 December 2019).

Operational measures are also being implemented at Silex's Lucas Heights facility south of Sydney, to minimise potential risks to staff, including a rephasing of project activities. These measures involve staff working from home where possible, and other staff working in reduced numbers with a reduction in working hours for all employees. Several other risk mitigation strategies are in place, including a company-wide travel ban, and adherence to personal spacing and other operational procedures.

All project budgets and schedules are being reviewed to ensure operations are aligned with the abovementioned priorities. Importantly, Silex has a healthy balance sheet with sufficient cash reserves to continue our commercialisation projects through COVID-19 and beyond. The Company will continuously review the numerous challenges and impacts presented by the COVID-19 Pandemic and will keep the market informed of developments with timely updates.

Zero-Spin Silicon Project - Partners' Agreement:

A Partners' Agreement between Silex, UNSW Sydney and Silicon Quantum Computing Pty Ltd (SQC) has been executed in support of the 'Zero-Spin Silicon' (ZS-Si) project. As announced on 10 February 2020, the recent award of a \$3 million Commonwealth Cooperative Research Centres Projects (CRC-P) grant to support the project remained conditional on execution of the Partners' Agreement.

The Partners' Agreement deals with various aspects relating to the running of the project, including confirmation of technology/IP ownership by Silex. The ZS-Si Project aims to utilise a variant of the SILEX laser isotope separation technology to produce highly enriched silicon needed for the emerging silicon quantum computing industry. Additional detail regarding the Project can be found in the Company's ASX announcements dated 12 December 2019 and 10 February 2020.

Translucent cREO™ minimum royalty received:

The first minimum royalty payment of US\$400,000 due under the 2015 License and Assignment Agreement between Silex subsidiary Translucent Inc and UK-based IQE Plc (AIM: IQE) has been received. IQE is the global leader in the design and manufacture of advanced semiconductor wafer products used in many of today's advanced semiconductor devices, such as smart phones and wireless technologies. IQE continues to report good progress being made in the development of their unique 5G RF Filter Materials Portfolio based on the cREO™ technology and are actively engaged with several semiconductor customers to bring this product line to market.

Authorised for release by the Silex Board of Directors.

Further information on the Company's activities can be found on the Silex website: www.silex.com.au or by contacting:

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Forward Looking Statements and Business Risks:

Silex Systems Limited (Silex) is a research and development company whose primary asset is the SILEX laser 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 for application to uranium enrichment. 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 time the GLE restructure has taken to date and the dependency of the Closing of the restructure on obtaining US Government approvals, combined with the continuing depressed nuclear fuel market conditions, plans for commercial deployment of the SILEX technology have been significantly delayed, and remain at risk.

Silex is also in the early stages of pursuing additional commercial applications of the SILEX technology, including the production of 'Zero-Spin Silicon' for the emerging technology of silicon-based quantum computing. The 'Zero-Spin Silicon' project remains dependent on the outcomes of the project and the viability of silicon quantum computing and is therefore at risk.

The future of the SILEX technology is therefore highly uncertain and any plans for commercial deployment are speculative.

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 these 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 including obtaining US Government approvals; the results of the SILEX uranium enrichment engineering development program; the market demand for natural uranium and enriched uranium; the outcome of the project for the production of 'Zero-Spin Silicon' for the emerging technology of silicon-based quantum computing; the potential development of, or competition from alternative 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 and projects undertaken by the Company.