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SILEX Uranium Enrichment Project Commercialisation Changes

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Key Points:

- ***GE-Hitachi Nuclear Energy looking to exit SILEX Technology Licensee GLE, due to changes in business priorities and difficult market conditions;***
- ***Silex continues to support GLE's development of the SILEX Technology;***
- ***Silex is considering an arrangement to increase its support for the commercialisation program, which may lead to an equity position in GLE;***
- ***Cameco, owner of 24% interest in GLE, is supportive of the Silex efforts;***
- ***Business development discussions with other potential investors are being accelerated.***

Silex Systems Limited (Silex) (ASX: SLX) (OTCQX: SILXY) have been advised by GE-Hitachi Nuclear Energy (GEH) that they are looking to exit GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive Licensee for our SILEX laser uranium enrichment technology. GE and Hitachi hold 51% and 25% stakes in GLE respectively. The move to exit GLE has been precipitated by a change in business priorities at GEH, and follows the restructure of the GLE operation in July 2014 that slowed the pace of commercialisation activities of the SILEX Technology in line with market conditions. Due to the slowed pace of technology development and funding, Silex has commenced reviewing funding alternatives, and believes that despite difficult market conditions persisting, nuclear industry interest in the SILEX Technology continues. Silex will accelerate business development activities with the aim of securing new investors as soon as possible.

“The relationship with GE-Hitachi has been productive for the SILEX Technology, and we respect their decision to exit GLE given the change in their business priorities. Whilst this is disappointing, we are encouraged by interest from within the nuclear industry and opportunities that may eventuate once the nuclear fuel markets recover from the current downturn,” Dr Michael Goldsworthy, Silex CEO said, reinforcing that “We believe this is a game-changing technology which can enter the market and make a difference to nuclear fuel economics as nuclear power inevitably comes back into favour in an emissions constrained world”.

In response to GEH's stated intentions, Silex is considering increasing its direct participation in the development program being conducted jointly by GLE and Silex, whilst new potential investors are engaged. To this end, the Company is negotiating a term sheet with GEH to address a wide range of issues, effectively giving Silex the option to take an equity position in GLE. The material terms of any resulting GLE restructure will be announced once discussions are finalised.

In terms of ongoing development program support, Silex is reviewing the possibility of contributing funding for the activities at Lucas Heights, Sydney and GLE's Wilmington, North Carolina operations of up to AUD\$10 million, which will ensure the current CY2016 budget for GLE continues to be adequately funded while the parties continue discussions with other potential investors.

Silex remains positive with respect to the medium term prospects for the SILEX Technology, particularly with the Paducah commercial plant opportunity currently being negotiated between GLE and the US Department of Energy. That said, at this point in time there is no guarantee of obtaining new investors for GLE given current market conditions.

Meanwhile, the technology development activities at the Wilmington, Test Loop facility and at Silex's Lucas Heights laser facility in Sydney continue to produce positive results, moving the technology further along the commercialisation path, albeit at a slower measured pace.

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 is a research and development Company whose primary asset is the SILEX laser enrichment technology, originally developed in the Company's technology facility in Sydney, Australia. The SILEX technology, licensed exclusively to GE Hitachi Global Laser Enrichment LLC (GLE) in the USA, is currently in the engineering development stage and plans for commercial deployment remain distant and high risk. The commercial potential of this technology is therefore unknown. Accordingly, the statements in this announcement regarding the future of the SILEX technology and any 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.

Some risk factors that could affect future results and commercial prospects include, but are not limited to: results from the SILEX uranium enrichment engineering development program being conducted jointly by the Company and GLE; the demand for natural uranium and enriched uranium; the time taken to develop the SILEX 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 government regulations or policies in the USA, Australia or elsewhere; and the outcomes of various commercialisation strategies undertaken by the Company and/or its Licensee GLE.