

Silex Investor Conference Call: Strategic Review Q&A

30th June 2014

Silex Systems Limited (ASX: SLX) (OTCQX: SILXY) provides a summary of questions and answers (Q&A) which were addressed today during an investor conference call following our announcement to the ASX regarding the implementation of a major strategic review.

An archived copy of the investor conference call will be released to the market prior to market open on 1st July.

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

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About Silex

Silex Systems Limited (ASX: SLX) (OTCQX: SILXY) is a world leader in research, development and commercialisation of leading edge technologies in key strategic markets, including nuclear power, solar power, semiconductor materials and instrumentation. Silex is a member of the S&P/ASX 300 index and operates four divisions:

Silex has licensed its 'SILEX' laser-based uranium enrichment technology to Global Laser Enrichment, a business venture comprising GE (51%), Hitachi (25%) and Cameco (24%). Silex and GLE are commercialising the technology for potential deployment in the USA.

Solar Systems has developed ultra-high efficiency concentrating photovoltaic (CPV) technology based on its proprietary 'Dense Array' dish concentrator system, targeting deployment of utility-scale solar power stations in key global markets.

Translucent has developed novel semiconductor materials based on the 'rare earth oxide' family for application to the manufacturing of next generation devices in the semiconductor, power electronics and solar industries; and

ChronoLogic has developed the world's first high precision timing and control products based on the ultra-low cost USB-inSync™ platform, targeting applications in the electronic instrumentation markets.

For more information on Silex Systems Limited, please visit www.silex.com.au.

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Forward Looking Statements and Business Risks

Silex Systems is a research and development Company whose assets are its proprietary rights in various technologies, including, but not limited to, the SILEX technology, Solar Systems technology and business, Translucent technology and ChronoLogic technology. Several of the Company's technologies are in the development stage and have not been commercially deployed, and therefore are high-risk. Accordingly, the statements in this announcement regarding the future of the Company's technologies and 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 commercialisation program; the demand for enriched uranium; the risks associated with the development of Solar Systems technology and related marketing activities; the outcomes of the Company's interests in the development of various semiconductor, photonics, instrumentation and alternative energy technologies; the time taken to develop various technologies; the development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property associated with its numerous technologies; the potential impact of government regulations or policies; and the outcomes of various commercialisation strategies undertaken by the Company.

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This document contains a summary of the questions and answers which were covered by Silex Systems Limited (ASX: SLX) (OTCQX: SILXY) during its investor conference call on 30th June 2014. An archived copy of the investor call will be made available as an ASX lodgement on 1st July 2014.

Q1	Why has the Board conducted the strategic review?
A1	<p>The Board undertook the strategic review in order to address two key issues.</p> <p>First and foremost, there has clearly been considerable erosion of shareholder value since the Japanese nuclear industry was brought to a halt with the tragic events of March 2011. As a consequence, our share price has generally tracked steadily downwards with uranium and enrichment market prices over this period. It has also become apparent that commercialisation of the SILEX Technology by our Licensee GE-Hitachi Global Laser Enrichment (or GLE) has been delayed by this event, with the enrichment market likely to remain in surplus until the Japanese nuclear industry comes back online.</p> <p>Secondly, our subsidiary companies are all going through differing phases of technology commercialisation, and with limited cash reserves and resources, Silex needed to review its capabilities in taking these technologies to market.</p> <p>To summarise, we expect the restructure will deliver a number of significant financial and operational benefits to Silex Systems which are aimed at restoring shareholder value.</p>

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Q2	Why has the Board decided to divest the subsidiary businesses?
A2	<p>The decision to divest has been taken in order to refocus the Silex business away from a diversified portfolio, and to concentrate on the Company's core asset, the SILEX Uranium Enrichment Technology. Through this restructure, we will be also be aiming to monetise our investments in the three subsidiary business units, however the primary objective is to refocus our efforts and resources on the SILEX Technology and to dramatically reduce cash burn.</p> <p>The SILEX Technology is our primary economic asset, and the one which represents the best path forward to building significant shareholder value. Under the technology license and commercialisation agreement signed (originally with GE) in 2006, the SILEX Technology represents the most significant revenue potential with a perpetual royalty of between 7% and 12% of future revenues that GLE generates, should it proceed with commercial deployment.</p>
Q3	What will the new business structure look like?
A3	<p>Our aim is to return Silex Systems to a single focus company with lean operational overheads and very low cash burn. The focus of the business going forward will be to support GLE in the commercialisation of the game-changing SILEX Uranium Enrichment Technology, and to do everything possible to shorten the time to potential revenue generation.</p> <p>The immediate impact of the restructure will be to cease operations at ChronoLogic from this week. We will also accelerate divestment activities over the coming months for the other two subsidiaries – Translucent and Solar Systems - through strategic commercial partnerships and/or equity transactions.</p>
Q4	What does this restructure say about the company's ability to commercialise technologies?
A4	<p>First and foremost, Silex is a very unique technology innovation company. We are extremely proud of our achievements, with all of our technologies successfully demonstrated to 'pilot' or equivalent stages. We are particularly proud of the success we have had with our SILEX Technology – from its origins and invention here in Sydney in the mid 1990's, to proof-of-concept demonstration, to prototype demonstration, and more recently the scaled Test Loop demonstration under GLE's sponsorship in Wilmington, North Carolina, which resulted in a US\$15 million milestone payment to Silex received in the current financial year. These are historic achievements in one of the most challenging fields of technological endeavour, in one of the most important industries in modern society – clean, efficient nuclear power.</p> <p>We are also very proud of our achievements in the development of our other three technologies.</p> <p>ChronoLogic's instrumentation technology, which several key players in the industry commented may be ahead of its time and is clearly disruptive, could yet find a commercial home with three companies discussing potential license agreements with us.</p>

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	<p>Likewise, Translucent is at the forefront of innovation in the power electronics industry, and is one of the leaders in that industry's push towards the leveraging of the silicon chip industry's low costs with tomorrow's advanced semiconductor materials. We are also hopeful of finding the right commercial path or partner for Translucent in the coming months.</p> <p>Solar Systems has also achieved some world class milestones in the last 18 months, with two solar power plants operational on opposite sides of the planet – the first here in Mildura, Australia, and the second now operating in Saudi Arabia. This follows several years of successful innovation, development and manufacturing at the Company's state of the art technology and manufacturing centres in Melbourne and Bridgewater with the support of the Victorian and Federal Governments.</p> <p>These achievements and the remaining efforts required to take our technologies to market must be measured against the Company's financial capabilities and resources to keep funding these efforts solely through to commercial introduction and revenue generation. Clearly, Silex does not have limitless cash reserves, nor does it have the balance sheet to support introduction of capital intensive technologies into highly competitive markets.</p> <p>In this context, the Board has assessed the various commercialisation paths for each subsidiary and in light of market conditions and the recent fall in our share price, accelerated the strategic business review and finalised the decisions which are now being implemented. In essence, these decisions represent acceleration in the commercialisation of these technologies through third party funding.</p>
Q5	What specifically will happen with ChronoLogic?
A5	<p>After a comprehensive effort to find appropriate investors or buyers for the ChronoLogic business, Silex has taken the difficult decision to cease operations and to focus only on technology licensing opportunities. The decision to cease operations will result in immediate redundancies within the ChronoLogic business.</p> <p>We expect the financial impact from the cessation of the ChronoLogic business to be complete by the end of Q1 FY 2015. In the period between now and 30th September, the Company will continue to pursue several active licensing opportunities for the ChronoLogic technology.</p>
Q6	How many people will be retained to pursue license opportunities with ChronoLogic?
A6	<p>We will maintain a skeleton staff to support licensing discussions, wind up operations and manage the exit from the premises.</p>

Q7	What is the plan for Translucent?
A7	We will accelerate efforts towards finalising a value-creating transaction with an industry/strategic partner (via co-investment or divestment), with the aim of eliminating parent cash burn by the end of the first half of FY 2015. Several leads with third parties are currently being pursued.
Q8	What is the plan for Solar Systems?
A8	We will accelerate efforts towards finalising a strategic partnership or equity transaction during the first half of FY 2015 with a view to achieving a value-creating outcome and eliminating cash burn from the parent company. Several leads with third parties are currently being pursued.
Q9	Can you talk about which leads are currently being pursued for Solar Systems and Translucent? Is the Middle East still a focus for Solar Systems?
A9	At this stage, the discussions with third parties are commercial-in-confidence. The Middle East remains a key target market for Solar Systems. In particular, Saudi Arabia has announced plans for a massive deployment of solar power over the next two decades. We intend to participate in that government sponsored program, as Solar Systems' concentrating photovoltaic technology is ideally suited to that region. We will be assessing the program as more details emerge over the coming months.
Q10	What happens if you don't find partners and / or investors?
A10	The effort to pursue strategic commercial partnerships or equity transactions for our subsidiary businesses Solar Systems and Translucent is being accelerated considerably with the aim of completing the restructure by the end of the first half of FY 2015. We will be actively pursuing partners and / or investors. This timeline is aggressive, but that is part and parcel of the Board's strategy at this stage. We will review progress in these activities and what's on the table in terms of commercial opportunities over the coming months. The decisions beyond that will depend on the progress made, but the Board is resolved to finalise the restructure and dramatically reduce cash burn in this timeframe.
Q11	Has the Federal Budget and proposed changes to ARENA been a factor in the decision to change the business plan for Solar Systems?
A11	The outcomes of the Federal Budget and the impact on Solar Systems' \$75 million conditional funding for the Mildura project from ARENA are still unknown. However, it appears that this uncertainty further eroded investor confidence as our share price reduction accelerated around the time of the Federal Budget announcement. With regard to the Mildura project funding, we have been informed (at least verbally) that our funding for Mildura is still available. We are currently seeking more solid written confirmation from ARENA.

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Q12	Colin Goldschmidt and Stephen Burdon have both recently resigned from the Board. Do those events have anything to do with this review process?
A12	Both Colin and Steve resigned of their own accord in order to focus on their other commitments. The Board is very grateful of the contributions that both Directors have made to the Company over time. Their counsel has been invaluable.
Q13	Will they be replaced? If not, why is the Board being reduced in size?
A13	<p>The strategic review has encompassed all areas of the business. Along with an in depth review of employee requirements, we have determined to move forward with a leaner corporate overhead structure, including a smaller Board, which has occurred naturally in any case, with the two directors recently stepping down. There are no plans to replace them.</p> <p>We believe that we have the skills and experience in place with our current Board to competently guide the company through the next phase of its development.</p>
Q14	What is happening with the Paducah Opportunity?
A14	<p>Silex has been informed that negotiations concerning the establishment of the Paducah Laser Enrichment Facility (PLEF) continue to proceed constructively, albeit slower than hoped. Whilst we await an outcome in these negotiations, it is important to understand that this proposal involves the potential disposition of hundreds of thousands of tons of depleted tails inventories owned by the DOE over a 40 year period. In this light, it is not entirely unexpected that the negotiations, which only began in earnest in the new year, have taken longer than originally indicated.</p> <p>Subject to prevailing market conditions and regulatory requirements being met, a positive outcome from these negotiations would potentially provide a clear path to market for our disruptive laser enrichment technology and set a strong commercial path for Silex. Shareholders should however also appreciate that the market for nuclear fuel will remain quite depressed in the short term at least, with both uranium and enrichment pricing at decade lows and unlikely to begin recovering until reactor restarts occur in Japan.</p>
Q15	The share price has slipped significantly during the past few months. What measures are in place to prevent further share price slippage?
A15	<p>Not long before Fukushima our share price was up around \$6. Since then our price has fallen largely in line with the fall in the market prices for uranium and enrichment services. Clearly the biggest factor in our share price decline is the market turmoil caused by the events in Japan in March 2011.</p> <p>Over the last two months we've had more aggressive selling, particularly since the Federal Budget in May in light of the Government's stated intentions to close ARENA and the potential threat to Solar Systems' funding for Mildura. Additionally, over the last few months we've seen some funds selling down significant stakes in the company. Funds make their own decisions for various reasons, but it has become apparent that shareholder confidence has generally waned in recent months.</p>

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	<p>When you add all these factors and circumstances together – we have been caught in ‘the perfect storm’ and our share price has suffered accordingly. That said, no storm lasts forever, and we firmly believe that our outlook will significantly improve and our share price will respond positively. No one can say when this will occur and so we need to be patient. We firmly believe, as do many other independent experts in the uranium sector, that the industry will recover to historic levels and higher.</p> <p>In the meantime, we have undertaken this major strategy review to refocus the Company, conserve cash for the long haul and to make sure we put every effort we can into supporting the commercialisation of the SILEX Technology. In the short term, we will also put every effort into monetising the investments made in our subsidiary technologies.</p>
Q16	When is it likely that we will see the first revenues from the SILEX Uranium Enrichment Technology?
A16	<p>This is a difficult question to answer because, as noted before, the uranium and enrichment markets are very depressed, and the recovery depends on several external factors, primarily the timing of the reactor restarts in Japan. That said, the plan laid out by GLE - as it looks likely from today - involves finishing Phase II work to scale the equipment to commercial scale, which could take a couple of years or so from now. Then depending upon the outcome of this work and whether the nuclear fuel markets are recovering, if GLE decides to proceed with the construction of the first commercial production module, it could take a further two or so years after that. Bear in mind that there are potentially two more milestone payments during this period - US\$5 million triggered by commencement of construction of the initial commercial production plant and US\$15 million when the plant goes into operation. So if all goes to plan, the first revenues could follow initial commercial production commencing in approximately 2019. However, there are many factors and variables involved in determining this path, so investors are cautioned that these plans and timelines are subject to change.</p>
Q17	There is all this talk about Paducah, but what is going on with Wilmington? We’ve not heard anything about that project for a while.
A17	<p>Wilmington is planned to be a normal enrichment plant, and as already stated, the enrichment market is depressed and recovery is some time off. At this point, GLE’s position on Wilmington is entirely dependent on market conditions, so Silex does not expect any progress on the Wilmington plant in the short term.</p>

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Q18	As the CEO of Silex, how do you feel about the strategic review and the changes being made?
A18	<p>I remain very positive about the future prospects for this great company. The Board has taken a lot of factors into consideration before finally making this decision and we truly believe it is the best way for us to deliver value to shareholders over the longer term.</p> <p>Naturally I'm sad that we haven't been able to secure a commercial partner for ChronoLogic and are ceasing operations. We are losing some very talented people in this process. Meanwhile, I remain optimistic that we will find the right commercial partners for Translucent and Solar Systems – despite the Federal Budget casting some doubt over our Mildura project funding for Solar Systems. There is some hard work remaining to be done for these two subsidiaries.</p> <p>Overall, I remain extremely optimistic about the future of this company – it has a game-changing technology in an industry that will play a very important part in global electricity production well into the future. We have the best partners we could hope for in the commercialisation of the SILEX Technology – the shareholders in Licensee GLE, being GE, Hitachi and Cameco. So this restructure is all about re-focussing on our core asset and foundation technology – the SILEX Uranium Enrichment Technology. For this reason, I know that the Board's strategic review and the resulting decisions that are now being implemented – is the right direction for the company to take in order to restore shareholder value.</p> <p>On that note, it is extremely disappointing to see our share price suffer so badly in recent times. Indeed, even when the delays are taken into consideration conservatively, the current share price significantly undervalues the SILEX Technology according to our internal modelling. Let's hope this situation turns as and when the industry recovers.</p> <p>Thank you all for your attention and understanding today. We are grateful of the patient support of our loyal shareholders and look forward to keeping you updated as the Company moves towards its goals.</p>