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Silex Signs Commercialisation and License Agreement with General Electric Company for the SILEX Uranium Enrichment Technology

22 May 2006

Silex Systems Limited is pleased to announce the signing of an exclusive Commercialisation and License Agreement for the SILEX Uranium Enrichment Technology with General Electric Company (GE:NYSE). The transaction is subject to receipt of government approvals.

The agreement provides for a phased approach to the commercialisation of the SILEX Technology and the potential construction of a test loop, pilot plant, and a full-scale commercial enrichment facility. These operations would be built at GE's existing nuclear energy headquarters and technology site in Wilmington, N.C. or another suitable location in the U.S.

"This is a defining moment for Silex Systems" CEO Michael Goldsworthy said today. "We are delighted to have secured General Electric as our commercialisation partner for the SILEX Technology. Despite the size differences, GE and Silex share a crucial corporate trait - a dedication to technological innovation. While Silex developed the technology concept, GE has the required technological and commercial capabilities to take it to the next level and beyond" he added.

"GE is very excited about the transaction and the potential of this innovative technology. We are looking forward to the completion of its development and bringing this product to the global marketplace," said Andy White, President and CEO of GE's Nuclear Business. "By acquiring the exclusive rights to complete the development and commercial deployment of Silex's enrichment technology, GE will be in a strong position to support anticipated demands for enriched uranium" White said.

GE is one of the largest industrial companies in the world, with a market capitalisation of ~US$350 billion. Through its Nuclear Energy business unit, GE is a leading supplier of nuclear power plants and related engineering and fuel services.

The key Terms of the GE-SILEX Agreement are as follows:

1. *SILEX Technology Development Program*

Silex and GE have agreed to the following development activities, which GE will fund subject to the continued success of the SILEX Technology program:

- Test Loop: This program aims to test the efficiency of engineering-scale SILEX equipment, and is expected to take approximately 3 years.
- Lead Cascade: This program, also known as a pilot plant program, will involve the construction and operation of a small production plant after successful completion of the Test Loop.

If the Lead Cascade confirms the efficiency and reliability expected of the SILEX Technology, then GE will begin deployment of commercial SILEX enrichment plants.

2. *Payments*

In addition to funding the technology development program GE will make the following payments to Silex:

- US$5 million upon receipt of preliminary U.S. Government approval (estimated to take up to 30 days) [1].
- US$15 million on receipt of final Government approval (estimated to take up to 4 months).
- US$15 million upon successful completion of the Test Loop program.
- US$20 million upon successful completion of the Lead Cascade program.

3. *Royalty*

Upon deployment of commercial SILEX uranium enrichment plants, and for as long as the SILEX Technology is used, Silex will receive:

- A base royalty of 7% of revenues generated from enrichment services using the SILEX Technology.
- An additional royalty of up to 5% (taking the total Royalty to a maximum of 12%) based on the total cost of deployment. The lower the cost of deployment, the higher the royalty.

4. *Other Provisions*

The Agreement includes various representations, warranties, indemnities and other provisions which are considered typical of a technology transaction of this nature.

Background to the Uranium Enrichment Industry

The SILEX Uranium Technology is the world's only third generation laser-based uranium enrichment process under development. All of today's enrichment supply is provided by first generation gas diffusion and second generation gas centrifuge – both mechanical based technologies with relatively high cost structures. We anticipate that with the high efficiency afforded by laser technology, the SILEX Process could be significantly more cost-effective.

The global uranium enrichment market is currently worth approximately US$5 billion per annum and growing. According to industry sources[2], the growth rate is expected to increase over the medium term with the energy policies of many countries now strongly influenced by the threat of global climate change and the pursuit of sustainable energy policy in the context of liberalized electricity markets. Consequently, it appears that nuclear power will become a major component of future clean energy supplies. In view of this, the SILEX Technology is well positioned to capitalise on the increasing demand for new enrichment capacity. If the economics of the SILEX process prove to be as attractive as we anticipate, our technology could become a key component of the uranium enrichment industry.

[1] In the unlikely event that final Government approval is not forthcoming, then the initial US$5 million payment will convert to Silex ordinary shares at a minimum price of A$4.00 per share at the applicable exchange rate.

[2] "The Global Nuclear Fuel Market – Supply and Demand 2005-2030", World Nuclear Association (2005)

Investor Briefing: will be held at 11am on Monday 22/05/06, in the offices of JPMorgan, Level 32, Grosvenor Place, 225 George Street, Sydney.

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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Forward Looking Statements and Business Risks:
Silex is a research and development Company whose assets are its proprietary rights in technologies, including, but not limited to, the SILEX technology, Translucent technology and Fiberbyte technology. In general, the Company's technologies are in the development stage and have not been commercially deployed, and therefore 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 uranium enrichment development program and the stable isotopes program, the demand for enriched materials including uranium, silicon, oxygen, carbon and others, the outcomes of the Company's interests in the development of various semiconductor and photonics technologies, the time taken to develop various technologies, the development of alternative 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.