

SILEX Uranium Enrichment Project

Silex and Cameco sign new Term Sheet with GE-Hitachi

6 February 2019

Key Points:

- ***Silex Systems and Canadian uranium miner Cameco Corporation have signed a Term Sheet detailing key terms for the joint purchase from GE-Hitachi Nuclear Energy of its 76% interest in SILEX technology licensee GLE;***
- ***Subject to finalising a mutually satisfactory binding agreement and obtaining US Government approvals, the proposed restructure of GLE would result in Silex holding a 51% interest, and Cameco increasing its interest in GLE from 24% to 49%;***
- ***The proposed 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 signing of a Term Sheet between Silex and Canadian uranium miner Cameco Corporation (Cameco) – the “Purchasers”, and GE-Hitachi Nuclear Energy (GEH) – the “Sellers”, to provide a framework for the parties to arrive at a mutually acceptable restructure of GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive Licensee for the SILEX laser uranium enrichment technology. The Term Sheet outlines the proposed transaction the parties would enter into for the purchase of GEH’s 76% interest in GLE, which upon closing 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. “Should the binding Purchase Agreement be successfully completed, this will provide a viable path for the commercialisation of the SILEX technology through the Paducah project. The most pleasing aspect of this deal is the willingness of Cameco, one of the world’s largest uranium fuel providers, to step up to a 49% stake in GLE. We look forward to building on our already solid relationship with Cameco as we move forward as partners in GLE” he added.

The Term Sheet includes the following binding terms:

- i) Funding for the continuing Wilmington Test Loop activities of US\$300,000 per month, to be paid pro-rata by the Purchasers, that is, 51% for Silex (equating to US\$153,000 per month) and 49% for Cameco (equating to US\$147,000 per month) retrospectively from 1 September 2018 until Closing or termination of the binding Purchase Agreement should Closing not be attained; and
- ii) A termination fee of US\$500,000 payable by Silex to GEH in the event Silex terminates the Term Sheet (without cause) before execution of the binding Purchase Agreement.

The Term Sheet also provides for a deferred purchase price of US\$20 million payable to GEH in four consecutive annual instalments of US\$5 million, commencing after the first calendar year in which GLE achieves revenues of US\$50 million, to be paid by the Purchasers pro-rata to the interests acquired in GLE.

Silex and Cameco are also working through 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 a binding Purchase Agreement. Under these documents, Silex and Cameco have negotiated several other key terms, including an option for Cameco to purchase from Silex at fair market value, an additional 26% interest in GLE, increasing their interest to 75% (subject to US Government approvals).

The parties are aiming to execute the binding Purchase Agreement by 30 April this year. Closing of a binding Purchase Agreement will be conditional, among other things, on obtaining US Government approvals and on the 2016 GLE-DOE Sales Agreement (for GLE's purchase of DOE depleted 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. The Paducah commercial opportunity represents an ideal path to market for our disruptive SILEX laser enrichment technology.

While some of the risks related to the GLE restructure detailed in our 12 June 2018 announcement have diminished, such as the much lower cash burn level anticipated under the proposed transaction, other risks remain to be mitigated. In particular, a recovery in the uranium market price, and further work on market access issues and project financing are required to reduce risks associated with the Paducah project.

In the meantime, a reduced but focused technology commercialisation effort will continue at GLE's Test Loop facility in Wilmington, North Carolina, together with a parallel effort 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 be reviewed progressively in conjunction with all stakeholders.

We will provide a further update on the GLE restructure and the technology development and commercialisation program in our half-year Operational Update, scheduled for release on Monday, 25 February 2019.

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. The ensuing development project undertaken by GLE was put on hold in June 2018 when efforts to restructure GLE stalled, after GE-Hitachi disclosed it was seeking to exit the venture. In view of the continuing uncertainty surrounding 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 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 two 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 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.