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SILEX Uranium Enrichment Project

Signing of Term Sheet with GE-Hitachi

2nd May 2016

Key Points:

- ***As announced on 18th April, GE-Hitachi Nuclear Energy (GEH) is looking to exit SILEX Technology Licensee GLE, due to changes in business priorities and difficult market conditions;***
- ***Silex has signed a Term Sheet with GEH to provide the framework within which the parties can negotiate a mutually acceptable restructure of GLE;***
- ***The Term Sheet also effectively provides Silex with an option to take an equity position in GLE and allow Silex to play a more active role in the GLE program;***
- ***Whilst the terms of the restructure are not settled and remain subject to agreement and documentation, the Term Sheet records Silex's agreement to support funding for CY2016 operations of up to AUD\$10 million whilst discussions with other potential investors are progressed;***
- ***Cameco, owner of 24% interest in GLE, remains supportive of the Silex efforts.***

Silex Systems Limited (Silex) (ASX: SLX) (OTCQX: SILXY) have signed a Term Sheet with GE-Hitachi Nuclear Energy (GEH) to provide a framework for the parties to negotiate a mutually acceptable restructure of GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive Licensee for our SILEX laser uranium enrichment technology. Through the continuing discussions with GEH, Silex is looking to complete its due diligence and potentially enter into a binding agreement for an option to take an equity position in GLE, whilst also allowing for the potential introduction of new investors into GLE.

Meanwhile, the Paducah commercial plant opportunity continues to be negotiated between GLE and the US Department of Energy (DOE). Subject to a recovery in uranium market pricing, project financing and receipt of required regulatory approvals, we believe the Paducah opportunity represents an ideal path to market for our disruptive laser enrichment technology.

While discussions on the detailed terms of the proposed GLE restructure are not finalised, the Term Sheet provides for the following limited binding terms:

- the CY2016 budget and scope of work for the Wilmington, North Carolina operations will continue to be implemented by GLE, including ongoing Test Loop operations and retention of key personnel;
- pending final agreement on the terms of the restructure, Silex has agreed to reimburse GEH its pro-rata share of the approved CY2016 GLE budget for the Wilmington operations;
- the combined funding support from Silex for ongoing laser development activities at Lucas Heights, Sydney and for the GLE Wilmington operations is expected to be up to AUD\$10 million during CY2016;
- Silex will work with GLE to actively pursue new investors to introduce into the restructure, with the possibility of Silex itself taking an equity position in GLE;
- the parties will seek to conclude binding arrangements for the potential restructure by 31st December 2016, including cooperating to ensure all requisite government and regulatory approvals are obtained.

Silex believes that taking an increasingly active role in GLE is important for the following reasons:

- 1) the first class engineering team in place;
- 2) the 'cutting edge' Test Loop facility operating in Wilmington;
- 3) the Paducah commercial plant opportunity on the horizon;
- 4) the NRC License granted to GLE in 2012 for a potential commercial enrichment plant in Wilmington;
- 5) the possible availability of a US DOE loan guarantee facility for a commercial plant in the US (not yet pursued);
- 6) the US nuclear market being the single largest accessible market in the world for the SILEX Technology;
- 7) the 15 year history of working cooperatively with US companies under the unique 'SILEX' Bilateral Agreement between the US and Australian governments.

Silex therefore continues to support GLE's ongoing activities to seek the best possible outcome for the restructure of GLE and to identify new investors to fund the commercialisation program. We believe this is the best path forward to take the SILEX Technology to market and rebuild shareholder value.

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 uranium enrichment technology, originally developed at 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.