



Silex

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Annual Report

2015





# Important Notice

## **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 Translucent 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 report 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 outcomes of the Company's interests in the development of various semiconductor, photonics 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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# Chair's Report



**Dr Lisa McIntyre**  
Chair

Dear Fellow Shareholders,

As you may be aware, the year ended 30 June 2015 was my first full year as Chair of the Silex Board. I am therefore very pleased to report on the progress that has been made over the year by the Board and our Management team to implement the major restructure resulting from the Company's 2014 strategic business review. Completion of the restructure will result in the return of our focus solely to the development and commercialisation of our core asset, the SILEX Laser Uranium Enrichment Technology.

The restructure, which is expected to be completed by the end of calendar year 2015, has resulted in significant changes in all areas of the Company. These changes included the following key measures:

- The signing of an agreement in September 2015 for the license and assignment of subsidiary Translucent's semiconductor technology with UK-based IQE Plc;
- The cessation of the Solar Systems' business in July 2015, alongside ongoing effort to pursue residual opportunities identified during the rigorous divestment process;
- Closure of the ChronoLogic business (in September 2014); and
- A reduction of 50% in corporate headcount as the Company looks to streamline operations and reduce costs across the entire business.

Our June 2014 strategic review announcement was followed by an announcement in July 2014 that the Licensee for the SILEX Technology, GE-Hitachi Global Laser Enrichment LLC (GLE), was slowing down the funding and pace of the commercialisation program to align with adverse trading conditions in the global nuclear markets. It is important to note that good progress continues to be made with the

commercialisation program and that the key commercial terms of our license agreement, in particular the royalty structure, have not changed. In addition, GLE's negotiations with the US Department of Energy regarding the strategically important opportunity in Paducah, Kentucky are nearing completion.

A full update of the SILEX Uranium Enrichment Project is provided by Dr Michael Goldsworthy, our CEO/MD, in his following report.

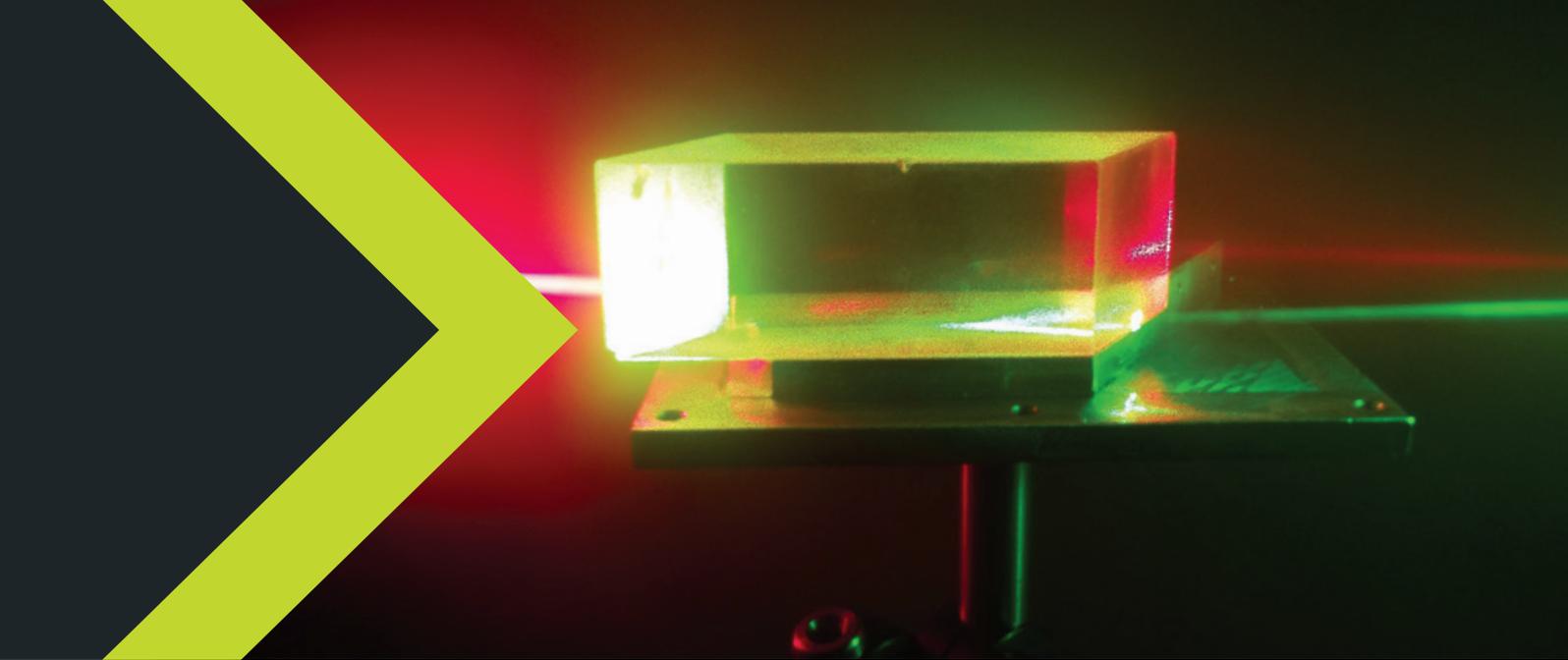
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**"I remain excited by the prospects for Silex Systems and the SILEX Technology based on the potential that this innovative and disruptive Australian technology holds"**

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## Corporate Governance

A process of Board restructuring and renewal continued as part of the Company's strategic review. An evaluation of the number and composition of Directors was completed with the Board resolving to reduce from six (6) to four (4) directors including our CEO/MD. We welcomed Robert Lee to the Board on 1 July 2015 to replace Andrew Stock who retired on 31 August 2015. The Board thanks Mr Stock for his experience and contribution to the Company during his tenure and recommends the election of Mr Lee at our Annual General Meeting in November.



We believe that we have an appropriate mix of skills, experience and industry knowledge on the Board for our current opportunities and challenges, particularly as we return the Company's focus to the SILEX Technology.

As part of the full operational review conducted during the year, some difficult remuneration decisions were made which included the Board's decision that no remuneration increases be awarded to the Company's Key Management Personnel (KMP) for FY 2015 and for FY 2016. Substantial changes were also implemented to the remuneration package of our CEO/MD, with an agreed reduction from 1 January 2015 of approximately 55% to Total Maximum Potential Remuneration. It has now been 3 years since a total remuneration increase was awarded to any KMP, which we believe is appropriate given the changes and difficulties that have been experienced by Silex, and taking into account shareholders' interests and good governance.

## Financial Performance

Our net loss for the year of \$35.9 million was impacted by the outcomes of our strategic review. The net loss included impairment charges from a detailed review of Solar Systems' and Translucent's asset carrying values, the anticipated costs associated with the dismantling and decommissioning of various facilities and employee termination payments made during the year. Importantly net cash burn (excluding the FY 2013 GLE milestone receipt in July 2014) reduced by 48% from FY 2014 to FY 2015.

At the time of writing, Silex maintains a solid cash reserve position of \$51.5 million with cash burn for FY 2016 and beyond expected to reduce significantly.

## Outlook

We remain committed to positioning Silex for the inevitable turnaround in the nuclear industry and nuclear fuel markets over the coming years and to delivering long-term value for our shareholders. I remain excited by the prospects for Silex Systems and the SILEX Technology based on the potential that this innovative and disruptive Australian technology holds.

On behalf of the Silex Board and Management team, I would like to thank our shareholders for their patience and support as we work to complete our strategic review and continue to navigate our Company through this difficult period. I look forward to updating you again at our Annual General Meeting in November.

**Dr Lisa McIntyre**

Chair

2 October 2015

# CEO'S Report



**Dr Michael Goldsworthy**  
CEO/Managing Director

The financial year ended 30 June 2015 has been one of the most challenging periods in the history of Silex, beginning with the implementation of a major restructure which resulted from a strategic review of our entire business, as disclosed to the ASX in June 2014. Shortly after this, the licensee for our core SILEX Laser Uranium Enrichment Technology, GE-Hitachi Global Laser Enrichment LLC (GLE) announced its own restructure in response to adverse nuclear fuel market conditions, involving a slowing down of the commercialisation project for the SILEX Technology.

We continue to work towards the completion of our restructure, which will result in a significant reduction in cash burn and a singular focus of the Company on the SILEX Technology. It is anticipated that all restructuring activities will be completed by the end of this calendar year.

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## Silex is in a strong financial position with cash reserves of ~\$51.5 million

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With the Company's focus returning solely to our core SILEX Technology, we were pleased to see a number of recent developments which suggest the beginning of a recovery in the global markets for natural and enriched uranium could be near. These include the first restart of a nuclear power plant in Sendai, Japan, after being shut down for a number of years, and the continued firming of the market price for uranium. We continue to believe the medium to long term outlook for these markets will involve a return to strong growth as the global nuclear industry expands. Most importantly, we remain confident in the potential for our enrichment technology,

the only third generation laser enrichment technology being commercialised in the world, to compete in these markets.

At the time of writing, Silex is in a strong financial position with cash reserves of ~\$51.5 million.

The Company's restructure is now largely complete with the following major outcomes:

**i) ChronoLogic:** The first major outcome of the restructure was the closure of the ChronoLogic business which was completed in September 2014.

**ii) Solar Systems:** On 30 July 2015, the Silex Board announced the cessation of Solar Systems' business operations, following a rigorous but unsuccessful global process to attract new investment. In light of the interest shown in Solar Systems' technology during the divestment process, the company has retained the IP and associated expertise to pursue residual opportunities.

**iii) Translucent:** The pursuit of business development options for Translucent's novel semiconductor materials being developed for application in advanced semiconductor and power electronics devices accelerated during the year. This process culminated in the signing of an exclusive License and Assignment Agreement with UK-based IQE Plc on 15 September 2015. Under this Agreement, the Translucent technology will be transferred to IQE for the completion of product development and commercialisation activities during a 30-month license period, during which IQE can elect to acquire the technology. Meanwhile, the Translucent facility in Palo Alto, California will be closed down by the end of December 2015.

**iv) Corporate:** There has been a 50% reduction in headcount in our group corporate office.



## Business Overview

### The SILEX Laser Uranium Enrichment Technology

#### Business Facts

##### Platform

Nuclear Fuel for Clean Electricity Generation

##### Locations

Technology Development:

Silex: Lucas Heights, NSW, Australia

GLE: Wilmington, North Carolina, USA

##### Corporate Office

Sydney, NSW, Australia

#### Business Description

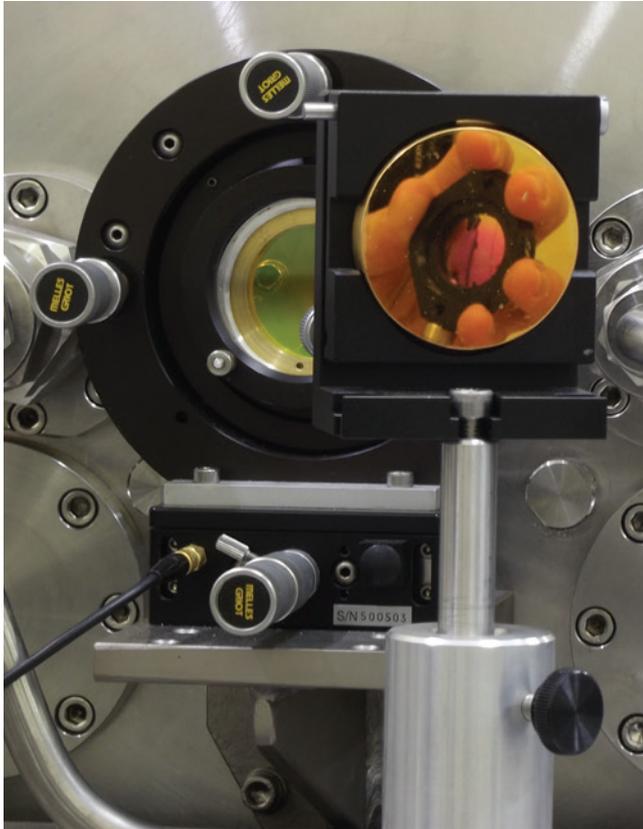
Silex invented and initially developed the 'SILEX' laser-based uranium enrichment technology in Sydney during the 1990's. The technology is licensed exclusively to GE-Hitachi Global Laser Enrichment LLC ('GLE'), a business venture comprising GE (51%), Hitachi (25%) and Cameco (24%). Silex and GLE jointly continue to commercialise the technology for potential deployment in the USA. The target market is the global nuclear fuel market for natural and enriched uranium, worth several billions of dollars annually.

#### Background

The SILEX Technology was invented by Silex Systems scientists Dr Michael Goldsworthy and Dr Horst Struve in the mid 1990's. In order to facilitate the potential commercial deployment of the technology in the United States, an Agreement for Cooperation between the United States and Australia was signed in May 2000.

In June 2001, the technology was officially Classified by the United States and Australian governments, bringing the project formally under the strict security and regulatory protocols of each country.

In 2006, Silex signed a Technology Commercialisation and License agreement with General Electric Company (GE) to develop and commercialise the technology to enrich uranium for use in nuclear power reactors around the world. Since 2008, the project has been managed by GE subsidiary GLE.



## Uranium Enrichment

Naturally occurring uranium must be enriched before it can be used as fuel in a nuclear power reactor. Enrichment is a technically difficult process. It constitutes a major component of nuclear fuel costs accounting for around 40% of the cost of nuclear fuel and up to 5% of the total cost of the electricity generated.

Uranium enrichment involves increasing the atomic concentration of the 'active' U-235 isotope from 0.7% in natural uranium to approximately 5% required for reactor fuel.

The two methods of uranium enrichment used to date have been the now obsolete Gas Diffusion (first generation) and Centrifuge (second generation). Silex's third generation laser-based process provides much higher enrichment process efficiency compared to these earlier methods, offering lower costs and greater overall efficiency.

## The SILEX Technology

The SILEX Technology is a unique laser-based process that has the potential to economically separate uranium isotopes as well as several other elements. It has a number of advantages over other uranium enrichment processes including:

- Breakthrough in efficiency – SILEX is the most cost effective enrichment method
- Smaller footprint than centrifuge and diffusion plants
- Anticipated to have the lowest capital costs of all enrichment technologies

Significantly, the SILEX Technology is currently the only third generation laser-based uranium enrichment technology under development in the world.

## GLE Agreement

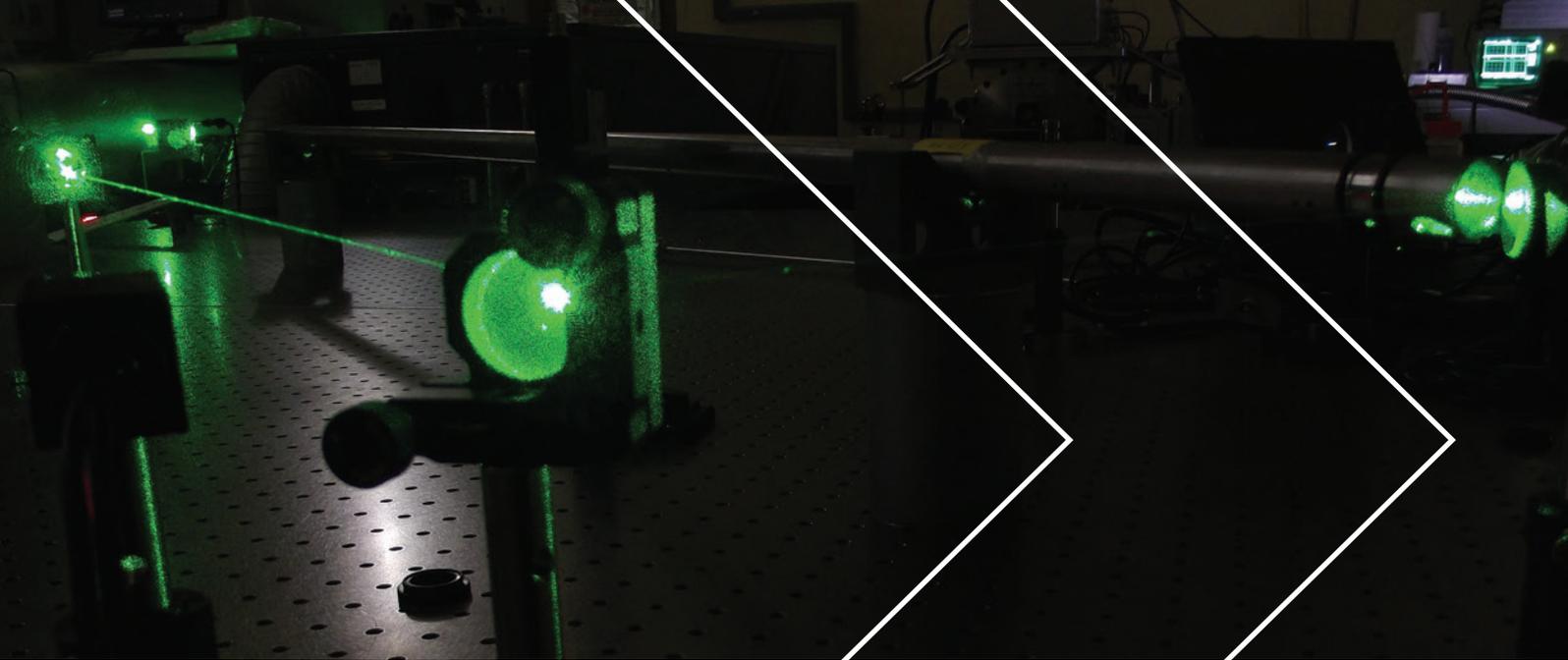
Silex Systems' agreement with GLE is an exclusive worldwide commercialisation and licensing agreement for the SILEX Laser Uranium Enrichment Technology. The underlying value of the agreement with GLE is a perpetual royalty of up to 12 percent payable to Silex, comprising:

- A base royalty of 7 percent of revenues generated from enrichment services using the SILEX Technology; and
- An additional royalty of up to 5 percent based on the total cost of deployment, whereby the lower the cost of deployment per unit production, the higher the royalty.

Additionally, under the commercialisation and license agreement there are potentially two further milestone payments payable:

- US\$5 million – on commencement of construction of the initial commercial plant; and
- US\$15 million – upon verification by the US Nuclear Regulatory Commission of construction compliance and operational readiness of the initial commercial plant.

These milestone payments follow the US\$15 million milestone payment that was received by Silex in July 2013, triggered by the successful completion of the Test Loop Phase 1 Program Milestone: Technology Demonstration and Validation.



## The Year in Review

### GLE Restructure

In July 2014, GLE announced a significant restructure in response to worsening trading conditions in the global nuclear fuel markets, which were initially triggered by the events in Fukushima, Japan in March 2011. The restructure resulted in the consolidation of GLE operations to Wilmington, North Carolina. Meanwhile, an opportunity to build the first commercial production plant in Paducah, Kentucky is the subject of continuing negotiations with the US Department of Energy, as detailed below. Notwithstanding the restructure, the key commercial terms of the licence agreement between Silex and GLE remain unchanged.

### Paducah Commercial Laser Enrichment Opportunity

In November 2013, the US Department of Energy (DOE) selected SILEX Technology licensee GLE to enter into exclusive negotiations for future operations at the DOE's nuclear fuel site in Paducah, Kentucky. These negotiations, concerning the establishment of GLE's proposed Paducah Laser Enrichment Facility (PLEF), are nearing completion with an outcome likely in the next few months.

The Paducah opportunity would potentially involve using the PLEF to reprocess hundreds of thousands of tonnes of high assay tails inventories owned by the DOE, which are left over from previous enrichment activities in the US using inefficient gas diffusion technology. Reprocessing would occur over a 40 year period to produce natural grade uranium (about a third of the feed quantity) and low assay tails. The natural grade uranium produced at the PLEF would be sold into the global uranium market, and depending on the production rate,

would be equivalent to one of the world's largest uranium mines. The production rate is likely to be regulated, under legislation currently being considered by the US Congress, at around 2000 metric tonnes of uranium (in the form of  $UF_6$ ), or around 5 million pounds equivalent of uranium oxide ( $U_3O_8$ ) per year.

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The current enrichment market is around 50 million SWU per annum which equates to approximately US\$4 billion per annum at current long term pricing levels

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Subject to a recovery in the market price of uranium and receipt of required regulatory approvals, the PLEF opportunity could represent an excellent path to market for our disruptive laser enrichment technology and provide a foundation for further expansion by GLE into the enrichment market if and when new capacity is needed. As previously disclosed, in 2012 GLE obtained a combined construction and operating license from the US Nuclear Regulatory Commission (NRC) for an enrichment plant of up to 6 million separative work units (SWU – the unit for enrichment) planned for Wilmington, North Carolina. The current enrichment market is around 50 million SWU per annum which equates to approximately US\$4 billion per annum at current long term pricing levels. Before the Fukushima accident, the market was around 60 million SWU and approaching US\$10 billion in annual sales.

### Project Activities Update - Phase II: Full-Scale Engineering and Economic Validation

The GLE and Silex project teams remain focussed on Phase II of the Commercialisation Program, which includes economic and engineering validation of the technology. GLE is conducting a phased approach to commercialisation of the SILEX Laser Uranium Enrichment Technology, as follows:

Phase	Objectives	Status
Phase I	Test Loop technology demonstration and NRC commercial plant license approval	Completed
Phase II	Engineering and economic validation for the initial commercial production module	Commenced in 2012
Phase III	Construction of the first full-scale commercial production facility	Yet to commence

Following the GLE restructure announced in July 2014, Phase II activities previously conducted at Oak Ridge, Tennessee have been consolidated into the Test Loop facility in Wilmington, North Carolina. The ongoing test and optimisation activities in Wilmington continue to produce positive results, including the successful demonstration of key technology process improvements which have the potential to lower operating and capital costs of a commercial production facility. This continuing work provides a solid base for the design of the full-scale commercial production plant.

A small team based at our Lucas Heights facility in Sydney, comprising the core of Silex's laser technology expertise, continues to make good progress with the development of commercial-scale plant laser systems. The team recently completed a major milestone with the demonstration of the first integrated plant-scale laser system operating over extended periods. This work, which is funded by Silex, will also ensure our core competency in the SILEX Technology is maintained, and will assist GLE in the completion of the Phase II program.

### The Nuclear Industry Outlook - Japanese Reactor Restarts and Global Nuclear Expansion

The market for nuclear fuel, including natural and enriched uranium, remains depressed, with both the uranium and enrichment markets continuing to experience a challenging pricing environment. A key contributing factor to the expected recovery of the nuclear fuel markets is the restart of nuclear reactors in Japan, which have been largely shutdown since 2011. The first reactor restart occurred on 11 August 2015 at the Sendai nuclear power plant in southern Japan, with the second Sendai unit expected to restart before the end of 2015. Another 24 reactors are currently in the restart approval process, according to the World Nuclear Association (WNA) (world-nuclear.org). Japan has also recently confirmed its commitment to nuclear power generation detailing a program setting out a target to produce a fifth of its power from nuclear energy by 2030.

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The team recently completed a major milestone with the demonstration of the first integrated plant-scale laser system operating over extended periods.

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Meanwhile, the construction of new nuclear power plants around the world is accelerating again as Governments continue to focus on energy security and low emissions electricity generation. For example, the US Environmental Protection Agency's recently released Clean Power Plan allows new nuclear reactors to be counted towards meeting federal emissions limits. This initiative effectively confirms the commitment of the US to nuclear power. This is in addition to China and India both moving ahead with significant nuclear power expansion programs.

According to the WNA, there are currently 436 operable reactors around the world with ~380 GWe generating capacity. Another 67 reactors are under construction in 14 countries, including 24 in China, 6 in India, and 5 in the USA. A further 166 reactors are on order or planned and 322 reactors are proposed to be built. Under the New Policies Scenario in the International Energy Agency's World Energy Outlook 2014, global nuclear capacity is predicted to grow to 624 GWe by 2040. Under the low-carbon '450 Scenario', capacity could more than double to 862 GWe by 2040.

Whichever scenario prevails, significant expansion of global nuclear capacity is likely over the next two decades and beyond. If so, this will ensure growing demand for both natural and enriched uranium, and potentially a positive outlook for Silex, subject to successful commercialisation of the SILEX Laser Uranium Enrichment Technology over the coming years.

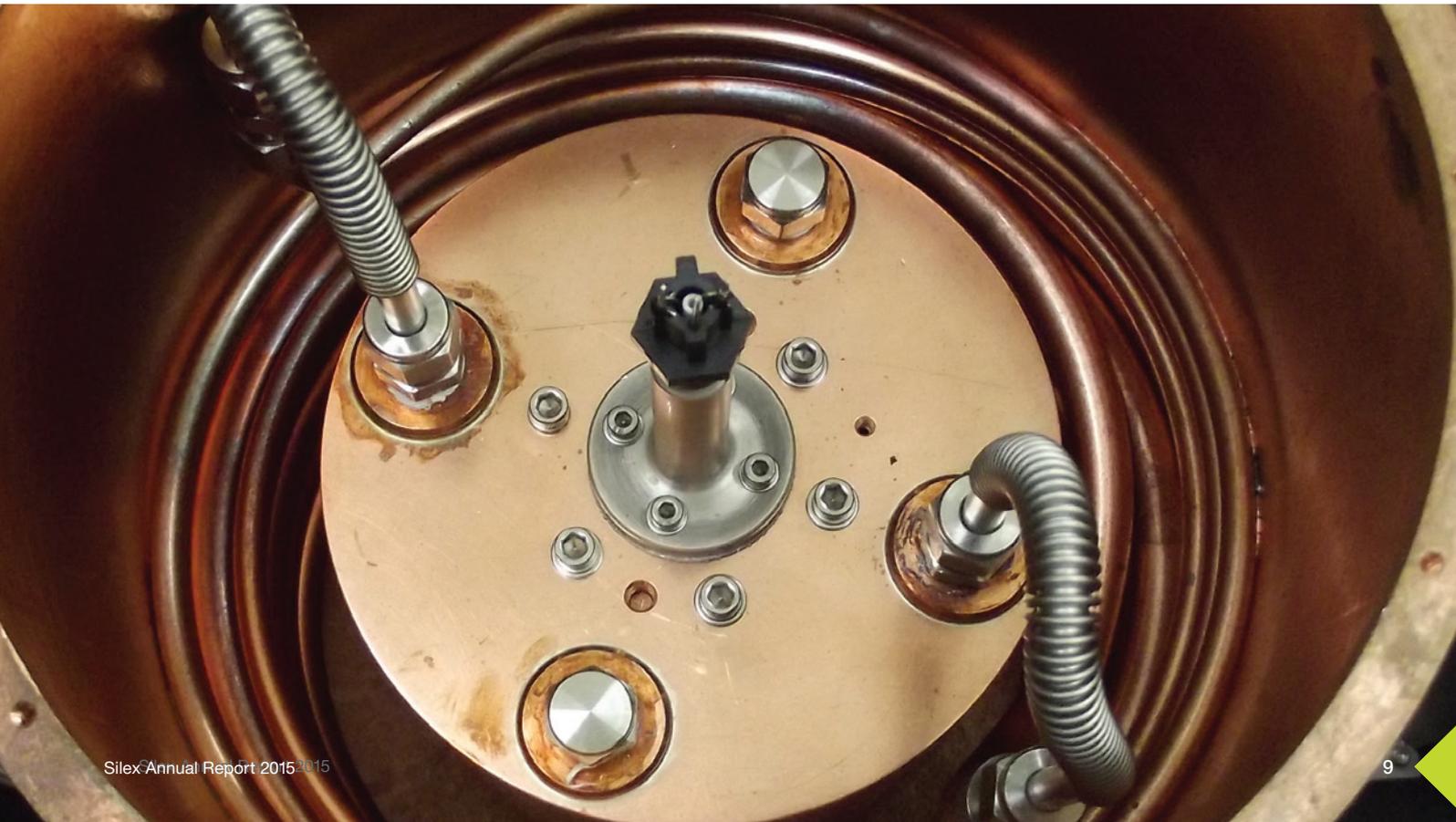
## Outlook

We expect to complete the restructure of the Company in the coming months and thereafter be in position to focus on our core SILEX Laser Uranium Enrichment Technology. We remain committed to the nuclear industry and are confident that there will be a potentially significant expansion of global nuclear capacity over the next two decades and beyond. This will ensure growing demand for both natural and enriched uranium in the future, and hopefully a positive outlook for Silex, subject to successful commercialisation of the SILEX Technology over the next few years.

We look forward to sharing our results with you and providing a further update at the Annual General Meeting in November.



**Dr Michael Goldsworthy**  
CEO/Managing Director



# Company Overview

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**Mission:** To deliver the unique and disruptive SILEX laser enrichment technology as the next generation technology for the global uranium enrichment industry.

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## Historical Background

### 1988

Silex is established by founder Dr Michael Goldsworthy as a technology research and development subsidiary of Sonic Healthcare Limited, an Australian publicly listed company.

### 1990

Silex begins researching the isotope separation concepts of co-inventors Dr Michael Goldsworthy and Dr Horst Struve.

### 1993

The unique principles of the SILEX (Separation of Isotopes by Laser EXcitation) Process are formulated.

### 1995

'Proof of Principle' demonstration of the SILEX Process is achieved at the Company's laboratories in Lucas Heights, Sydney. Uranium enrichment, the largest market for isotope separation, becomes Silex's primary focus.

### 1996

Silex is divested from Sonic Healthcare Limited and sets about establishing the commercial viability of the SILEX Technology.

### 1998

Silex lists on the Australian Stock Exchange (ASX) under the symbol 'SLX'.

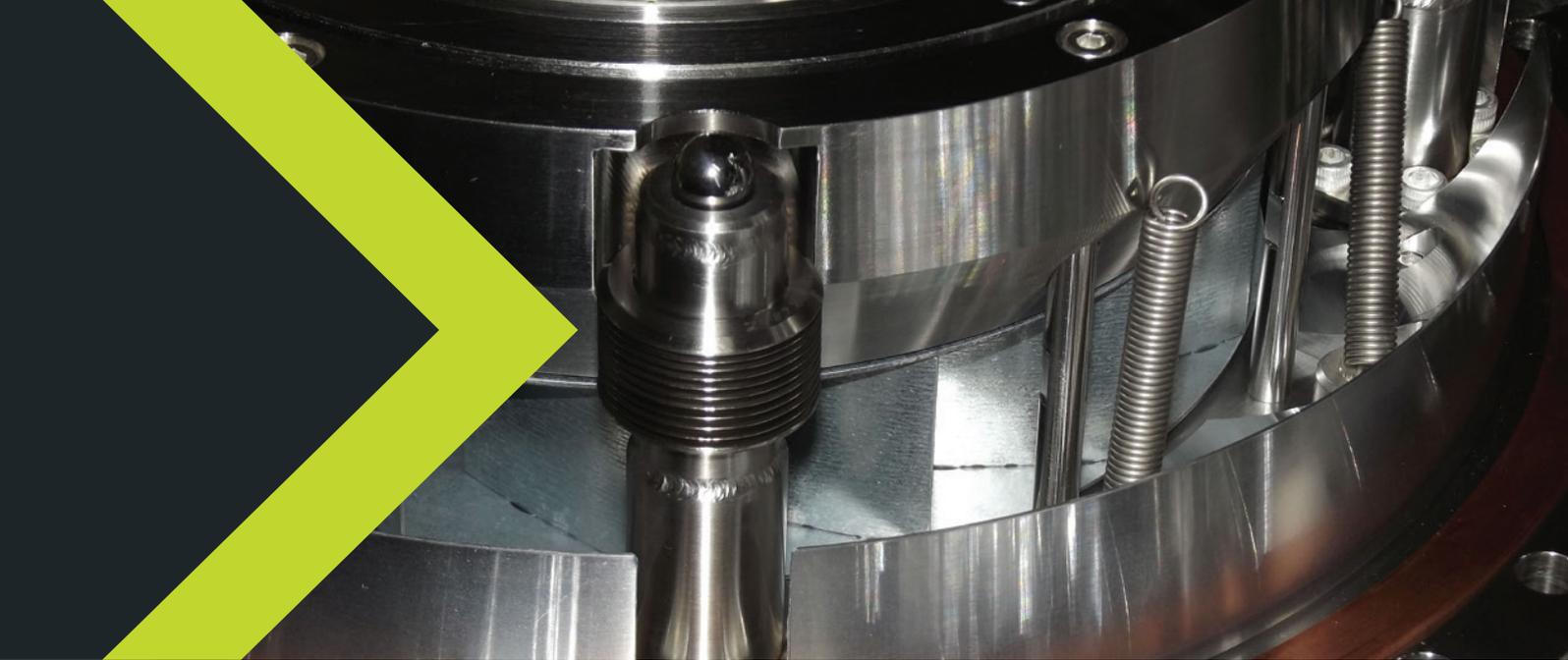
### 2000

An Agreement for Cooperation between the US and Australian Governments is signed, paving the way for continued development of the SILEX Technology for uranium enrichment, and facilitating its future transfer to the US.

The first macroscopic demonstration of the SILEX uranium process is successfully achieved.

Silex wins the 2000 Australian Technology Award for Excellence in the Manufacturing and Engineering sector.

Silex raises \$36 million through a share issue to assist in funding the development of its technology.



## 2001

The SILEX Technology is officially Classified by the US and Australian Governments. The implications of classification relate mainly to security protocols.

## 2002

The SILEX Uranium Enrichment Project achieves a key milestone with the first full demonstration on practical uranium enrichment using the SILEX 'Direct Measurement Facility' at Lucas Heights, Sydney.

## 2004

Silex successfully commissions the world's first silicon laser enrichment pilot plant.

## 2006

Silex and the General Electric Company sign an exclusive Technology Commercialisation and License Agreement for the SILEX Uranium Enrichment Technology in May, with US Government authorisations received in October.

## 2007

Transfer of the SILEX Uranium Enrichment Project to GE's Wilmington, North Carolina (USA) nuclear fuel plant is completed in the first half. Hitachi joins GE as project partner.

GE-Hitachi signs Letters of Intent for uranium enrichment services and support using the SILEX Technology with Exelon and Entergy - the two largest nuclear power utilities in the US.

Silex successfully completes a \$50 million capital raising in October.

## 2008

Global Laser Enrichment (GLE), formed as a subsidiary of GE-Hitachi Nuclear Energy (GEH) to commercialise the SILEX Technology, announces it has selected its Wilmington, North Carolina, headquarters site for the first commercial SILEX uranium enrichment facility.

GLE is notified that the US Nuclear Regulatory Commission (NRC) has approved a license to operate the Test Loop for the demonstration of the next generation SILEX laser uranium enrichment technology.

GEH and Cameco Corp. announce that Cameco Corporation, the world's largest uranium producer, has joined the GLE venture. Cameco paid US\$123.8 million for a 24% stake in GLE. GE retains 51% ownership with Hitachi at 25%.

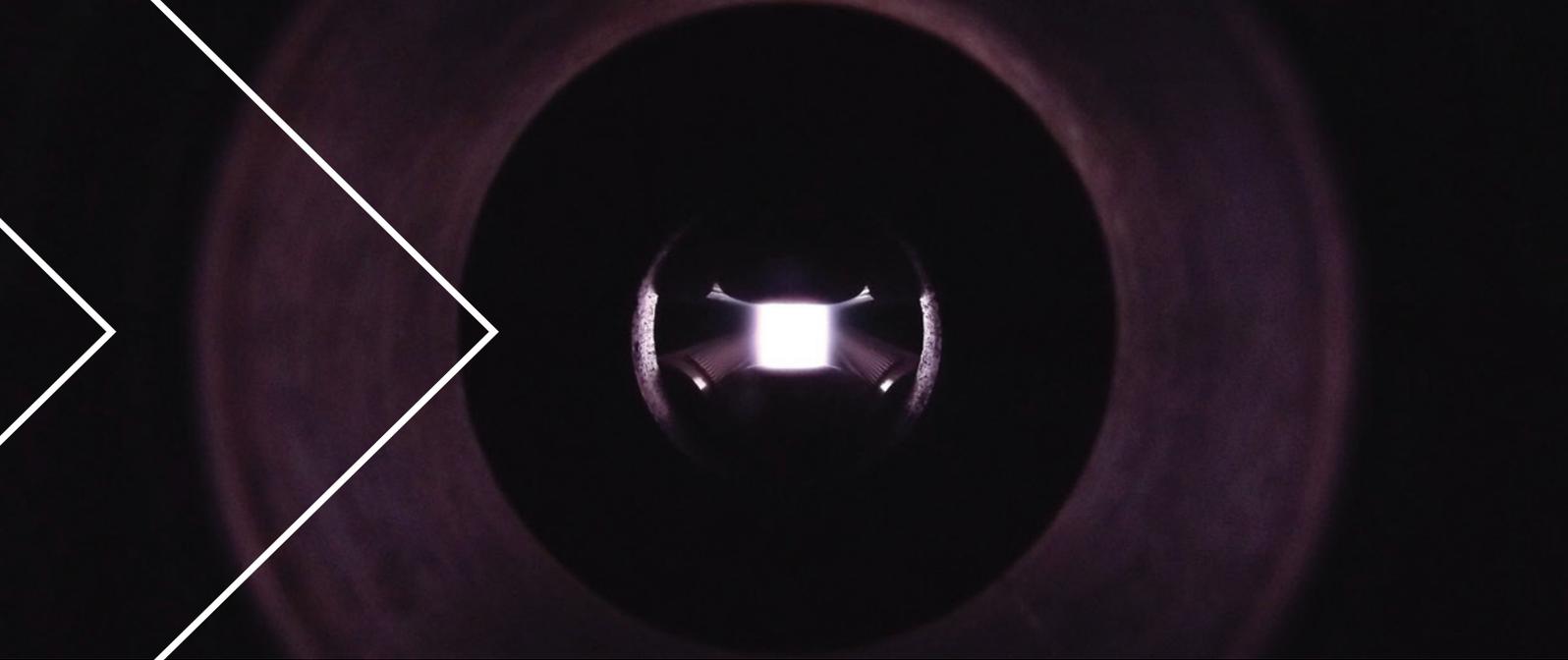
## 2009

In August, the US Nuclear Regulatory Commission (NRC) announces it has accepted GLE's license application to construct and operate a commercial SILEX uranium enrichment facility in Wilmington, triggering a ~30 month review process.

In July, GLE announces the on-schedule start-up of the Test Loop to evaluate the next-generation SILEX Uranium Enrichment Technology.

## 2010

In April, GLE and Silex announce the successful completion of the Test Loop initial measurement program.



## 2011

Silex successfully completes an \$89 million capital raising and a share purchase plan which raises a further \$20 million.

## 2012

In September, the US NRC approves the world's first Construction and Operating License for a commercial laser enrichment plant utilising the SILEX Technology at Wilmington, North Carolina.

## 2013

In May, GLE and Silex achieve the successful completion of the Test Loop Program Phase I Milestone: Technology Demonstration and Validation in Wilmington, North Carolina – triggering a US\$15 million milestone payment from GLE to Silex (which was received in July 2013).

Silex lists on the OTCQX exchange in the US under the symbol 'SILXY' in June.

The US Department of Energy (DOE) selects GLE for future operations at its Paducah, Kentucky Site in November. The DOE and GLE commence negotiations for a 40-year contract to have the SILEX Technology commercially deployed for the re-enrichment of depleted uranium tails.

## 2014

In June, Silex announces completion of a strategic review of the entire business, determining to refocus efforts on its primary economic asset, the SILEX Uranium Enrichment Technology. The strategic review also involves an accelerated transition to market for subsidiaries Solar Systems and Translucent and results in the cessation of operations at ChronoLogic.

In July, GLE announces its own restructure in response to worsening trading conditions in the global nuclear fuel markets, initially triggered by the events in Fukushima, Japan in March 2011. The changes result in the consolidation of GLE's operations. Importantly, the key commercial terms of Silex's licence agreement with GLE do not change.

## 2015

Work continues on the commercialisation of the SILEX Uranium Enrichment Technology at GLE's test loop facility in Wilmington, North Carolina (with GLE funding) and at Silex's Lucas Heights laser facility in Sydney (under Silex funding).

In August, Silex provides a submission to the South Australian Government's Nuclear Fuel Cycle Royal Commission, supporting further processing of uranium produced in South Australia, including enrichment using the SILEX Technology.

# Concise Financial Report

for the year ended 30 June 2015



**SILEX SYSTEMS LIMITED  
& ITS SUBSIDIARIES**

ABN 69 003 372 067

# Directors' Report

Your directors present their report on the consolidated entity consisting of Silex Systems Limited (Silex or the Company) and the entities it controlled at the end of, or during the year ended 30 June 2015.

## 1. Directors and company secretary

The following persons were directors of Silex Systems Limited during the whole of the financial year and up to the date of this report:

Dr L M McIntyre  
Dr M P Goldsworthy  
Mr C D Wilks

Mr R A R Lee was appointed as a director on the 1 July 2015 and continues in office as at the date of this report. Mr A M Stock was a director from the beginning of the financial year until his retirement on 31 August 2015.

The Company secretary is Ms J E Ducie BBus, CA, GAICD. Ms Ducie was appointed to the position of Company secretary in 2010. Before joining Silex, Ms Ducie held a senior finance position in the Construction industry in the Middle East and prior to that worked as a Senior Associate with a Chartered Accounting Practice.

## 2. Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the commercialisation of the Company's foundation technology – the laser isotope separation process for uranium enrichment known as the 'SILEX Technology'. In addition, a restructure as a result of the strategic review of the entire business in June 2014 was implemented and is nearing completion at the time of writing. The restructure resulted in the following activities for our subsidiary business interests:

- i) **Solar Systems:** Following a rigorous but unsuccessful global process to attract new investment for Solar Systems, the Silex Board announced the cessation of business operations on 30 July 2015. The pursuit of opportunities to realise value for the sale of assets and intellectual property surrounding the unique 'Dense Array' concentrated photovoltaic (CPV) system for utility-scale solar power stations was continuing at the time of writing. Solar Systems Pty Ltd is a wholly owned subsidiary of Silex.
- ii) **Translucent:** The pursuit of business development options for Translucent's novel semiconductor materials for application to the manufacturing of next generation devices in the semiconductor and power electronics industries accelerated during the year with technical due diligence undertaken by several third parties. This process culminated in the signing of an exclusive License and Assignment Agreement with UK-based IQE Plc on 15 September 2015. As a result of the Agreement, the Translucent technology will be transferred to IQE Plc for the completion of product development and commercialisation activities during the 30-month license period. Meanwhile, the Translucent facility in Palo Alto, California will be closed down by the end of December 2015. Translucent Inc will remain a Californian-based company (in which Silex has a 99% fully diluted interest) in order to service the abovementioned Agreement.

## 3. Dividend

No dividend payments were made during the year. No dividend has been recommended or declared by the Board.

# Directors' Report

## 4. Review of operations and activities

Information on the operations and financial position of the consolidated entity and its business strategies and prospects is set out below and in section 8 'Likely developments and expected results of operations'.

### Trading Results

A summary of consolidated revenue and results is set out below:

	2015 \$	2014 \$
Revenue from continuing operations	3,674,860	7,113,672
(Loss) before income tax expense	(2,284,993)	(1,253,137)
Income tax expense	-	-
Net (loss) from continuing operations	(2,284,993)	(1,253,137)
Net (loss) from discontinued operations	(33,659,803)	(28,378,323)
Net (loss) for the year	(35,944,796)	(29,631,460)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	(35,944,796)	(29,488,786)
Non-controlling interests	-	(142,674)
	(35,944,796)	(29,631,460)

### Key information about the consolidated operations, results and financial position

Comments on the operations and the results of those operations are set out below:

The focus of the Company in FY 2015 has been the implementation of the outcomes of the major strategic review announced by the Silex Board on 30 June 2014 that will result in the return of the Company's focus to the development of the Company's foundation technology and core asset – the 'SILEX' laser uranium enrichment technology. The resulting restructure has seen a number of significant changes completed, including, a full operational review with a significant reduction in headcount, the closure of the ChronoLogic business, and in parallel, a rigorous global search for business development options to accelerate the transition to market for subsidiaries Solar Systems and Translucent. The implementation of the restructure is nearing completion.

The announcement of the strategic review was followed soon after by SILEX Technology Licensee, GE-Hitachi Global Laser Enrichment LLC ('GLE'), announcing its own restructure in July 2014. GLE's restructure resulted in the slowdown of the commercialisation project in response to adverse conditions in the nuclear fuel markets, largely precipitated by the shutdown of the Japanese nuclear industry after the Fukushima disaster. GLE has completed its restructure, resulting in a significant reduction of funding for activities in its US operations, which have now been consolidated in Wilmington, North Carolina. Additionally, Silex took over funding of activities at its Lucas Heights facility in Sydney, which continues to progress with the development of commercial-scale plant laser systems and providing ongoing support to the GLE team in Wilmington.

# Directors' Report

Following a rigorous search for new investment for Solar Systems which was ultimately unsuccessful, the Silex Board announced on 30 July 2015 the immediate cessation of the Solar Systems business operations. However, given the considerable interest shown in the Solar Systems technology, the IP and associated expertise has been retained to pursue residual opportunities. The pursuit of business development options for Translucent continued during the year with several interested parties advancing technical due diligence. The due diligence resulted in a License and Assignment Agreement for the Translucent technology being signed on 15 September 2015, under which the transfer of the technology to IQE Plc will occur over a 30-month license period. Both businesses have been reported as held for sale and discontinued operations in these accounts.

We expect to complete the restructure of the Company in the coming months and thereafter focus solely on our core 'SILEX' laser uranium enrichment technology. Accordingly, these financial statements have been presented to show the financial impact of the restructure. We continue to believe that the medium to long term outlook for uranium and enrichment services will return to positive growth and therefore view the SILEX Technology - the only third generation laser enrichment technology being commercialised in the world - as our key asset and the best path forward to deliver value to our shareholders.

## Financial review

A summary of our consolidated income statement is set out below:

	2015 \$	2014 \$
Revenue from continuing operations	3,674,860	7,113,672
Other income	42,475	569
Research and development materials	(154,296)	(560,854)
Employee benefits expense	(4,017,953)	(5,552,858)
Consultants and professional fees	(642,304)	(817,515)
Other expenses	(1,187,775)	(1,436,151)
Income tax expense	-	-
<b>Net (loss) from continuing operations</b>	<b>(2,284,993)</b>	<b>(1,253,137)</b>
<b>Net (loss) from discontinued operations</b>	<b>(33,659,803)</b>	<b>(28,378,323)</b>
<b>Net (loss) for the year</b>	<b>(35,944,796)</b>	<b>(29,631,460)</b>

The net loss from ordinary activities of \$35.9m increased by \$6.3m compared to the prior year. The net loss is comprised of the loss from continuing operations of \$2.3m (an increase of \$1.0m compared to the prior year) and the loss from discontinued operations of \$33.7m (an increase of \$5.3m compared to the prior year). The increase in loss from continuing operations is in line with expectations as a result of Silex now funding the Lucas Heights activities following GLE's restructure announced in July 2014.

The net loss from discontinued operations includes the operations of Solar Systems and Translucent as well as a small loss for the ChronoLogic operation that ceased in September 2014. Significant expenses for the period included impairment of the carrying value of property, plant and equipment, and intangibles of \$19.3m held by Solar Systems and Translucent combined, in accordance with Australian Accounting Standards. In addition, the net loss included the anticipated costs associated with the dismantling and decommissioning of various facilities, further write downs of inventory holdings and employee termination payments made during the year.

The above noted factors are the key drivers of the increased net loss from ordinary activities (after tax) attributable to members. Further commentary on the results from our operations is provided below.

# Directors' Report

## Continuing Operations - Silex Systems

The Silex Systems segment result was a \$2.3m loss in the current year compared to \$1.3m loss in the previous year. The increased loss was largely due to a reduction of \$3.0m in revenue from Recoverable projects costs in the Uranium Enrichment Project. Interest income also decreased to \$2.2m in the current year compared to \$2.6m in the previous year as a result of lower interest rates and lower average cash / term deposit holdings in the current year. In addition, there was a reduction in expenses from continuing operations of \$2.4m compared to the prior year, including a decrease in employee benefits expense of \$1.5m and a decrease in research and development materials costs of \$0.4m.

## Discontinued Operations – Solar Systems, Translucent, ChronoLogic and Silex Solar

The \$33.7m loss from discontinued operations (\$28.4m loss in the prior year) includes operating losses of \$11.0m (\$15.7m in the prior year) from the Solar Systems, Translucent, ChronoLogic and Silex Solar businesses. The loss was also impacted by the impairment of the carrying value of property, plant and equipment and intangible assets of \$19.3m (\$12.4m in the prior year) held by Solar Systems and Translucent, a provision for the dismantling and decommissioning of the Companies' various facilities of \$1.8m (\$0.3m of restructuring provisions in the prior year) and \$0.8m of inventory write-downs, taking the carrying value of Solar Systems inventory to \$nil. Losses on derecognition of non-controlling interest in discontinued activities was \$0.8m (\$nil in the prior year).

The Silex Board announced the immediate cessation of the Solar Systems business operation on 30 July 2015 following a rigorous search for new investment which was ultimately unsuccessful. Given the considerable interest shown in the Solar Systems technology throughout the process, the IP and associated expertise has been retained to pursue residual opportunities.

Third party technical due diligence activities conducted during the year in relation to Translucent's technology resulted in the signing of a License and Assignment Agreement with UK-based IQE Plc on 15 September 2015. The scale of Translucent's operations was reduced during the year with an emphasis on conversion of business development opportunities.

The closure of the ChronoLogic business was completed in September 2014. ChronoLogic was derecognised as a subsidiary during the year for accounting purposes and an adjustment of \$0.8m has been processed on consolidation to clear the accumulated losses attributable to the minority shareholding. This had the effect of increasing the loss from discontinued operations by \$0.8m.

## Balance sheet

A summary of our balance sheet is set out below:

	30 June 2015 \$	30 June 2014 \$
<b>ASSETS</b>		
Total current assets	61,951,409	97,343,949
Total non-current assets	67,451	119,311
<b>Total assets</b>	<b>62,018,860</b>	<b>97,463,260</b>
<b>LIABILITIES</b>		
Total current liabilities	4,451,614	5,266,206
Total non-current liabilities	113,110	111,971
<b>Total liabilities</b>	<b>4,564,724</b>	<b>5,378,177</b>
<b>Net assets</b>	<b>57,454,136</b>	<b>92,085,083</b>
<b>EQUITY</b>		
<b>Total equity</b>	<b>57,454,136</b>	<b>92,085,083</b>

# Directors' Report

As at 30 June 2015, total assets were \$62m. Significant assets are cash holdings of \$55.2m (cash and term deposits), trade and other receivables of \$5.2m and assets held for sale of \$1.6m. Total liabilities were \$4.6m and included liabilities associated with our discontinued operations of \$3.1m. The Company does not have any borrowings (e.g. bank debt).

## 5. Earnings per share

	2015 Cents	2014 Cents
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	(1.3)	(0.7)
Diluted earnings per share	(1.3)	(0.7)
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	(21.1)	(17.3)
Diluted earnings per share	(21.1)	(17.3)

## 6. Significant changes in state of affairs

The implementation of the Company's strategic review, as announced in June 2014 is nearing completion, with the business returning its sole focus to the core SILEX Technology. Whilst the strategic review implementation will deliver financial and operational benefits to Silex in future years, the current year result has been impacted by asset impairments, provisions for the dismantling and decommissioning of various facilities, further write downs of inventory holdings and employee termination payments made during the year.

Following a rigorous search for new investment which was ultimately unsuccessful, the Silex Board announced on 30 July 2015 the immediate cessation of the Solar Systems' business operations. Given the considerable interest shown in the Solar Systems' technology, the IP and associated expertise has been retained to pursue residual opportunities.

On 15 September 2015, the Silex Board announced the signing of an agreement for the license and assignment of subsidiary Translucent's unique semiconductor technology with UK-based IQE Plc. The agreement provides for the transfer of the Translucent technology to IQE during the 30-month license period to complete product commercialisation and will result in the closure of the Translucent facility at Palo Alto, California.

Additionally, as reported previously, all ChronoLogic activities ceased in September 2014. There were no other significant changes in the state of affairs of the Company during the financial year not otherwise dealt with in this report.

# Directors' Report

## 7. Matters subsequent to the end of the financial year

### Solar Systems

On 30 July 2015, Sillex announced the immediate cessation of Solar Systems' business operations. The announcement followed a rigorous extended global process to attract new investment in Solar Systems which ultimately was unsuccessful. As the process revealed considerable interest in Solar Systems' unique 'Dense Array' concentrating dish technology during the divestment process, the Company has retained the IP and associated expertise to pursue residual opportunities.

The resulting financial effect of the 30 July 2015 decision, which is largely staff redundancy costs, has not been brought to account in the financial statements for the year ended 30 June 2015. Redundancy costs of approximately \$1.0m are expected to be brought to account in the financial statements for the year ended 30 June 2016.

### Translucent

On 15 September 2015, Sillex announced the signing of a License and Assignment Agreement with UK-based IQE Plc for Translucent's technology. The agreement grants IQE an exclusive 30-month license to complete product development and commercialisation activities, with an option exercisable at any time during the 30-month license period, for IQE to acquire Translucent's technology. If successfully commercialised the agreement also provides for a perpetual royalty on the sale of products incorporating the Translucent technology.

As a result of the agreement, the Translucent facility at Palo Alto, California will no longer be required and will be closed down by the end of December 2015. The services of two key engineers will be retained for 12 months to facilitate the transfer of the technology to IQE. The financial effect of the 15 September 2015 announcement, including a maximum license fee of USD\$1.5m (minimum of USD\$1.415m) payable by 15 March 2016 and a small amount of staff redundancy costs, have not been brought to account in the financial statements for the year ended 30 June 2015 and will be brought to account in the financial statements for the year ended 30 June 2016. Should the option be exercised by IQE for the acquisition of the technology, a further payment of USD\$5m would be due to Translucent.

### Other

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to above.

## 8. Likely developments and expected results of operations

Sillex is a technology company with its primary asset being the 'SILEX' laser uranium enrichment technology which is currently licensed exclusively to GE-Hitachi Global Laser Enrichment LLC ('GLE'). The Company's future prospects remain largely dependent on the outcomes of the phased commercialisation program and a recovery in the accessible markets for both uranium and enrichment services.

# Directors' Report

## Business strategies and future prospects – Silex Systems

Silex invented a novel method for enriching uranium using lasers in the mid-1990's, and after conducting development and demonstration activities in Australia, is currently supporting the commercialisation of the SILEX Technology in Wilmington, North Carolina, USA under an exclusive Technology Commercialisation and License Agreement with GLE – a business venture owned by GE (51%), Hitachi (25%) and Cameco (24%).

On 24 July 2014, GLE announced that they would slow the pace of the commercialisation program for the SILEX laser uranium enrichment technology to align with adverse market conditions being experienced in the uranium and enrichment services markets primarily as a result of the shut-down of the Japanese nuclear power industry after the Fukushima accident. While these changes have resulted in the consolidation of GLE operations, importantly, Phase II technology commercialisation work is continuing at the Test Loop facility in Wilmington, North Carolina under GLE funding, and also at the laser development facility in Lucas Heights, Sydney under Silex funding. Meanwhile, Silex has been informed that negotiations with the US Department of Energy (DOE) concerning the establishment of the Paducah Laser Enrichment Facility (PLEF) are nearing completion with an outcome likely in the next few months.

GLE and Silex continue to conduct a stage-gated approach to commercialisation of the SILEX laser enrichment technology, albeit at reduced pace, with the following three phases:

	Objectives	Status
Phase I	Test Loop technology demonstration and NRC commercial plant license approval	Completed
Phase II	Economic and engineering validation for the initial commercial production module	Commenced in 2012
Phase III	Construction of the first full-scale commercial production facility	Yet to commence

The successful completion of the Test Loop Program Phase I Milestone (technology validation) resulted in a USD\$15m milestone payment to Silex in July 2013.

The market for nuclear fuel, including natural and enriched uranium, remains depressed, with both the uranium and enrichment markets continuing to experience a challenging pricing environment. The global nuclear industry is still suffering the impacts of the Fukushima event in 2011 and the shutdown of the entire Japanese nuclear power plant fleet for much longer than anticipated. As a result, the demand for natural and enriched uranium has been slower to recover than expected and remains in significant oversupply. The price of uranium remains down, however has started to show signs of recovery, having increased by ~30% since June 2014. Unfortunately downward pricing pressure continues to be witnessed in the enrichment market with prices down over 50% since the events of Fukushima.

A key contributing factor to the expected recovery of the nuclear fuel markets is the restart of nuclear reactors in Japan, which have been largely shutdown since 2011. The first reactor restart occurred on 11 August 2015 at the Sendai nuclear power plant, with the second Sendai unit expected to restart before the end of 2015. At the time of writing another 24 reactors were in the restart approval process, according to the World Nuclear Association (WNA) ([world-nuclear.org](http://world-nuclear.org)). Japan recently confirmed its commitment to nuclear power generation detailing a program setting out a target to produce around one fifth of its power from nuclear energy by 2030.

Meanwhile, the construction of new nuclear power plants around the world is accelerating again as Governments continue to focus on energy security and low emissions electricity generation. For example, the US Environmental Protection Agency's recently released Clean Power Plan allows new nuclear reactors to be counted towards meeting federal carbon emissions limits. This initiative effectively confirms the commitment of the US to nuclear power. This is in addition to China and India both moving ahead with significant nuclear power expansion programs.

According to the WNA, at the time of writing there were 436 operable reactors around the world with ~380 GWe generating capacity. Another 67 reactors are under construction in 14 countries, including 25 in China, 6 in India, and 5 in the USA. A further 166 reactors are on order or planned and 322 reactors are proposed to be built. Under the New Policies Scenario in the International Energy Agency's World Energy Outlook 2014, global nuclear capacity is predicted to grow to 624 GWe by 2040. Under the low-carbon '450 Scenario', nuclear generating capacity could more than double to 862 GWe by 2040.

# Directors' Report

Whichever scenario prevails, significant expansion of global nuclear capacity is likely over the next two decades and beyond. If so, this will ensure growing demand for both natural and enriched uranium, and potentially a positive outlook for Silex, subject to successful commercialisation of the SILEX laser enrichment technology by GLE over the coming years. However, the risks surrounding nuclear industry growth prospects and the related nuclear fuel market conditions, most of which are beyond our control, could impact the Phase II and Phase III commercialisation programs outlined above.

## Silex Systems Restructure

On 30 June 2014, Silex announced the completion of a strategic review of the entire business, resulting in a major restructure of the Company in order to refocus efforts on our primary economic asset, the SILEX laser enrichment technology. At the time of writing the restructure was largely complete. The Silex Board announced the cessation of Solar Systems' business operations on 30 July 2015, following a rigorous but unsuccessful global process to attract new investment. The Company has retained the IP and associated expertise to pursue residual opportunities. The Silex Board also announced a License and Assignment Agreement for the Translucent technology on the 15 September 2015 following a period of positive third party technical due diligence activities being conducted. The agreement provides for the licensing of Translucent's technology to IQE over a 30-month period during which a product development and commercialisation program will be completed. Consequently, the Translucent facility in Palo Alto, California will be closed by the end of the calendar year.

## 9. Information on Directors

### a) Directors' profiles

The following information is current as at the date of this report:

<b>Dr Lisa McIntyre BSc (Hons), PhD, GAICD.</b> <i>Chair – Independent non-executive director</i>		
Experience and expertise	Independent non-executive director for three years and Chair for one year. Extensive experience in strategy, commercialisation and performance issues as a senior partner of global strategy firm L.E.K. Consulting for 20 years. Director of numerous companies including HCF, Cover-More Group Limited, GenesisCare and Your Tutor Pty Ltd.	
Other current listed company directorships	Non-executive director of Cover-More Group Limited since November 2013.	
Former listed company directorships in last 3 years	None	
Special responsibilities	Chair of the Board Member of Audit Committee Chair of People & Remuneration Committee	
Interests in shares and options	Ordinary shares – Silex Systems Limited	48,230
	Options over ordinary shares – Silex Systems Limited	Nil

# Directors' Report

## Dr Michael Goldsworthy BSc (Hons), MSc, PhD, FAIP, GAICD.

*Chief Executive Officer/Managing Director*

Experience and expertise	CEO/MD for twenty three years. Founder of the Company and co-inventor of the SILEX uranium enrichment technology.	
Other current listed company directorships	None	
Former listed company directorships in last 3 years	None	
Special responsibilities	Chief Executive Officer / Managing Director	
Interests in shares and options	Ordinary shares – Silex Systems Limited	5,979,055
	Options over ordinary shares – Silex Systems Limited	1,102,207

## Mr Christopher Wilks BComm, FAICD.

*Non-executive director*

Experience and expertise	Non-executive director for twenty seven years. Finance director and CFO of Sonic Healthcare Limited. Various directorships held on the boards of a number of public companies over the last twenty years.	
Other current listed company directorships	Finance director of Sonic Healthcare Limited since 1989	
Former listed company directorships in last 3 years	None	
Special responsibilities	Business development and corporate strategy Member of Audit Committee Member of People & Remuneration Committee	
Interests in shares and options	Ordinary shares – Silex Systems Limited	2,814,021
	Options over ordinary shares – Silex Systems Limited	367,035

## Mr Robert Lee BSc MBA.

*Independent non-executive director*

Experience and expertise	Independent non-executive director from 1 July 2015. Experienced company director, corporate adviser and former Executive Director of Macquarie Group Limited.	
Other current listed company directorships	None	
Former listed company directorships in last 3 years	None	
Special responsibilities	Chair of Audit Committee Member of People & Remuneration Committee	
Interests in shares and options	Ordinary shares – Silex Systems Limited	Nil
	Options over ordinary shares – Silex Systems Limited	Nil

# Directors' Report

The following individual is a former director of the Silex Board:

<b>Mr Andrew Stock BEng (Chem) (Hons), FIE Aust, GAICD.</b> <i>Independent non-executive director until 31 August 2015</i>		
Experience and expertise	Non-executive director for 2 years	
Other current listed company directorships	Non-executive director of Horizon Oil Limited (director since 2011)	
Former listed company directorships in last 3 years	Non-executive director of Geodynamics Limited (2003 to 2015)	
Special responsibilities	Chair of Audit Committee Member of People & Remuneration Committee	
Interests in shares and options	Ordinary shares – Silex Systems Limited	Nil
	Options over ordinary shares – Silex Systems Limited	Nil

## 10. Meetings

The number of directors' meetings held during the financial year and the number of meetings attended by each director are set out in the following table:

Director's name	Directors' Meetings		Audit Committee Meetings		People & Remuneration Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Dr L M McIntyre	15	15	2	2	2	2
Dr M P Goldsworthy	15	15	*	*	*	*
Mr A M Stock	15	13	2	2	2	2
Mr C D Wilks	15	15	2	2	2	2

\* Not a member of the relevant committee at the time the scheduled meetings were held.

# Directors' Report

## 11. Remuneration Report

Dear Shareholders,

I am pleased to present to you the Silex Systems Limited Remuneration Report for the year ended 30 June 2015.

As you are aware, throughout the year, the Company the Board and Management progressed with the implementation of the Company's 2014 major strategic review that will result in the return of the Company's focus to the development of our core asset, the SILEX laser enrichment technology. This restructure is now largely complete and has resulted in significant changes, including the closure of the ChronoLogic business completed in September 2014, a reduction of 50% in corporate headcount, a License and Assignment Agreement being signed for the Translucent technology in September 2015 and the pursuit of residual business development options for Solar Systems.

The restructure included a full operational review, with various roles combined to streamline operations and reduce costs where possible. Some difficult decisions were made which impacted the Company's Key Management Personnel (KMP), which included the Board's decision that no remuneration increases be awarded for FY 2015 and more recently for FY 2016. It has now been 3 years since a total remuneration increase was awarded to KMP.

In addition, substantial changes were implemented to the remuneration package of our CEO/MD with an agreed reduction from 1 January 2015 of approximately 55% to Total Maximum Potential Remuneration. This included a reduction of 31% in Total Fixed Remuneration.

As the restructure of the Company draws to a conclusion, it is likely that a further review of the structure and value of KMP remuneration will take place, with a continued aim to align remuneration to changing role responsibilities, business size and structure. The People & Remuneration Committee remains committed to an ongoing review of our remuneration policies and practices taking into account shareholders perspectives and good governance.

As Chair of the People & Remuneration Committee, I can assure you that the Committee remains mindful of shareholder concern that any long-term equity based remuneration is linked to growth in shareholder value. Therefore, as the Company returns its focus to the core SILEX Technology and implements the resulting restructure, it has again been determined that no long-term incentives will be granted to the CEO/MD and CFO/Company Secretary during FY 2016.

Further details on our remuneration approach and the remuneration for the 2015 financial year are set out within this Remuneration Report. On behalf of the Board, I invite you to review the full report and thank you for your continued interest. I look forward to answering any questions you may have at our Annual General Meeting in November 2015.



**Dr Lisa McIntyre**

Chair, People & Remuneration Committee

# Directors' Report

The Directors present the Remuneration Report for the year ended 30 June 2015, outlining key aspects of our remuneration policy and framework and remuneration awarded for the Company's non-executive directors, executive directors and other executive key management personnel.

The report contains the following sections:

- a) Directors and KMP disclosed in this report
- b) Remuneration governance
- c) Linking remuneration structure to company performance
- d) Voting and comments made at the Company's 2014 Annual General Meeting
- e) Executive KMP remuneration structure
- f) Link between FY 2015 remuneration and performance
- g) Non-executives directors' remuneration
- h) Director's and KMP remuneration
- i) Details of share-based compensation and bonuses
- j) Shares under option

## a) Directors and KMP disclosed in this report

The 2015 Remuneration Report has been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and accounting standard requirements and applies to KMP of the Company. KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Company.

Name	Position
<b>Non-executive and executive directors</b>	
Dr L M McIntyre	Chair and Non-executive director
Dr M P Goldsworthy	CEO/Managing Director – Executive director
Mr A M Stock	Non-executive director (until 31 August 2015)
Mr C D Wilks	Non-executive director
<b>Other Executive KMP</b>	
Ms J E Ducie	CFO/Company Secretary
Mr C R Murray	CEO – Solar Systems (until 31 August 2015)

## b) Remuneration governance

### Board oversight

The Silex Board is ultimately responsible for ensuring that the Company's remuneration structure is equitable and aligned with the long-term interests of shareholders. The Board and its advisors are independent of Management when making decisions affecting employee remuneration.

### People & Remuneration Committee structure

The People & Remuneration Committee is a committee of the Board currently comprised of a majority of independent non-executive directors. Its role is to make recommendations to the Board regarding the Company's remuneration policies and practices, including those applicable to the Company's KMP.

# Directors' Report

Members of the People & Remuneration Committee were as follows:

Committee members	Dr L M McIntyre – Chair Mr A M Stock (until 31 August 2015) Mr C D Wilks
Committee secretary	Ms A N Scott
Number of meetings in FY 2015	2
Other individuals who regularly attended meetings	Dr M P Goldsworthy – CEO/MD Mr C M Murray – CEO – Solar Systems Ms J E Ducie – CFO/Company Secretary

The role of the People & Remuneration Committee is to:

- Review and recommend to the Board the appropriate remuneration policies and practices that are competitive and reasonable for the Company and its specific application to KMP, as well as the general application to all employees;
- Determine remuneration levels of the CEO/MD and other KMP;
- Manage the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles; and
- Review and make recommendations to the Board regarding the remuneration of non-executive directors.

The role and responsibilities of the People & Remuneration Committee are set out in the People & Remuneration Committee Charter, which is available on the Company's website at [www.silex.com.au/about/corporate-governance](http://www.silex.com.au/about/corporate-governance).

## Use of remuneration consultants

Following the engagement of AON Hewitt in FY 2014 to conduct a thorough review of KMP and Board remuneration and structure, the recommendations from that review were fully implemented during FY 2015 and it was not deemed necessary to engage a remuneration consultant for the FY 2015 remuneration review. The Company continues to access market data and industry remuneration surveys and reports on a regular basis.

Once the strategic review's implementation has been finalised it is envisioned that a further full review of KMP remuneration will be conducted, with a third party remuneration consultant engaged to assist in the completion of the review.

## c) Linking remuneration structure to company performance

### Remuneration strategy, policy and framework

In determining executive KMP remuneration, the Board aims to ensure that remuneration practices are designed to attract, motivate and retain highly qualified personnel, whilst having regard for contemporary market practice, good governance and alignment to changing business circumstances and strategy execution as we work towards commercialisation of our technologies. The Company aims to reward executive KMP with a level and mix of remuneration commensurate with their position and responsibilities within the Company that is competitive within the market in which they were recruited. Those executive KMP who have a greater ability to influence outcomes have a greater portion of their overall remuneration package 'at risk'.

# Directors' Report

Remuneration for executive KMP is reviewed annually and considers market data, insights into remuneration trends, the performance of the Company and the individual, and the broader economic environment. This review is conducted in consultation with independent remuneration consultants where appropriate.

The executive KMP remuneration framework has two components:

- Total fixed remuneration; and
- At-risk incentives.

Element	Purpose	Performance Metrics	Potential Value
Total Fixed Remuneration (TFR)	Provide competitive market salary, including superannuation and non-monetary benefits.	Reference to role, market and experience.	Positioned at median market rate.
At Risk Incentives – Short-term Incentive (STI)	Reward executive's performance, representative of their contribution to achievement of Company and/or divisional outcomes, as well as divisional Key Performance Indicators (KPIs).	Linked to key performance hurdles that may include financial metrics such as operating cash flow and non-financial measures, such as commercial deliverables, and other specific operational and strategic deliverables for the Company.	Rewards are generally based on a percentage of the executive's Total Fixed Remuneration (TFR).

Long-term Incentives (LTI) were not offered to the CEO/MD or CFO/Company Secretary in FY 2015. LTIs will not be offered as part of the KMP remuneration structure until completion of the major strategic review.

## Assessing performance and claw-back of remuneration

The People & Remuneration Committee is responsible for assessing performance against KPIs and determining the incentive awards to be paid. To assist in this assessment, the Committee receives detailed reports on performance from management which are based on independently verifiable data such as financial measures, market information and data from independently run surveys. At all times the Board has the discretion to make a final determination based on share price performance or other factors.

In the event of serious misconduct or a material misstatement in the Company's financial statements the Board can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

## d) Voting and comments made at the Company's 2014 Annual General Meeting

Silex Systems Limited received more than 97% of "yes" votes on its remuneration report for the 2014 financial year.

# Directors' Report

## e) Executive KMP remuneration structure

For FY 2015, executive KMP remuneration packages included a mix of total fixed remuneration (TFR) and at-risk incentives.

### Total Fixed Remuneration (TFR)

TFR is comprised of base salary, superannuation and packaged benefits. TFR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Committee aims to position executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

In FY 2015, the TFR for the Silex CEO/MD was significantly reduced by mutual agreement, effective from 1 January 2015. The TFR for all other KMP remained unchanged for FY 2015, with no increases awarded.

### Short-term Incentives (STI)

	CEO/Managing Director	CFO/Company Secretary	CEO – Solar Systems
<b>Composition</b>	Awards may be delivered in cash or Restricted Silex Systems Limited ordinary shares subject to shareholder approval.	Awards are currently paid in cash. A portion of the payment may also be delivered in Restricted Silex Systems Limited ordinary shares.	Awards are currently paid in cash. A portion of the payment may also be delivered in Restricted Silex Systems Limited ordinary shares.
<b>Assessment</b>	Award is subject to the achievement of agreed performance criteria comprising financial metrics and specific key strategic and commercial objectives.*	Award is subject to the achievement of divisional and Company financial performance, supplemented by strategic and commercial measures specific to business unit deliverables.*	Award is subject to the achievement of Solar Systems financial performance, supplemented by strategic and commercial measures specific to the Solar Systems business.*
<b>Total Maximum Opportunity</b>	\$200,000**	\$80,000	\$160,000
<b>At Risk</b>	Yes	Yes	Yes

\*For commercially sensitive reasons, short-term incentive targets for executive KMP are not published within this Remuneration Report, however the People & Remuneration Committee believe that all targets are set appropriately and align with shareholder expectations. At all times the Board has the discretion to make a final determination based on share price performance or other factors.

\*\* Total Maximum STI Opportunity reduced from \$400,000 to \$200,000 from 1 July 2014.

### Long-term Incentive (LTI)

No long-term incentives were granted during FY 2015 to the CEO/MD or CFO/Company Secretary.

The LTI/Success Fee Bonus for the CEO – Solar Systems, was not time-bound and remained an ongoing potential incentive throughout FY 2015. The maximum incentive opportunity was in-line with the objectives of the Board's major strategic review and was tied to the financial close of a transaction for the Solar Systems business or assets and the value secured for Silex shareholders, after taking into account Silex's investment to date. As a result of the announcement of the cessation of the Solar Systems' business operations on 30 July 2015 and redundancy of the CEO, no long-term incentive was payable and the LTI was terminated.

The People & Remuneration Committee and Silex Board remain mindful of shareholder concern that any long-term incentive remuneration be linked to growth in shareholder value. Therefore, as the Company returns its focus to the core SILEX Technology, it has been determined that no long-term incentives will be granted to the CEO/MD or CFO/Company Secretary during FY 2016.

# Directors' Report

## f) Link between FY 2015 remuneration and performance

### FY 2015 performance and impact on remuneration

Throughout FY2015, the Company continued to implement the outcomes of the major strategic review. The Company underwent significant strategic changes, with a full operational restructure and significant reduction in headcount as the business looked to focus on the development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology.

The STI performance criteria for FY 2015 for the Silex CEO/MD and Solar Systems CEO were heavily focussed on the deliverables resulting from the strategic review. Key performance criteria met included the delivery of operational cost reductions in all areas of the Company, strategic initiatives to secure third party interest in the Solar Systems and Translucent businesses and achievement of significant progress in the commercialisation of the SILEX Technology against a backdrop of difficult market conditions. As a result, the Board awarded the Silex CEO/MD and the Solar Systems CEO 70% and 64% respectively of the maximum short-term incentives available. These incentives were paid in cash after satisfying the required service and performance conditions. The Board believes that the achievements made under the STI deliverables in FY 2015 will set the Company on a path to rebuilding long-term value.

The FY 2015 STI for the CFO/Company Secretary was cancelled and a retainer equal to the maximum STI opportunity put in place in November 2014. This was in light of the significant restructure that resulted from the major strategic review and the considerable absorption of duties following a 50% headcount reduction in corporate resources. This retainer is time bound and expires on 30 September 2015; with payment to be made in October 2015 should the eligibility criteria be satisfied.

### Statutory performance indicators

We aim to align KMP remuneration to our strategic and business objectives and the creation of shareholder wealth. The below table shows measures of the Company's financial performance over the last five years as required by the Corporations Act 2001. However, as a pre-revenue company, the below measures are generally not the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there is no direct correlation between the statutory key performance measures and the variable remuneration awarded.

Year ended 30 June	EPS Cents	KMP STI Award \$	Share price at 30 June \$
2011	(19.6)	13,761	2.92
2012	(21.6)	304,000	3.20
2013	(0.1)	140,000	2.20
2014	(17.3)	76,000	1.16
2015	(21.1)	322,400*	0.46

\* Includes CFO/Company Secretary Retainer based bonus of \$80,000 with eligibility criteria expiring 30 September 2015. This bonus, if awarded, will be payable in FY 2016.

# Directors' Report

## Contractual arrangements with executive KMPs

Component	CEO/MD	CFO/Company Secretary	CEO - Solar Systems
Total Fixed Remuneration	\$550,000	\$ 288,500	\$400,000
Contract duration	Ongoing Common Law Contract	Ongoing Common Law Contract	Ongoing Common Law Contract
Notice by the individual or Company	6 months	6 months	6 months
Termination of employment (without cause)	Partial payment for pro-rata STI may be applicable at the Board's discretion	Partial payment for pro-rata STI may be applicable at the Board's discretion	Partial payment for pro-rata STI may be applicable at the Board's discretion
Termination of employment (with cause) or by the individual	STI/LTI not awarded	STI/LTI not awarded	STI/LTI not awarded

\*Total Fixed Remuneration reduced from \$800,000 to \$550,000 from 1 January 2015.

## g) Non-executive directors' remuneration

Non-executive directors receive a board fee and fees for chairing or participating on board committees. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation.

The aggregate directors' fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration consultant. The director's fees remain well within the limits of the shareholder approved aggregate directors fee pool maximum of \$750,000, as approved by shareholders at the 2011 AGM and have in aggregate significantly reduced over the period. During the period, the process of Board renewal continued with one director retiring from the Board. The Silex Board comprises of three non-executive directors and an executive director. The current Board size is deemed appropriate in light of the re-focused activities of the Company.

The current fee structure is outlined below:

	Chair	Member
Board	100,000	80,000
Committee	8,000	6,000

Additional fees may be payable to non-executive directors should they undertake specific consulting projects for the Company in the areas of their expertise.

# Directors' Report

## h) Directors' and KMP remuneration

The table below has been prepared in accordance with the requirements of the *Corporations Act 2001* and relevant accounting regulations in Australia. This table details the remuneration for the Company's KMP for the current and previous financial year.

Name	Year	Short-term employee benefits			Post-employment benefits	Long term benefits	Share based payments		Total \$
		Cash salary & fees * \$	Cash bonus \$	Non-monetary benefits \$	Super annuation \$	Long service leave \$	Options \$	Deferred rights \$	
<b>Executive directors</b>									
Dr M P Goldsworthy	2015	631,293	140,000	16,554	34,983	(1,189)	100,797	125,981	1,048,419
	2014	789,754	-	19,035	24,975	4,561	231,390	116,320	1,186,035
<b>Non-executive directors</b>									
Dr L M McIntyre	2015	114,000	-	-	10,830	-	-	-	124,830
	2014	94,159	-	-	8,710	-	-	-	102,869
Mr A M Stock (from 1/8/2013)	2015	94,000	-	-	8,930	-	-	-	102,930
	2014	83,833	-	-	7,755	-	-	-	91,588
Mr C D Wilks	2015	132,625	-	-	12,599	-	33,566	-	178,790
	2014	145,095	-	-	13,422	-	77,053	-	235,570
Prof S W R Burdon (until 25/6/2014)	2015	-	-	-	-	-	-	-	-
	2014	112,000	-	-	10,360	-	-	-	122,360
Mr R P Campbell (until 30/9/2013)	2015	-	-	-	-	-	-	-	-
	2014	23,500	-	-	2,174	-	-	-	25,674
Dr C S Goldschmidt (until 2/5/2014)	2015	-	-	-	-	-	-	-	-
	2014	72,318	-	-	6,689	-	-	-	79,007
<b>Other key management personnel and Company executives</b>									
Ms J E Ducie	2015	265,190	80,000**	-	29,983	4,361	-	2,962	382,496
	2014	266,400	20,000	-	24,975	4,152	387	1,801	317,715
Mr C R Murray (from 6/1/2014)	2015	352,368	102,400	14,626	37,012	682	-	-	507,088
	2014	179,073	56,000	454	29,387	454	-	-	265,368
<b>Total executive directors and other KMP's</b>	2015	<b>1,248,851</b>	<b>322,400</b>	<b>31,180</b>	<b>101,978</b>	<b>3,854</b>	<b>100,797</b>	<b>128,943</b>	<b>1,938,003</b>
	2014	1,235,227	76,000	19,489	79,337	9,167	231,777	118,121	1,769,118
<b>Total NED remuneration</b>	2015	<b>340,625</b>	-	-	<b>32,359</b>	-	<b>33,566</b>	-	<b>406,550</b>
	2014	530,905	-	-	49,110	-	77,053	-	657,068
<b>Total KMP remuneration</b>	2015	<b>1,589,476</b>	<b>322,400</b>	<b>31,180</b>	<b>134,337</b>	<b>3,854</b>	<b>134,363</b>	<b>128,943</b>	<b>2,344,553</b>
	2014	1,766,132	76,000	19,489	128,447	9,167	308,830	118,121	2,426,186

\* Inclusive of movement in annual leave accruals.

\*\* Retainer based bonus with eligibility criteria expiring 30 September 2015. This bonus, if awarded, will be payable in FY 2016.

# Directors' Report

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk- STI		At risk - LTI *	
	2015	2014	2015	2014	2015	2014
<b>Directors</b>						
Dr L M McIntyre	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr M P Goldsworthy	65.0%	70.7%	13.4%	0.0%	21.6%	29.3%
Mr A M Stock	100.0%	100.0%	N/A	N/A	N/A	N/A
Mr C D Wilks	81.2%	67.3%	N/A	N/A	18.8%	32.7%
Prof S W R Burdon	-	100.0%	-	N/A	-	N/A
Mr R P Campbell	-	100.0%	-	N/A	-	N/A
Dr C S Goldschmidt	-	100.0%	-	N/A	-	N/A
<b>Other Executive KMP</b>						
Ms J E Ducie	78.3%	93.0%	20.9%	6.3%	0.8%	0.7%
Mr C R Murray	79.8%	78.9%	20.2%	21.1%	0.0%	N/A

\*This relates to options and deferred shares issued on a LTI basis with the percentages based on the value of amounts expensed during the year.

## i) Details of share-based compensation and bonuses

### Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable (subject to share price hurdle)	Share price hurdle
5 July 2011	4 July 2016	\$2.92	\$1.18	100% after 5 July 2013	\$3.05
8 December 2011	7 December 2016	\$2.04	\$0.63	100% after 8 December 2014	\$2.13

Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to KMP are shown below. When exercisable, each option is convertible into one ordinary share of Silex Systems Limited. Vesting of the options following the vesting date is subject to meeting the share price hurdle.

The exercise price of the options is based on the volume weighted average price of the shares for the 5 trading days preceding the date of issue.

Name	Year of grant	Years in which options may vest	Number of options granted	Vested %	Number of options forfeited during the year	Maximum total value of grant to vest (\$)
Dr M P Goldsworthy	Y/E 30/06/2012	Y/E 30/06/2015	1,102,207	-	-	-*
Mr C D Wilks	Y/E 30/06/2012	Y/E 30/06/2015	367,035	-	-	-*
Ms J E Ducie	Y/E 30/06/2012	Y/E 30/06/2014	60,000	100	-	N/A

\*The options issued to Dr M P Goldsworthy and Mr C D Wilks were subject to a Total Shareholder Return (TSR) vesting condition which was not met as at the end of the performance period being 30 June 2015.

# Directors' Report

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values on grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The Employee Share Option Plan (No. 1) under which the above options were issued to Ms J E Ducie was terminated by a resolution of the Silex Board in accordance with the plan rules on 24 October 2013. There were no options granted or any options exercised by any individual during FY 2015.

## Bonuses and rights to deferred shares

For each award of deferred shares, the percentage of bonus awarded or forfeited in the financial year is set out below. All shares issued were subject to an escrow period ending 30 June 2015.

Name	Awarded %	Forfeited %	Performance period	Year granted	Number granted	Value per share \$	Value of shares issued \$
Dr M P Goldsworthy	25%	75%	Y/E 30/06/2013	Y/E 30/06/2014	44,843	2.23	100,000
Ms J E Ducie	80%	20%	Y/E 30/06/2013	Y/E 30/06/2014	3,759	2.66	9,999

## Equity instruments held by KMP

The below table shows the number of ordinary shares in the Company that were held during the financial year by KMP of the Company, including by entities related to them:

2015	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to shares	Other changes during the year	Balance at the end of the year
<b>Directors</b>					
Dr L M McIntyre	8,230	-	-	40,000	48,230
Dr M P Goldsworthy	5,979,055	-	-	-	5,979,055
Mr A M Stock	-	-	-	-	-
Mr C D Wilks	2,814,021	-	-	-	2,814,021
<b>Other Executive KMP</b>					
Ms J E Ducie	3,759	-	-	-	3,759
Mr C R Murray	-	-	-	-	-

# Directors' Report

The below table shows the number of options over ordinary shares in the Company that were held during the financial year by KMP of the Company, including by entities related to them:

2015 Name	Balance at the start of the year	Granted during the year as compensation	Lapsed during the year	Forfeited during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
<b>Directors</b>								
Dr M P Goldsworthy	1,102,207	-	-	-	-	1,102,207	-	1,102,207
Mr C D Wilks	367,035	-	-	-	-	367,035	-	367,035
<b>Other Executive KMP</b>								
Ms J E Ducie	100,000	-	-	-	-	100,000	60,000	-

## j) Shares under option

Unissued ordinary shares of Silex Systems Limited under option at the date of this report are as follows:

Number of options	Issue price of shares	Grant date	Expiry date
40,000	\$5.28	15th October 2010	14th October 2015
100,000	\$2.92	5th July 2011	4th July 2016
1,469,242	\$2.04	8th December 2011	7th December 2016
<b>1,609,242</b>			

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## Share Trading Policy

The Silex Share Trading Policy applies to all staff including KMP. It prohibits staff from buying or selling Silex securities at times when they are in possession of inside information. In addition, KMP are only permitted to trade in Silex securities during certain open periods. The policy applies other restrictions with regard to hedging arrangements. KMP must not enter into any hedging arrangements.

# Directors' Report

## 12. Indemnification and insurance of directors

The Company has entered into agreements to indemnify the directors of the Company against all liabilities to persons (other than the Company or related body corporate) which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving lack of good faith. The Company has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity.

The Directors' & Officers' Liability Insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as a director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage. The insurance policy does not allow specific disclosure of the nature of the liabilities insured against or the premium paid under the policy.

## 13. Environmental regulation

The parent entity is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The parent entity is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and is a licensee under the Act. Solar Systems is subject to a number of regulations including VIC Occupational Health and Safety Act 2004, VIC Occupational Health and Safety Regulations 2007, VIC Dangerous Goods Act 1985, VIC Dangerous Goods (Storage and Handling) Interim Regulations 2011.

To the best of the Directors' knowledge, all environmental and health and safety regulatory requirements have been met and there have been no claims made during the financial year.

## 14. Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

# Directors' Report

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015 \$	2014 \$
<b>Other assurance services</b>		
PricewaterhouseCoopers Australian firm		
Audit of government grants	5,000	10,000
Total remuneration for other assurance services	5,000	10,000
<b>Other services</b>		
Corporate services	20,400	75,400
Total remuneration for other services	20,400	75,400
<b>Total remuneration for non-audit services</b>	<b>25,400</b>	<b>85,400</b>

## 15. Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

## 16. Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

This report is made in accordance with a resolution of the Directors.



**Dr M P Goldsworthy**  
CEO/MD

Sydney, 25 September 2015



**Mr C D Wilks**  
Director

# Directors' Report



## Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Silex Systems Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'S. Humphries' followed by a large, stylized flourish.

Stephen Humphries  
Partner  
PricewaterhouseCoopers

Sydney  
25 September 2015

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# Corporate Governance Statement

Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2015 Corporate Governance Statement is dated as at 30 June 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. The 2015 Corporate Governance Statement was approved by the Board on 22 September 2015. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at [www.silex.com.au/about/corporate-governance](http://www.silex.com.au/about/corporate-governance).

# Concise Financial Report

30 June 2015

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### Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2015. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Silex Systems Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call +61 2 9704 8888 and request a copy of the full financial report (or email [enquiries@silex.com.au](mailto:enquiries@silex.com.au)). Alternatively, you can access both the full financial report and the concise report via the internet on our website: [www.silex.com.au](http://www.silex.com.au).



ABN 69 003 372 067

# Consolidated income statement

for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue from continuing operations	3	3,674,860	7,113,672
Other income	4	42,475	569
Research and development materials		(154,296)	(560,854)
Finance costs		(349)	(529)
Depreciation and amortisation expense		(59,821)	(81,287)
Employee benefits expense		(4,017,953)	(5,552,858)
Consultants and professional fees		(642,304)	(817,515)
Printing, postage, freight and stationery		(55,462)	(80,911)
Rent, utilities and property outgoings		(474,107)	(473,459)
Net foreign exchange losses		-	(37,665)
Other expenses from continuing activities		(598,036)	(762,300)
<b>(Loss) before income tax expense</b>		<b>(2,284,993)</b>	<b>(1,253,137)</b>
Income tax expense		-	-
Net (loss) from continuing operations		<b>(2,284,993)</b>	<b>(1,253,137)</b>
Net (loss) from discontinued operations	5	<b>(33,659,803)</b>	<b>(28,378,323)</b>
<b>Net (loss) for the year</b>		<b>(35,944,796)</b>	<b>(29,631,460)</b>
Net (loss) is attributable to:			
Owners of Silex Systems Limited		<b>(35,944,796)</b>	<b>(29,488,786)</b>
Non-controlling interests		-	<b>(142,674)</b>
		<b>(35,944,796)</b>	<b>(29,631,460)</b>

	2015 Cents	2014 Cents
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	<b>(1.3)</b>	<b>(0.7)</b>
Diluted earnings per share	<b>(1.3)</b>	<b>(0.7)</b>
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	<b>(21.1)</b>	<b>(17.3)</b>
Diluted earnings per share	<b>(21.1)</b>	<b>(17.3)</b>

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated statement of comprehensive income

for the year ended 30 June 2015

	2015 \$	2014 \$
<b>Net (loss) for the year</b>	<b>(35,944,796)</b>	(29,631,460)
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<b>275,747</b>	(295,336)
<b>Other comprehensive income for the year, net of tax</b>	<b>275,747</b>	(295,336)
<b>Total comprehensive income for the year</b>	<b>(35,669,049)</b>	(29,926,796)
Attributable to:		
Owners of Silex Systems Limited	<b>(35,669,049)</b>	(29,784,122)
Non-controlling interest	-	(142,674)
<b>Total comprehensive income for the year</b>	<b>(35,669,049)</b>	(29,926,796)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	<b>(2,284,993)</b>	(1,253,137)
Discontinued operations	<b>(33,384,056)</b>	(28,530,985)
	<b>(35,669,049)</b>	(29,784,122)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# Consolidated balance sheet

as at 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		987,777	3,178,811
Held to maturity investments - term deposits		54,173,451	60,756,039
Trade and other receivables		5,214,694	2,571,418
Inventories		-	18,498
		60,375,922	66,524,766
Assets classified as held for sale	6	1,575,487	30,819,183
<b>Total current assets</b>		<b>61,951,409</b>	<b>97,343,949</b>
<b>Non-current assets</b>			
Property, plant and equipment		64,061	110,226
Deferred tax assets		2,702	2,491
Intangible assets		688	6,594
<b>Total non-current assets</b>		<b>67,451</b>	<b>119,311</b>
<b>Total assets</b>		<b>62,018,860</b>	<b>97,463,260</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		968,673	1,469,740
Provisions		425,919	1,237,149
		1,394,592	2,706,889
Liabilities associated with discontinued operations	5	3,057,022	2,559,317
<b>Total current liabilities</b>		<b>4,451,614</b>	<b>5,266,206</b>
<b>Non-current liabilities</b>			
Provisions		113,110	111,971
<b>Total non-current liabilities</b>		<b>113,110</b>	<b>111,971</b>
<b>Total liabilities</b>		<b>4,564,724</b>	<b>5,378,177</b>
<b>Net assets</b>		<b>57,454,136</b>	<b>92,085,083</b>
<b>Equity</b>			
Contributed equity		231,753,076	231,671,231
Reserves		10,296,433	9,882,811
Accumulated losses		(184,595,373)	(148,650,577)
Capital and reserves attributable to owners of:			
Silex Systems Limited		57,454,136	92,903,465
Non-controlling interest		-	(818,382)
<b>Total equity</b>		<b>57,454,136</b>	<b>92,085,083</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

for the year ended 30 June 2015

	Attributable to owners of Silex Systems Limited				Non-controlling interests \$	Total \$
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$		
<b>Balance at 30 June 2013</b>	<b>231,417,226</b>	<b>9,744,529</b>	<b>(119,161,791)</b>	<b>121,999,964</b>	<b>(675,708)</b>	<b>121,324,256</b>
Net (loss) for the year	-	-	(29,488,786)	(29,488,786)	(142,674)	(29,631,460)
Exchange differences on translation of foreign operations	-	(295,336)	-	(295,336)	-	(295,336)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(295,336)</b>	<b>(29,488,786)</b>	<b>(29,784,122)</b>	<b>(142,674)</b>	<b>(29,926,796)</b>
<b>Transactions with owners in their capacity as owners</b>						
Transaction costs from the issue of shares	(4,966)	-	-	(4,966)	-	(4,966)
Employee shares and options-value of employee services	-	696,178	-	696,178	-	696,178
Transfer from share-based payments reserve	262,560	(262,560)	-	-	-	-
Deferred tax recognised directly in equity	(3,589)	-	-	(3,589)	-	(3,589)
	254,005	433,618	-	687,623	-	687,623
<b>Balance at 30 June 2014</b>	<b>231,671,231</b>	<b>9,882,811</b>	<b>(148,650,577)</b>	<b>92,903,465</b>	<b>(818,382)</b>	<b>92,085,083</b>
Net (loss) for the year	-	-	(35,944,796)	(35,944,796)	-	(35,944,796)
Exchange differences on translation of foreign operations	-	275,747	-	275,747	-	275,747
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>275,747</b>	<b>(35,944,796)</b>	<b>(35,669,049)</b>	<b>-</b>	<b>(35,669,049)</b>
<b>Transactions with owners in their capacity as owners</b>						
Transfer of non-controlling interest on derecognition	-	-	-	-	818,382	818,382
Transaction costs from the issue of shares	(3,228)	-	-	(3,228)	-	(3,228)
Employee shares and options-value of employee services	-	222,737	-	222,737	-	222,737
Transfer from share-based payments reserve	84,862	(84,862)	-	-	-	-
Deferred tax recognised directly in equity	211	-	-	211	-	211
	81,845	137,875	-	219,720	818,382	1,038,102
<b>Balance at 30 June 2015</b>	<b>231,753,076</b>	<b>10,296,433</b>	<b>(184,595,373)</b>	<b>57,454,136</b>	<b>-</b>	<b>57,454,136</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

for the year ended 30 June 2015

	2015 \$	2014 \$
<b>Cash flows from operating activities</b>		
Receipts from customers and government grants (inclusive of GST)	14,506,671	30,060,966
Payments to suppliers and employees (inclusive of GST)	(24,718,382)	(28,773,788)
Interest received	2,284,445	1,971,167
Interest paid	(1,805)	(529)
<b>Net cash (outflows)/inflows from operating activities</b>	<b>(7,929,071)</b>	<b>3,257,816</b>
<b>Cash flows from investing activities</b>		
Payments for held to maturity investments - term deposits	-	(5,092,196)
Proceeds from held to maturity investments - term deposits	6,582,588	-
Payments for property, plant and equipment	(215,990)	(708,533)
Payments for intangibles	(651,570)	(2,935,502)
Proceeds from sale of property, plant and equipment	14,636	6,773
<b>Net cash inflows/(outflows) from investing activities</b>	<b>5,729,664</b>	<b>(8,729,458)</b>
<b>Cash flows from financing activities</b>		
Transaction costs from issue of shares	(3,228)	(4,966)
<b>Net cash (outflows) from financing activities</b>	<b>(3,228)</b>	<b>(4,966)</b>
<b>Net (decrease) in cash held</b>	<b>(2,202,635)</b>	<b>(5,476,608)</b>
Cash and cash equivalents at the beginning of the financial year	3,178,811	8,720,156
Effects of exchange rate changes on cash	11,601	(64,737)
<b>Cash and cash equivalents at end of year *</b>	<b>987,777</b>	<b>3,178,811</b>
Non-cash financing and investing activities	-	-
*Held to maturity investments excluded from Cash and cash equivalents	54,173,451	60,756,039

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

30 June 2015

## Note 1 Significant changes in the current accounting period

The financial position and performance of the Company was particularly affected by the implementation of the outcomes of the strategic review announced by the Board on 30 June 2014 that will result in the return of the Company's focus to the development of the Company's foundation technology and core asset – the SILEX laser enrichment technology. The resulting restructure has seen a number of significant changes completed, including a full operational review with a significant reduction in headcount, the closure of the ChronoLogic business, and in parallel, a rigorous search for business development options to accelerate the transition to market for subsidiaries Solar Systems and Translucent. The implementation of the restructure is nearing completion.

Solar Systems and Translucent have been shown as discontinued operations in the income statement with the prior year comparatives adjusted. The result of the discontinued operations was impacted by the impairment of the carrying value of property, plant and equipment and intangible assets of \$19,316,583 (\$12,379,766 in the prior period).

In July 2014, SILEX Technology Licensee GE-Hitachi Global Laser Enrichment LLC ('GLE') announced its own restructure, resulting in the slowdown of the commercialisation project in response to adverse conditions in the nuclear fuel markets, largely precipitated by the shutdown of the Japanese nuclear industry after the Fukushima disaster. As a result, Silex made redundancies and has taken over funding of activities at its Lucas Heights facility in Sydney.

## Note 2 Segment information

	Silex Systems 2015 \$	Total 2015 \$	Silex Systems 2014 \$	Total 2014 \$
Total segment revenue	3,674,860	3,674,860	7,113,672	7,113,672
Revenue from external customers	3,674,860	3,674,860	7,113,672	7,113,672
Segment result	(2,284,993)	(2,284,993)	(1,253,137)	(1,253,137)
Total segment assets	59,794,515	59,794,515	64,764,354	64,764,354
Total segment liabilities	1,507,702	1,507,702	2,064,813	2,064,813

### (i) Segment result

The Board of Directors assess the performance of the operating segment based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation and impairment of intangibles on consolidation. Solar Systems, Translucent, ChronoLogic and Silex Solar have been disclosed as discontinued operations and not as reportable segments. A reconciliation of the segment result to Net (loss) from continuing operations is provided as follows.

	2015 \$	2014 \$
Segment result	(2,284,993)	(1,253,137)
Net (loss) before income tax from continuing operations	(2,284,993)	(1,253,137)

# Notes to the financial statements

30 June 2015 (continued)

## Note 3 Revenue

	2015 \$	2014 \$
<b>From continuing operations</b>		
Recoverable project costs from GLE	1,493,766	4,540,761
Interest income	2,181,094	2,572,911
	<b>3,674,860</b>	<b>7,113,672</b>
<b>From discontinued operations (note 5)</b>		
Sale of goods	132,924	233,608
Services	35,168	1,582
Interest income	14,921	62,866
	<b>183,013</b>	<b>298,056</b>

## Note 4 Other income

	2015 \$	2014 \$
<b>From continuing operations</b>		
Foreign currency exchange gains (net)	42,475	-
Profit on sale of property, plant and equipment	-	455
Other	-	114
	<b>42,475</b>	<b>569</b>
<b>From discontinued operations (note 5)</b>		
Research and development tax incentive	4,508,336	16,000,440
Government grants	668,276	9,080,315
Profit on sale of property, plant and equipment	14,636	6,318
	<b>5,191,248</b>	<b>25,087,073</b>

### (i) Government grants

Government solar project grants of \$602,603 (2014: \$9,030,904), were recognised as Other income by Solar Systems during the financial year. The Company has met the conditions of the grants and the income has been recognised. Export Market Development Grant income of \$65,673 (2014: \$49,411) was recognised as Other income during the financial year by Solar Systems. There are no unfulfilled conditions attached to these grants.

### (ii) Research and development tax incentive

Research and development tax incentive income of \$4,508,336 (2014: \$16,000,440) was recognised as Other income by the Company during the year. The Company has met the conditions of the tax incentive.

# Notes to the financial statements

30 June 2015 (continued)

## Note 5 Discontinued operations

In accordance with the continued implementation of the outcome of the Company's strategic review throughout FY 2015, the Solar Systems and Translucent businesses have been disclosed as discontinued operations as at 30 June 2015, with restatement of the comparative consolidated income statement and consolidated statement of comprehensive income to reflect this change. The Silex Solar and ChronoLogic operations have continued to be reported as discontinued with their activities ceasing in October 2012 and September 2014 respectively.

A summary of the results of the discontinued operations of Solar Systems, Translucent, ChronoLogic and Silex Solar is provided below.

	2015 \$	2014 \$
Revenue (note 3)	183,013	298,056
Other income (note 4)	5,191,248	25,087,073
Expenses	(39,034,064)	(53,763,452)
(Loss) before income tax	(33,659,803)	(28,378,323)
Income tax expense	-	-
<b>(Loss) after income tax of the discontinued operations</b>	<b>(33,659,803)</b>	<b>(28,378,323)</b>

	2015 \$	2014 \$
Net cash (outflows) from operating activities	(6,237,983)	(12,129,534)
Net cash (outflows) from investing activities	(812,586)	(3,621,541)
<b>Net cash (outflows) from the discontinued operations</b>	<b>(7,050,569)</b>	<b>(15,751,075)</b>

	2015 \$	2014 \$
Trade and other payables	(936,805)	(1,905,028)
Provisions	(2,120,217)	(654,289)
<b>Total Liabilities associated with discontinued operations</b>	<b>(3,057,022)</b>	<b>(2,559,317)</b>

# Notes to the financial statements

30 June 2015 (continued)

## Note 6 Assets held for sale

As previously reported, on 30 June 2014, in accordance with the Company's strategic review, Silex commenced an accelerated transition to market for subsidiaries Solar Systems and Translucent. As a result, as at 30 June 2014 the assets and liabilities of these two businesses, net of cash and held to maturity investments, were reported as Held for Sale. As the implementation of the strategic review draws to a conclusion, Solar Systems and Translucent assets have continued to be reported as being Held for Sale as at 30 June 2015.

	2015 \$	2014 \$
Revenue	175,675	284,882
Other income	5,190,000	24,009,678
Expenses	(37,899,886)	(43,810,181)
(Loss) before income tax	(32,534,211)	(19,515,621)
Income tax expense	-	-
<b>(Loss) after income tax of the held for sale businesses</b>	<b>(32,534,211)</b>	<b>(19,515,621)</b>
Impairment of goodwill on consolidation – Translucent	-	(8,477,619)
Losses of other discontinued operations	(1,125,592)	(385,083)
<b>(Loss) after income tax of discontinued operations</b>	<b>(33,659,803)</b>	<b>(28,378,323)</b>

	2015 \$	2014 \$
Trade and other receivables	320,658	10,699,722
Inventories	18,228	885,924
Property, plant & equipment	1,236,601	9,475,930
Intangible assets	-	9,757,607
<b>Total assets of disposal group held for sale</b>	<b>1,575,487</b>	<b>30,819,183</b>

## Note 7 Dividends

No dividends were declared or paid during the year or in the prior year.

# Notes to the financial statements

30 June 2015 (continued)

## Note 8 Events occurring after reporting date

### Solar Systems

On 30 July 2015, Silex announced the immediate cessation of Solar Systems' business operations. The announcement followed a rigorous extended global process to attract new investment in Solar Systems which ultimately was unsuccessful. However, as the process revealed considerable interest in the Solar Systems concentrating dish technology during the divestment process, the Company has retained the IP and associated expertise to pursue residual opportunities.

The resulting financial effect of the 30 July decision, which is largely staff redundancy costs, has not been brought to account in the financial statements for the year ended 30 June 2015. Redundancy costs of approximately \$1.0m are expected to be brought to account in the financial statements for the year ended 30 June 2016.

### Translucent

On 15 September 2015, Silex announced the signing of a License and Assignment Agreement with UK-based IQE Plc for Translucent's technology. The agreement grants IQE an exclusive 30-month license to complete product development and commercialisation activities, with an option exercisable at any time during the 30-month license period, for IQE to acquire Translucent's technology. If successfully commercialised the agreement also provides for a perpetual royalty on the sale of products incorporating the Translucent technology.

As a result of the agreement, the Translucent facility at Palo Alto, California will no longer be required and will be closed down by the end of December 2015. The services of two key engineers will be retained for 12 months to facilitate the transfer of the technology to IQE. The financial effect of the 15 September 2015 announcement, including a maximum license fee of USD\$1.5m (minimum of USD\$1.415m) payable by 15 March 2016 and a small amount of staff redundancy costs, have not been brought to account in the financial statements for the year ended 30 June 2015 and will be brought to account in the financial statements for the year ended 30 June 2016. Should the option be exercised by IQE for the acquisition of the technology, a further payment of USD\$5m would be due to Translucent.

### Other

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to in this report.

## Note 9 Basis of preparation

This concise financial report relates to the consolidated entity consisting of Silex Systems Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015. The accounting policies have been consistently applied to all years presented, unless otherwise stated below.

The financial statements in this report are presented in Australian dollars.

# Directors' declaration

30 June 2015

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2015 as set out on pages 39 to 49 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2015. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

This declaration is made in accordance with a resolution of the directors.



**Dr M P Goldsworthy**  
CEO/MD

Sydney, 25 September 2015



**Mr C D Wilks**  
Director

# Independent auditor's report

to the members of Silex Systems Limited



## Report on the concise financial report

We have audited the accompanying concise financial report of Silex Systems Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and related notes, derived from the audited financial report of the company for the year ended 30 June 2015 for Silex Systems Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

## Directors' responsibility for the concise financial report

The directors of the company are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

## Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the consolidated entity for the year ended 30 June 2015. We expressed an unmodified audit opinion on that financial report in our report dated 25 September 2015. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Independent auditor's report

to the members of Silex Systems Limited (continued)



Our procedures include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Silex Systems Limited would be in the same terms if given to the directors as at the date of this auditor's report.

## **Auditor's opinion**

In our opinion, the concise financial report of the consolidated entity for the year ended 30 June 2015 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

## **Report on the remuneration report**

The following paragraphs are copied from our report on the remuneration report for the year ended 30 June 2015.

We have audited the remuneration report included in pages 24 to 34 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



### **Auditor's opinion**

In our opinion, the remuneration report of Silex Systems Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

### **Matters relating to the electronic presentation of the audited concise financial report**

This auditor's report relates to the concise financial report and remuneration report of Silex Systems Limited (the company) for the year ended 30 June 2015 included on Silex Systems Limited web site. The company's directors are responsible for the integrity of the Silex Systems Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the concise financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'S. Humphries' followed by a large, stylized flourish.

Stephen Humphries  
Partner

Sydney  
25 September 2015

# Shareholder's Information

30 June 2015

## 1. Information relating to shareholders as at 15 September 2015

### (a) Distribution schedule

1-1,000	2,141
1,001-5,000	2,769
5,001-10,000	952
10,001-100,000	1,178
100,001 and over	124
<b>Total number of holders of each class of security</b>	<b>7,164</b>
Voting right - on a show of hands	
- on a poll	
Percentage of total holding held by the largest 20 holders	57.53%
Number of total holding less than a marketable parcel of shares	2,345

<b>Substantial shareholders</b>	<b>Ordinary shares</b>
Jardvan Pty Ltd	29,801,030
M&G Investment (including M&G Investment Funds (3) & (12), M&G Investment Management Limited, M&G Limited, M&G Group Limited and Prudential plc)	17,050,000
Global X Management Company	12,086,216

# Shareholder's Information

30 June 2015 (continued)

## (b) Names of Twenty Largest Holders as at 15 September 2015

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.48%
HSBC Custody Nominees (Australia) Limited	29,620,163	17.38%
Majenta Holdings Pty Ltd	5,703,923	3.35%
Polly Pty Ltd	4,073,863	2.39%
J P Morgan Nominees Australia Limited	3,951,216	2.32%
Citicorp Nominees Pty Limited	3,347,512	1.96%
National Nominees Limited	3,162,367	1.86%
Throvena Pty Ltd	2,978,203	1.75%
Hamlac Pty Ltd	2,525,937	1.48%
Mr Christopher David Wilks	2,405,070	1.41%
Quintal Pty Ltd	2,002,952	1.17%
Mr Paul Cozzi	2,000,000	1.17%
CS Fourth Nominees Pty Ltd	1,292,092	0.76%
Felson Holdings Pty Ltd	1,000,000	0.59%
Quadrangle Nominees Limited	847,245	0.50%
Mithena Holdings Pty Ltd	817,139	0.48%
UBS Wealth Management Australia Nominees Pty Ltd	765,045	0.45%
Mr Peter James Thomas + Ms Helen Thomas	627,000	0.37%
Hillboi Nominees Pty Ltd	605,000	0.35%
Mr Robert Bradfield	540,000	0.32%
	<b>98,065,757</b>	<b>57.53%</b>

# Shareholder's Information

30 June 2015 (continued)

## 2. Interest of directors in shares as at 15 September 2015

	Ordinary shares	Interest held
Dr L M McIntyre	48,230	Beneficially
Dr M P Goldsworthy	5,979,055	Personally/Beneficially
Mr R A R Lee	-	N/A
Mr C D Wilks	2,814,021	Personally/Beneficially

## 3. Securities subject to voluntary escrow as at 15 September 2015

As at 15 September 2015, no securities were subject to voluntary escrow.

## 4. Unquoted equity securities as at 15 September 2015

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan to take up ordinary shares	140,000	3
Other options issued to take up ordinary shares *	1,469,242	2

\* These are options to Dr M P Goldsworthy (1,102,207) and Mr C D Wilks (367,035).

# Company Directory

## Directors

Dr L M McIntyre – Chair  
Dr M P Goldsworthy – CEO/MD  
Mr R A R Lee  
Mr C D Wilks

## Audit Committee

Mr R A R Lee – Chair  
Dr L M McIntyre  
Mr C D Wilks

## People & Remuneration Committee

Dr L M McIntyre – Chair  
Mr R A R Lee  
Mr C D Wilks

## Company Secretary

Ms J E Ducie

## Registered Office and Principal Place of Business

Suite 8.03, Level 8  
56 Clarence Street  
Sydney NSW 2000, Australia

Postal address:  
PO Box 364, Sydney NSW 2001, Australia

Phone: +61 2 9704 8888  
Fax: +61 2 9279 1051  
Email: [investor.relations@silex.com.au](mailto:investor.relations@silex.com.au)  
Website: [www.silex.com.au](http://www.silex.com.au)

## Share Registry

Computershare Registry Services Pty Limited  
Level 5, 115 Grenfell Street, Adelaide,  
South Australia 5000, Australia

GPO Box 1903 Adelaide SA 5001, Australia

Enquiries within Australia: 1300 556 161  
Enquiries outside Australia: +61 8 8236 2300  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

## Stock Exchange

Listed on the Australian Stock Exchange, Ticker: SLX  
Listed on the OTCQX International, Ticker: SILXY

## Auditors

PricewaterhouseCoopers

## Solicitors

Baker & McKenzie

## Bankers

Australia and New Zealand Banking Group Limited

## American Depository Receipts (ADR) Information

Silex Systems Limited's ADRs may be purchased on the US OTCQX market.

Details are as follows:

Ratio: 1 ADR = 5 ordinary shares  
Symbol: SILXY  
CUSIP: 827046 10 3 9414F102  
Exchange: OTCQX  
Country: Australia



[www.silex.com.au](http://www.silex.com.au)