

Silex Systems Limited (ASX:SLX)

The global laser separation leader

1 June 2021

Paul Jenz
pjensz@pacpartners.com.au
+61 3 9114 7444

KEY POINTS

- SLX has full ownership and 51% control of the next generation of Uranium enrichment. #1 Nth American Cameco is the 49% partner.
- SLX's global leadership in this laser separation technology also has short term commercial applications to Zero Spin Silicon for supercomputers which SLX can develop with its own funding.
- We see SLX generating positive cash flow from 2025 from non-uranium applications, and owning 25% of Paducah Ur Mine by 2030.
- This should deliver a base EBITDA of \$70m, and provide a platform for multiple uranium and other laser separation applications.
- SLX can choose to fund this development with its \$20m cash and equity agreements with global partners.
- After key 2021/22 milestones, SLX has many funding options to accelerate additional applications and control commercial outcomes.

STEPS TO CONTROL OF TECHNOLOGY AND EQUITY

In January 2021 SLX earned the right to 51% of Global Laser Enrichment (GLE), and can now secure the approval for the Paducah uranium mine.

SLX has an option to sell 26% of its ownership of GLE to Cameco at any time from Demonstration Plant to Paducah design and construction.

We assume the sale will be done in 2025 for US\$203m. This is a 50% premium to the US\$125m paid for 24% of GLE in 2008, when GLE did not own the Paducah Tailings for a 30 year mine of 5.2mlb U₃O₈ with approval. We assume this sale allows SLX to pay a A\$65m dividend, fund its 25% of the Paducah Mine, and pitch for other uranium enrichment projects.

SLX technology has also proven many non-uranium separation applications over the past 18 months including Zero Spin Silicon production and healthcare applications.

Two commercial applications are partnered (Zero Spin Silicon – SQC, Rare Earth Oxide- IQE). SLX will develop of Zero Spin Silicon by 2022 with some Government Funding and offtake arrangements with SQC. SLX sold rare earth technology to IQE for 2018 payment and royalty stream.

INVESTMENT VIEW

We rate SLX as a Buy and set our long term DCF at \$2.50/share. This is 42% above our short term 12 Month Price Target of \$1.75/share.

Today our FY'30F EBITDA lifted 42% to \$68.5m with higher EBITDA margins (70%) from the Paducah uranium mine at Uranium Price US\$65/lb.

Half of the margin comes from 25% ownership of the mine. The rest comes from royalties across 100% of mine (at 7% vs the 7-12% range possible).

The other important change today is that we believe SLX can fund all of this development with its \$20m cash balance and equity agreements with global partners.

We assume SLX raises \$30m equity after key 2021/22 milestones in order to accelerate additional applications and wider commercial outcomes.

SLX maintains significant leverage with new technology applications because SLX has robust commercial projects under its control:

- 1 - Zero Spin Silicon's A\$5+m EBITDA/year is from modest investment;&
- 2 - Long term uranium business developer at A\$50+m per year EBITDA.

We set our 12 Month Price Target at \$1.75/share (\$303m) = 4.3x EV/EBITDA based on ~\$70m EBITDA in 2030. Our long term DCF valuation of \$2.50/share assumes just one uranium enrichment plant and a small zero spin silicon operation.

Recommendation	Buy
Previous Recommendation	Buy
Risk Rating	Very High
Current Share Price	\$1.00
12 Month Price Target	\$1.75/share
Price Target Methodology	4.3x FY'30F EV/EBITDA
Total Return (Capital + Yield)	75%
DCF Valuation	\$2.50/share (9.5%WACC)
Market Capitalisation	\$173m
Liquidity	\$0.15m/day

Financial Forecasts & Valuation Metrics				
Y/e Jun (\$m)	2020A	2021F	2025F	2030F
EBITDA	(7.9)	(6.6)	2.0	68.5
DPS (c)	0.0	0.0	0.38**	0.14
EV/EBITDA (x)				1.6x
Net Cash	25	20*	175	62

Source: PAC Partners include \$5m with spot IQE @ GPX53.90/share

** \$65m Dividend when sell 26% GLE for A\$217m post tax

Long term forecasts

Y/E 30 June	2025F	2030F
Silex Systems @ Paducah 25% post 2025	Commercial	Paducah
Production t/annum	Plant	2,161
Production mlb/annum	Demo	5.20
Uranium Price (US\$/lb)	Complete	65.00
EBITDA to SLX (US\$m)	5.0	50.1
GE & Hitachi payment (US\$m)		(3.4)
US\$/AS	0.75	0.75
EBITDA to SLX (A\$m)	6.7	62.3
Royalty IQE and SQS	4.7	18.1
EBITDA pre Corporate Cost - Total	11.4	80.5

Source: PAC Partners estimates

Key Milestones

- USA is becoming more self-sufficient in uranium production. GLE's Paducah Tailings is a high priority low cost "new" USA uranium mine.
- SLX's technology suite is applicable to supply supercomputer and 4G phone components. Zero spin silicon application is small scale and can be driven/funded by SLX.
- Global Uranium Supply needs to grow 5%/annum, because it has run out of recycled reserves. 25% new capacity is required by 2040,

DISCLOSURE: PAC Partners carried out Investor Relations work for the Company over the last 12 months and received fees on commercial terms for the services - See Page 8 for details.

The information contained in this report is provided by PAC Partners to Wholesale Investors only.
The information contained in this report is to be read in conjunction with other important disclosures at the end of this document.

Background

SLX laser separation technology is 30-50% cheaper for Uranium enrichment

SLX has delivered on milestones within its control

And gained control of GLE for Ur Enrichment and pushing into Zero Spin Silicon...

...gives more control over cash flow generation

The first low risk application for SLX Ur enrichment is Paducah

It was delayed with changeover to ownership commercialisation company (GLE) and Government plans with energy and Paducah

Final approval came in Jan'21

External global demand for uranium is set to increase significantly...

...and USA wants to be part of early supply response

Why SLX?

Silex Systems Ltd (SLX) is the only proven and US Government approved third generation Uranium enrichment technology (thru laser separation). Over 20 years of development, SLX and its commercial partners have proven a 30-50% cost reduction (PAC Partners estimate). SLX has also shown the flexibility to many forms of uranium (tailings, yellow cake, uranium hexafluoride) and an ability to make uranium fuel suitable for the next generation "small modular reactors"

We re-initiated coverage in June 2019 of SLX because of the likely commercial approval of the Paducah mine by December 2021, and tangible milestones each three to six months.

SLX technology has many non-uranium separation applications including Zero Spin Silicon production and healthcare applications. Two commercial applications are partnered (IQE – Rare Earth and Zero Spin Silicon – SQC). SLX sold a different internally developed technology to IQE for upfront payment in 2018 and royalties from 2021. SLX will be the developer of Zero Spin Silicon with some Government Funding and offtake arrangements with SQC

This should pave the way for SLX to earn ~\$10m EBITDA from 2025 in our view. There are also significant uranium enrichment applications when the aging enrichment capacity is upgraded for the substantial increased Ur fuel requirements from 2025. Zero Spin Silicon has significant value from the huge demand for next generation super computers, and should earn ~\$5m EBITDA in medium term and significantly more if the cost base is proven to stay low at large scale.

GLE and Paducah Uranium "Mine" – Milestones to Date

In 2013 the US Department of Energy selected GLE as the approved partner to buy and develop 300kt of Ur tailings into a 34 year "mine" producing 2,350t/annum U3O8 (5.2mlb).

In November 2016 the DOE agreed to sell the tailings to GLE. Shortly after GE and Hitachi decided to exit GLE. SLX and Cameco sought to buy out GE and Hitachi.

On 7 February 2019 the sale terms were agreed, subject to commercial deal with DOE and Paducah.

In June 2020 US Department of Energy (DOE) allowed the proposed GLE/SLX group to have access to the Paducah tailings. This involved adjusting an agreement struck when GLE was chosen as preferred developer 7 years ago.

Final US Government approval for the proposed GLE ownership came in Jan'21, and SLX formally take control of 51% of GLE in Feb'21 and Cameco stepped up from 24% to 49%.

Payments from SLX to GEH (GE and Hitachi) have been US\$170k/month (A\$1.3m/annum) since mid-2018, US\$1.125m on completion of the agreement in February 2021, and US\$13.4m in four equal annual payments after GLE reaches US\$50m in revenue.

US Uranium Supply is set to increase

Less than 10% of US uranium demand is produced locally, and this is now a significant hole in the energy self sufficiency drive across the USA .

In our view Paducah is likely to be one of the first US mines to be approved because it is low cost; cleans up a radioactive waste site; and uses an experienced pool of 2000 employees which operated the now closed Paducah uranium enrichment site in Kentucky. SLX and partners (including Cameco) have proven the laser uranium separation technology is less than half the cost of uranium enrichment, and over the last five years the pair have led trials to show the same technology is the global leader for treating uranium tailings and making yellow cake for enrichment.

SLX BOARD

Chairman has driven research commercialisation at CSIRO, and has extensive Government and Public Service experience

Craig Roy – Non-Executive Chairman (175,000 SLX shares)

Mr. Craig Roy has served as the Chairman of Silex Systems since January 2019. He has vast boardroom experience as well as expertise in research, innovation and entrepreneurship, having previously served at the CSIRO for 14 years, serving in ultimately the Deputy CEO role, where he was responsible for strategy, commercial and business development. He concurrently serves as a Non-Executive Director at Sydney Water and Chairman at the Australian Research Data Commons. His other previous directorships include the Australian National Commission of UNESCO, the Vice Chancellor's Industry Advisory Board at the University of Technology Sydney, and Data 61. He served as a Commander in the Royal Australian Navy for 20 years. Mr. Roy holds a Bachelor of Science (Applied Mathematics) from UNSW and is a Fellow of the AICD.

Founder and driver of Silex Systems technology applications

Dr. Michael Goldsworthy – CEO & Managing Director (5,850,000 SLX shares)

Dr. Michael Goldsworthy is a Co-Founder of Silex Systems and has served as its Managing Director since 1988. He was the co-inventor of the SILEX uranium enrichment technology and has overseen its commercialisation project for 33 years. He has also overseen the establishment of the US-based subsidiary Translucent Inc. and has world-leading experience in uranium enrichment, nuclear energy and laser-associated technology. Prior to starting Silex Systems, he was an academic at the University of New South Wales, specialising in laser technology. He holds a Bachelor of Science with Honours (Physics), a Master of Science (Nuclear Physics) and a Ph.D. (Nuclear Physics) from the University of New South Wales.

Extensive global scale financial transactions and partnership experience through Sonic Healthcare

Christopher Wilks – Non-Executive Director (2,814,000 SLX shares)

Christopher Wilks has served on the board of Silex Systems since 1998. He has an extensive background in investment banking and chartered accountancy and as vast boardroom experience. He currently serves as CFO and Finance Director of Sonic Healthcare (ASX: SHL), where he has worked since 1993. Additionally, he has held roles on the boards of Silex subsidiary Translucent Inc and previously at SciGen Ltd. He holds a Bachelor of Commerce from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Deep experience across uranium global regulation and large resource companies

Melissa Holzberger – Non-Executive Director (28,000 SLX shares)

Melissa Holzberger has served as a Non-Executive Director of Silex Systems since 2019. She is a commercial lawyer specialising in energy and resources, serving as Principal at Sloan Holzberger Lawyers since 2009, and has extensive experience in nuclear law. She has served on the Australian Radiation Health and Safety Advisory Council since 2012 and has held other directorships at Tyre Stewardship Australia and Karting Australia. Previously, she was a Legal Counsel at BHP Billiton and has held other positions at Rio Tinto and as an associate in the Federal Court of Australia. She holds a Bachelor of Arts and a Bachelor of Laws from the University of Adelaide, as well as a Diploma in International Nuclear Law from the University of Montpellier and a Masters of Laws (Resources) from the University of Dundee.

Global resource and finance experience with SLX and Middle Eastern based companies

Julie Ducie - CFO & Company Secretary (20,000 SLX shares)

Ms Ducie joined SLX in 2010, and was appointed to the position of Chief Financial Officer in 2012 and is also the Company Secretary. Ms Ducie commenced her career in Public Accountancy and rose to the position of Senior Associate within a Chartered Accounting Practice. In 2006, Ms Ducie was recruited by an Australian engineering enterprise in the Middle East to take on the role of Finance Manager in a new venture. Ms Ducie is a Chartered Accountant and has a Bachelor Degree in Business (with Distinction) from the University of Technology, Sydney and a Master of Business Administration (Executive) from UNSW Sydney.

Investment view

Commercial, regulatory and global resource experience for uranium industry deals

Stayed in control of proven technology...

...and is stepping up to 51% ownership of the consortium that is developing commercial projects

The key changes today are higher Uranium margins...

...more confidence in SLX delivering milestones...

...and sets our long term DCF at \$2.50/share

These milestones give SLX options to fund internally...

...or accelerate with \$30m of equity in 2022

We assume sale of 26% of GLE should allow SLX to pay a \$65m special dividend in 2025...

...and fund its 25% of Paducah

Zero Spin Silicon gives SLX options to generate cash flow in the short, medium and long term

INVESTMENT VIEW – BUY, PRICE TARGET \$1.75/SHARE, DCF \$2.50/SHARE

We rate SLX as a Buy with a positive view on:

People. Michael Goldsworthy (MD/Founder) has been resolute on commercialising laser separation technology for over 20 years. Chis Wilks (NED SLX and FD of Sonic Healthcare, SHL.AX) and Julie Ducie (CFO) have ably assisted Michael during a series of partnerships to be commercially ready from 2015. SLX attracted two high quality Board Members in early 2019. Craig Roy – ex Dept CEO of CSIRO and now Chair of SLX, and Melissa Holzberger – ex BHP and Rio Tinto with regulatory and legal background in international nuclear law and commercial uranium market.

Platform. SLX has stayed in control of its destiny with: proven low cost technology at demonstration scale; US Government approved Ur concentration and enrichment technology; large Jun'21 SLX cash backing of \$20m (\$15m cash and \$5m in IQE shares at GBP0.54/share); and partners below.

Partners. SLX has the support of largest uranium miner in North America, Cameco (CCJ.NYSE, MCap US\$8bn), and previous GLE partners GE and Hitachi. The deal for GE and Hitachi to leave consortium allowed SLX to pay for its 51% of consortium from future profits, and Cameco to step up from 24% to 49%. SLX has the option to sell 26% to Cameco at a later date.

VALUATION

Our FY'30F EBITDA forecast has lifted 42% to \$68.5m with higher EBITDA margins (70%) at US\$65/lb Uranium Price from the Paducah uranium mine.

Half of the margin comes from operating margin for 25% of mine, and the rest from royalties across 100% of mine output (at 7% royalty vs the 7-12% range possible).

SLX maintains significant leverage with new technology applications because SLX has robust commercial projects under its control:

1 - Zero Spin Silicon's A\$5+m EBITDA/year is from a modest investment;

2 - Long term uranium business developer make A\$50+m per year EBITDA.

We set our 12 Month Price Target at \$1.75/share (\$303m) = 4.3x EV/EBITDA based on \$68.5m EBITDA in 2030.

Our long term DCF valuation of \$2.50/share is justified with just one uranium enrichment plant and a small zero spin silicon operation justifies.

FUNDING

The other important change today is that we believe SLX can fund all of this development with its \$20m cash balance and equity agreements with global partners.

After key 2021/22 milestones, SLX has many options to accelerate more applications and commercial outcomes. We assume SLX raises \$30m equity, but SLX has many other sources of funding.

An important key to generating \$10m EBITDA from 2025 and ~\$70m EBITDA from 2030, is SLX's option to sell 26% of its ownership of GLE to Cameco. This can be exercised at any time during demonstration plant operation to Paducah construction.

We assume the sale is done in 2025 at US\$203m. This is a 50% premium to the US\$125m paid for 24% of GLE in 2008, when GLE did not own the Paducah Tailings for a 30 year mine of 5.2mlb U308 with US DOE approval. We assume SLX pays a A\$65m dividend in 2025, fund its 25% of the Paducah Mine, and pitch for new uranium enrichment projects

The other key to medium term funding is SLX technology has also proven application to Zero Spin Silicon production and healthcare applications.

SLX has two commercial applications with partners (Zero Spin Silicon – SQC, Rare Earth - IQE). SLX will be the developer of Zero Spin Silicon by 2022 with some Government Funding and offtake arrangements with SQC. SLX sold another internally developed technology to IQE for upfront payment in 2018 and royalties from 2020

KEY DRIVERS FOR SLX

- USA becoming more self-sufficient in uranium production. It currently only supplies ~10% of its demand, and USA consumes ~30% of global demand (45 of 150m lb/annum). GLE's Paducah Tailings is a potential low cost "new" USA uranium mine.
- New generation semi-conductor and processor chip manufacturing require cheaper and purer specialised silicon and rare earth oxide equivalents. SLX's technology suite is applicable, and the zero spin silicon application has a small cost and can be driven/funded by SLX.
- Global demand for reliable and zero carbon emission base load power generation in USA, France, India and China from 2025 to 2050 should see uranium demand increase at 3%/annum. Supply needs to grow faster, say 5%/annum, to replace wound down inventory and exhausted secondary supply (from decommissioning weapons grade uranium.)

Steps to cash flow

LONG TERM

Uranium enrichment royalty stream from Silex Systems Technology

STEPS TO SUBSTANTIAL CASH FLOW FOR SLX

SLX owns 100% of the proven (at demonstration scale) low cost uranium enrichment and concentration technology (laser separation).

Each new uranium tailings treatment plant or uranium enrichment facility that uses SLX technology will pay a 7% to 12% royalty to SLX depending on performance of technology.

We estimate that each new global Ur enrichment facility (usual 3.5% of global capacity – 5.2m lb U₃O₈ /annum to UF₆ , or 3m Swing Weight Units) will pay US\$25m to US\$50m/annum royalty payment to SLX.

The global uranium enrichment industry is dominated by French and Russian manufacturers with second generation technology. We see room for the SLX technology to be used by the French or an emerging alternative manufacturer (possibly US owned) post 2030.

Retreating tailings is a near term opportunity, and SLX is very well positioned with Paducah – see below.

SHORT TERM

Part ownership of Paducah Uranium Tailings and the project to make yellow cake

SLX/Cameco own 51%/49% of Commercial Development Group for SLX technology (GLE), which has the right to develop uranium projects with partners, and take equity positions and/or other financial partnerships. Kentucky's Paducah uranium is the short term project via:

- GLE won the development rights for a low cost US uranium mine treating Paducah uranium tailings in 2011;
- SLX estimate that this tailings treatment will produce 5.2m lb of U₃O₈/annum at full capacity;
- We estimate this delivers US\$75m EBITDA to GLE "Technology Developer and Owner of Paducah Tailings" (30% margin at Ur price of US\$65/lb)
- SLX earns 25% of this EBITDA (A\$25.4m @ US\$0.75/A\$), and 100% of technology royalty (A\$23.7m);
- These two earnings streams give SLX a 70% EBITDA margin on its revenue stream; and,
- SLX will also earn US\$20m of milestones during the development phases of Paducah.

Major milestones with US Government ramping up supply of domestic Uranium...

...including Paducah

MILESTONES FOR SLX

- 2021 to 2025 – Series of milestones for design, build and production of Paducah uranium tails "mine"
- 2021 and 2022– Zero Spin Silicon – Design and construction of scaled-up proto-type by Dec'21 and commercial scale production from pilot plant by Dec'22.
- 2021 onwards – SLX to receive ~\$0.8m/annum royalties and stepping up to ~\$5m from 2025 from electronics industry.
 - Zero Spin Silicon for processor chips (offtake agreement to 'Silicon Quantum Computing'). Small in 2021 and significant from 2025
 - Rare Earth Oxides for semi-conductors (sold to IQE in early 2018, US\$400k/annum royalty minimum)

Risks

RISKS

Delays to US Government approvals

Delays with Government approval for US DOE approval of Paducah uranium tails “mine”. *Mitigation – SLX and Cameco made Feb’21 GLE ownership change contingent on strong assurances from Government and DOE that Paducah had a realistic approval path. US push for self-sufficiency in energy and more than 10% of local uranium production assist local uranium production and enrichment. Bipartisan support for nuclear power generation appears to be building as well, with a more pragmatic Democratic support adding to the Republican position.*

Scale-up from demonstration plant to full scale

SLX uranium enrichment scale-up from demonstration scale to commercial scale. *Mitigation – Uranium concentration of tailings (to 0.3% ²³⁵U) is a far simpler and cheaper application, and de-risks the more complicated enrichment application (0.3% to 5.0% ²³⁵U). SLX worked with GLE for 10 years to scale up technology to demonstration scale in Wilmington North Carolina.*

Financial strength of SLX to deliver long term cash flow. *Mitigation – \$20m net cash and shares at 30 June 2021. A\$15m of net cash and 4.262m IQE shares (A\$5m at spot price GBP 0.56/share) gives SLX a five-year buffer at current spend rates and three at accelerated rates (which is our base case financial model).*

Silex can execute its option to sell 26% of GLE from at an agreed price over the demonstration plant and Paducah project. We assume SLX executes the sale in 2025 at a price that is 50% above the price for Cameco’s first 24% on GLE in 2008. We estimate SLX supply electronics industries with Zero-spin silicon generate at least \$4m/annum from FY’24F.

We assume SLX raises \$30m of new equity across FY’22F or FY’23 in order to maximise the value from GLE, Paducah project, accelerate zero-spin silicon, and open up more applications of its core laser separation technology.

Financial Model

Silex

Price \$/share	1.00
Market Cap \$m	173
Shares on Issue Jun'20	173 m
Shares on Issue Jun'24	194 m

PROFIT & LOSS (\$m)

Y/E 30 June	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2030F
EBITDA	(7.8)	(12.8)	(6.5)	(4.4)	(7.9)	(7.0)	(1.2)	(7.0)	(5.4)	2.0	68.5

BALANCE SHEET (\$m)

Y/E 30 June	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2030F
Cash	53.3	50.0	32.1	24.9	18.4	13.6	11.4	12.1	12.6	174.6	61.6
PP&E	0.1	0.1	0.1	0.1	0.3	0.1	10.3	20.5	30.7	33.5	220.8
Debtors & Inventory	3.5	1.8	8.5	1.9	1.7	0.0	0.3	2.8	1.0	2.7	22.5
Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IQE Shares	0.0	0.0	9.4	10.2	9.0	5.7	5.7	5.7	5.7	5.7	5.7
Total Assets	56.8	51.9	50.0	37.1	29.4	19.5	27.8	41.2	50.1	216.5	310.7
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade Creditors	1.8	1.8	1.9	0.7	1.1	0.0	0.3	3.2	1.2	3.1	25.5
Other Liabilities	1.3	0.7	1.4	0.8	0.8	0.0	0.1	0.3	0.1	0.3	2.1
Total Liabilities	3.1	2.6	3.3	1.5	1.9	0.1	0.4	3.5	1.3	3.4	27.7
Net Assets	53.8	49.3	46.7	35.6	27.5	19.4	27.4	37.7	48.8	213.2	283.1

CASH FLOW STATEMENT (\$m)

Y/E 30 June	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2026-30
EBITDA	-7.8	-12.8	-6.5	-4.4	-7.9	-7.0	-1.2	-7.0	-5.4	2.0	87.4
Net Interest Expense	3.1	2.9	1.8	1.4	1.1	0.8	0.7	0.7	0.7	10.0	29.3
Net Income Tax Expense	1.1	1.3	1.7	0.9	-0.1	1.0	2.2	2.3	0.4	0.3	4.5
Working Capital	-2.6	-1.7	6.6	-5.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	-4.1	-7.3	3.6	-7.4	-7.5	-5.1	1.6	-4.0	-4.3	12.4	121.2
Capital Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	-10.2	-10.2	-10.2	-2.8	(223.3)
Business (Acquisition) / Divestment	2.5	0.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	216.7	0.0
Proceeds from Equity Issues / (Buybacks)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	15.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-65.0	-13.4
Net Cash Flow	(1.6)	(7.3)	3.5	(7.5)	(7.7)	(5.1)	(8.6)	0.8	0.5	161.3	(115.5)

45.8

FULL YEAR DIVISIONAL PROFILE

inc 2025 cash

Y/E 30 June	2016A	2017A	2018A	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2030F
REVENUE											
Silex Systems - GLE & Paducah	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	71.2
Silex Systems - Milestones	0.0	0.0	0.0	0.0	0.0	0.3	6.7	0.0	0.0	6.7	13.3
Silex Systems - Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7
Translucent - IQE	0.0	0.0	0.0	0.0	0.1	0.4	0.3	0.5	0.6	0.7	2.1
Silicon Quantum Computing - Zero Spin Si	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	6.0	8.0	32.0
Total Revenue	0.0	0.0	0.0	0.0	0.1	0.1	0.7	6.9	2.5	6.6	54.8
EBITDA											
Silex Systems - GLE & Paducah						0.0	0.0	0.0	0.0	0.0	25.4
Silex Systems - Milestones						0.3	6.7	0.0	0.0	6.7	13.3
Silex Systems - Royalties						0.0	0.0	0.0	0.0	0.0	23.7
Translucent - IQE						0.4	0.3	0.5	0.6	0.7	2.1
Silicon Quantum Computing - Zero Spin Si						0.0	0.0	1.0	3.0	4.0	16.0
Corporate	(6.8)	(7.1)	(7.5)	(4.4)	(0.7)	(7.7)	(8.1)	(8.5)	(8.9)	(9.4)	(12.0)
Other	(1.0)	(5.7)	0.9	(0.0)	(7.1)	0.0	0.0	0.0	0.0	0.0	0.0
Total EBITDA	(7.8)	(12.8)	(6.5)	(4.4)	(7.9)	(7.0)	(1.2)	(7.0)	(5.4)	2.0	68.5

Long Term Targets

Y/E 30 June	2025F	2030F
Silex Systems @ Paducah 25% post 2025	Commercial	Paducah
Production t/annum	Plant	2,161
Production mib/annum	Demo	5.20
Uranium Price (US\$/lb)	Complete	65.00
EBITDA to SLX (US\$m)	5.0	50.1
GE & Hitachi payment (US\$m)		(3.4)
US\$/A\$	0.75	0.75
EBITDA to SLX (A\$m)	6.67	62.34
Royalty IQE and SQS	4.7	18.1
EBITDA pre Corporate Cost - Total	11.4	80.5

CONTACT INFORMATION

CORPORATE FINANCE	RESEARCH	DEALING
BROOKE PICKEN Chief Operating Officer / ECM bpicken@pacpartners.com.au 03 9114 7402	CRAIG STRANGER Managing Director cstranger@pacpartners.com.au 03 9114 7405	ANTHONY WILSON Institutional Sales - Sydney awilson@pacpartners.com.au 02 9134 9155
SEAN KENNEDY Corporate Finance skennedy@pacpartners.com.au 03 9114 7403	PAUL JENSZ Executive Director, Research pjensz@pacpartners.com.au 03 9114 7444	JAMES WILSON Institutional Sales – Sydney jwilson@pacpartners.com.au 02 9134 9111
CHARLES REED Corporate Finance creed@pacpartners.com.au 03 9114 7406	HEATH ANDREWS Senior Analyst handrews@pacpartners.com.au 03 9114 7415	PHIL CAWOOD Institutional Sales – Sydney pcawood@pacpartners.com.au 02 9134 9122
BEN SEWARD Corporate Finance bseward@pacpartners.com.au 0466 360 715	SHANE BANNAN Senior Analyst - Bligh Capital sbannan@pacpartners.com.au 02 9134 9191	MARK PASHLEY Trading – Sydney mpashley@pacpartners.com.au 02 9134 9177
ANDREW SHEARER Technical Consultant ashearer@pacpartners.com.au 04 1172 0516	PHIL CARTER Senior Analyst pcarter@pacpartners.com.au 0400 252 465	RYAN GALE Advisor – Melbourne rgale@pacpartners.com.au 03 9114 7404
PETER WARD Corporate Broking pward@pacpartners.com.au 03 9114 7409	ALEX SMITH Analyst asmith@pacpartners.com.au 03 9114 7408	PATRICK GIBSON Senior Operations – Melbourne pgibson@pacpartners.com.au 02 9114 97400
JAMES EMONSON Corporate Finance jemonson@pacpartners.com.au 03 9114 7417	TOM WAITE Analyst twait@pacpartners.com.au 03 9114 7414	IAN LEETE Corporate Sales – Sydney ileete@pacpartners.com.au 02 9134 9144
WILL GEORGE Corporate Finance wgeorge@pacpartners.com.au 03 9114 7421	JARED BRETT Junior Analyst jbrett@pacpartners.com.au 04 4956 8559	JAMES HOLYMAN Operations Manager jholyman@pacpartners.com.au 03 9114 9133
DAVINA GUNN Corporate Broking dgunn@pacpartners.com.au 03 9114 7407		DANIEL GADALLA Operator – Melbourne dgadalla@pacpartners.com.au 03 9114 7400
TIM CHAPMAN Corporate Broking tchapman@pacpartners.com.au 04 1989 7062		ANGUS WITHER Operations Support - Melb awither@pacpartners.com.au 03 9114 7419
SYDNEY Kyle House, 27 – 31 Macquarie Place, Sydney +61 2 9233 9600	MELBOURNE (Head Office) Level 10, 330 Collins Street, Melbourne +61 3 8633 9831	PERTH Suite 2.1, 9 Havelock Street, West Perth

RECOMMENDATION CRITERIA

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

The following person(s) does hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report:

- the author of this report
- a member of the immediate family of the author of this report

Disclaimer

PAC Partners Securities Pty Ltd. ("PAC Partners", "PAC" or "PPS") is a Corporate Authorised Representative of PAC Asset Management Pty Ltd holder of an Australian Financial Services Licence (AFSL No. 335 374).

The information contained in this report is provided by PAC Partners to Wholesale Investors only. Retail investor and third party recipients should not rely, directly or indirectly, on this report. Users of this research report should not act on any content or recommendation without first seeking professional advice. Whilst the report has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by PAC Partners, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This publication contains general securities advice. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user. Access of this report does not create a client relationship between PAC Partners and the user. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. PAC and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. PAC believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by PAC or any of its directors, employees or agents. Any content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of PAC Partners.

Disclosure of Corporate Involvement

PAC Partners has in the previous 12 months carried out Investor Relations services on behalf of the Company described in this report and received fees on commercial terms for its services. PAC Partners does not own securities of the Company described in this report. PAC Partners associates do not own securities of the Company described in this report. PAC Partners does and seeks to do business with companies covered in the research. PAC may receive commissions from dealing in securities associated with the Company. As a result, investors should be aware that PAC Partners may have a conflict of interest that could affect the objectivity of this report.

For more information about PAC Partners please visit www.pacpartners.com.au