



**Silex Systems Limited**

ABN 69 003 372 067

**Concise Financial Report  
for the year ended 30 June 2016**

## **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 8.01, 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 9704 8851  
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

**IMPORTANT NOTICE:**

**Forward Looking Statements and Business Risks:**

*Silex Systems is a research and development Company whose primary asset is the SILEX laser uranium enrichment technology, originally developed at the Company's technology facility in Sydney, Australia. The SILEX technology, licensed exclusively to GE-Hitachi Global Laser Enrichment LLC (GLE) in the USA, is currently in the engineering development stage and plans for commercial deployment remain distant and high risk.*

*Silex also has an interest in a unique semiconductor technology known as 'cREO™' through its ownership of subsidiary Translucent Inc. The cREO™ technology is exclusively licensed to IQE Plc based in the UK. IQE is progressing the cREO™ technology towards commercial deployment in various advanced semiconductor products. The outcome of IQE's commercialisation program remains high risk.*

*The commercial potential of these two technologies is currently unknown. Accordingly, the statements in this announcement regarding the future of the SILEX technology, the cREO™ technology and any associated commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors.*

*Some risk factors that could affect future results and commercial prospects include, but are not limited to: the outcome of the GLE restructure which Silex is participating in, results from the SILEX uranium enrichment engineering development program being conducted jointly by the Company and GLE; the demand for natural uranium and enriched uranium; the time taken to develop the SILEX technology; results from IQE's commercialisation program and the demand for cREO™ products, the potential development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property; the potential impact of government regulations or policies in the USA, Australia or elsewhere; and the outcomes of various commercialisation strategies undertaken by the Company and/or its Licensees GLE and IQE.*

## 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 2016.

### 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 - Chair  
Dr M P Goldsworthy  
Mr R A R Lee  
Mr C D Wilks

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 activity of the Company was the continued development and commercialisation of our core asset and foundation technology – the laser isotope separation process for uranium enrichment known as the SILEX technology. In addition, the Company's restructure announced on 30 June 2014 was finalised, resulting in the licensing of the Translucent Inc. cREO™ semiconductor technology and the sale of Solar Systems' assets. Both subsidiaries ceased operations during the year.

### 3. Dividend

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

### 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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	<b>1,617,655</b>	3,674,860
(Loss) before income tax expense	<b>(4,700,759)</b>	(2,284,993)
Income tax expense	-	-
Net (loss) from continuing operations	<b>(4,700,759)</b>	(2,284,993)
Net profit/(loss) from discontinued operations	<b>1,303,871</b>	(33,659,803)
Net (loss) for the year	<b>(3,396,888)</b>	(35,944,796)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	<b>(3,396,888)</b>	(35,944,796)

## **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 SILEX Technology Commercialisation Program*

The Company's primary focus in FY2016 was on the continued development and commercialisation of our core asset – the SILEX technology, and the restructure of our Licensee, GE-Hitachi Global Laser Enrichment LLC (GLE). As announced to the ASX on 18 April 2016, GE-Hitachi Nuclear Energy (GEH) is looking to exit GLE, due to changes in business priorities and the continuing difficult market conditions. Silex subsequently successfully negotiated and executed a term sheet with GEH on 29 April 2016 securing an exclusive option to acquire GEH's 76% interest in GLE, and the right to assign in part or in whole the acquisition terms to third parties. Accordingly, Silex has taken the lead on the search for new investors for GLE, with a preference for securing high calibre strategic investors who are capable of supporting GLE's transition to market with the SILEX technology. Silex believes that GLE is the best vehicle to take the SILEX technology to market. Discussions continue with a number of parties interested in investing in GLE and the SILEX technology commercialisation program.

Under the term sheet signed with GEH, Silex agreed to reimburse GEH its pro-rata share of funding for the Wilmington operation for CY2016. This is in addition to Silex funding the development of commercial-scale laser systems at its Lucas Heights facility in Sydney. The combined funding from Silex for the Wilmington operation and the laser development activities in Sydney is expected to be up to \$10m during CY2016. GLE shareholder, Cameco, 24% owner of GLE, remains supportive of Silex's efforts to restructure GLE.

Meanwhile, the technology engineering and economic validation program has continued to achieve pleasing results during FY2016 with program milestones achieved at both the Wilmington and Sydney project sites. Activities in the Test Loop facility in Wilmington, North Carolina (NC) resulted in the successful demonstration of key process efficiency improvements which should translate in to lower operating and capital costs. Ongoing laser system development activities in Sydney resulted in the initial demonstration of a prototype commercial-scale plant laser system during the year.

Challenging market conditions continued to plague the nuclear fuel markets throughout FY2016. This was not unexpected given the continued slow pace of the restart of the Japanese nuclear reactor fleet following the Fukushima disaster in 2011 and the announcement of the premature retirement of a number of reactors in the US and Europe. As a result, demand for enrichment and uranium remains low and prices are currently depressed. However, we continue to believe that the outlook for the nuclear industry in the long term is positive as evidenced by the start-up of 10 new reactor units in the past year bringing the total number of operable reactors to 445 worldwide. With an additional 61 reactors under construction and 170 planned – the demand and supply fundamentals of nuclear fuel markets are expected to recover in the coming years.

We remain convinced that the best way to create value for our shareholders is to continue to focus our efforts on the restructure of GLE and to potentially become a shareholder in GLE ourselves such that we can have greater visibility and influence over the technology commercialisation program going forward.

### *Discontinued Operations – Translucent and Solar Systems*

In June 2014, Silex announced a major restructure which aimed to return the Company's focus solely on the SILEX laser enrichment technology. The restructure has been completed and resulted in the exclusive licensing of Translucent's unique semiconductor technology known as 'cREO™' to IQE Plc based in the UK (LON: IQE). IQE is progressing the cREO™ technology towards commercial deployment in various advanced semiconductor markets. Under the terms of the License and Assignment Agreement signed in September 2015, IQE has 30 months in which to elect to acquire Translucent's technology. Translucent ceased its Californian operation in December 2015 following the successful transfer of the technology and commercialisation program to IQE.

Silex subsidiary Solar Systems Pty Ltd also ceased operations during FY2016. Various property, plant and equipment and technology assets have been sold to third parties.

**Financial review**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	<b>1,617,655</b>	3,674,860
Other income	<b>1,467,828</b>	42,475
Research and development materials	<b>(60,107)</b>	(154,296)
Development expenditure	<b>(2,550,261)</b>	-
Employee benefits expense	<b>(3,091,636)</b>	(4,017,953)
Consultants and professional fees	<b>(951,041)</b>	(642,304)
Rent, utilities and property outgoings	<b>(433,766)</b>	(474,107)
Other expenses	<b>(699,431)</b>	(713,668)
Income tax expense	-	-
<b>Net (loss) from continuing operations</b>	<b>(4,700,759)</b>	(2,284,993)
<b>Net profit/(loss) from discontinued operations</b>	<b>1,303,871</b>	(33,659,803)
<b>Net (loss) for the year</b>	<b>(3,396,888)</b>	(35,944,796)

The net loss from ordinary activities of \$3.4m decreased by \$32.5m compared to the prior year. The net loss is comprised of the loss from continuing operations of \$4.7m (an increase of \$2.4m compared to the prior year) and the profit from discontinued operations of \$1.3m (an improvement of \$35.0m compared to the prior year).

Further commentary on the results from our operations and the factors contributing to the decreased net loss from ordinary activities (after tax) attributable to members is provided below.

*Continuing Operations - Silex Systems*

The Silex Systems segment result was a \$4.7m loss in the current year compared to a \$2.3m loss in the prior year. The increased loss was largely due to a reduction of \$1.5m in Recoverable projects costs revenue on the Uranium Enrichment Project. Interest income also decreased to \$1.6m in the current year compared to \$2.2m in the prior year as a result of lower interest rates and lower average cash / term deposit holdings in the current year.

There was an increase in expenses from continuing operations of \$1.8m compared to the prior year. This was mainly due to \$2.6m of Development expenditure in the current year relating to Silex's reimbursement of GEH's pro-rata share of funding for the Wilmington operations. This was offset by a reduction in other expenses of \$0.8m as a result of the Company's lower operating cost structure. In addition, there was a \$1.4m increase in Other income which was mainly due to \$1.5m for the R&D tax incentive for Silex's Lucas Heights operations.

*Discontinued Operations – Translucent and Solar Systems*

As a result of the exclusive License and Assignment Agreement for Translucent's proprietary cREO™ technology that was signed on the 15 September 2015, the technology was transferred to IQE Plc during the year. IQE is responsible for the completion of product development and commercialisation activities during a 30-month license period. The Translucent operations in Palo Alto, California ceased at the end of December 2015.

The Silex Board announced the cessation of the Solar Systems business operation on 30 July 2015. Various property, plant and equipment and technology assets have been sold to third parties with proceeds of \$2.3m received during FY2016. At the time of writing, all remaining assets of the Solar Systems business have been sold.

The net profit from discontinued operations of \$1.3m in the current year includes the operations of Translucent and Solar Systems. The current year included \$1.8m License Fee income from IQE compared to \$nil in the prior year. Reversals of impairment of property, plant and equipment (\$0.2m) and intangibles (\$0.2m) improved the result in the current year compared to impairments of \$8.9m and \$10.4m for property, plant and equipment, and intangibles respectively in the previous year.

**Balance sheet**

A summary of our balance sheet is set out below:

	<b>30 June 2016</b>	<b>30 June 2015</b>
	\$	\$
<b>ASSETS</b>		
Total current assets	55,098,350	61,951,409
Total non-current assets	1,706,048	67,451
<b>Total assets</b>	<b>56,804,398</b>	<b>62,018,860</b>
<b>LIABILITIES</b>		
Total current liabilities	2,950,265	4,451,614
Total non-current liabilities	104,728	113,110
<b>Total liabilities</b>	<b>3,054,993</b>	<b>4,564,724</b>
<b>Net assets</b>	<b>53,749,405</b>	<b>57,454,136</b>
<b>EQUITY</b>		
<b>Total equity</b>	<b>53,749,405</b>	<b>57,454,136</b>

As at 30 June 2016, total assets were \$56.8m. Significant assets are cash holdings of \$51.3m (cash and term deposits), trade and other receivables of \$3.5m and Available-for-sale financial assets of \$1.6m. Total liabilities were \$3.1m and included trade and other payables of \$1.8m and liabilities associated with our discontinued operations of \$0.7m.

**5. Earnings per share**

	<b>2016</b>	<b>2015</b>
	Cents	Cents
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	(2.8)	(1.3)
Diluted earnings per share	(2.8)	(1.3)
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share	(2.0)	(21.1)
Diluted earnings per share	(2.0)	(21.1)

**6. Significant changes in state of affairs**

The financial position and performance of the Company continued to be affected by the implementation of the outcomes of the strategic review announced by the Board on 30 June 2014 which aimed to return the Company's focus to the development of its foundation technology and core asset – the SILEX technology.

Silex announced on 2 May 2016 that it had signed a term sheet with GE-Hitachi Nuclear Energy (GEH) providing a framework for the parties to negotiate an acceptable restructure of GLE. Under the term sheet, Silex has agreed to reimburse GEH its pro-rata share of funding for GLE Wilmington operations whilst conducting a search to identify new investors for GLE and the commercialisation program.

Silex's execution of the strategic review resulted in a number of significant changes and cessation of operations for subsidiaries, Translucent Inc and Solar Systems during year ended 30 June 2016. A License and Assignment Agreement between Translucent Inc and IQE Plc was executed on 15 September 2015. The Agreement provides for the completion of product development and commercialisation activities during the 30-month license period by IQE. As a result, the Translucent technology has been transferred to IQE's facility in North Carolina and the Translucent facility in Palo Alto, California was vacated in December 2015.

In addition, the cessation of the Solar Systems business operation was announced on 30 July 2015. This resulted in the sale of the assets including the properties at Bridgewater and Mildura and the termination of the lease and exit of the manufacturing facility at Abbotsford. In July 2016, the Company completed the sale of the IP and associated manufacturing assets.

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.

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

Between 30 June 2016 and 22 September 2016, the IQE Plc share price (LON: IQE) has increased considerably. Combined with movements in exchange rates the value of the shares (disclosed as Available-for-sale financial assets) has increased by approximately \$1,160,000 since 30 June 2016. Gains or losses arising from changes in the fair value of shares classified as available-for-sale are recognised in other comprehensive income. The financial effects of the movements in fair value since 30 June 2016 will be recognised in the financial statements for the year ended 30 June 2017.

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**

##### **Overview**

Silex is a research and development company whose primary asset is the SILEX laser uranium enrichment technology which is licensed exclusively to GE-Hitachi Global Laser Enrichment LLC (GLE). As outlined above, GE-Hitachi Nuclear Energy (GEH) is looking to exit GLE, due to changes in business priorities and the continuing difficult market conditions driven by the Fukushima disaster in 2011. This announcement followed the slowing of the pace of the SILEX technology commercialisation program by GLE in July 2014. Silex continues in its efforts to restructure GLE through the introduction of new investors who can support GLE and the SILEX technology's transition to market.

In light of the above, the timing of future potential milestone payments and royalties under the Technology Commercialisation and License Agreement signed with GLE may be significantly delayed by several factors, including the slowdown in the pace of GLE's commercialisation program announced in July 2014, the outcome of the restructure of GLE currently being led by Silex, and the timing of the recovery in the markets for uranium and enrichment services.

The implementation of the Company's major strategic review announced on 30 June 2014 involved decisions to cease the Solar Systems operations in Victoria and the Translucent operations in California. An exclusive License and Assignment Agreement for Translucent's technology was signed in September 2015 with UK-based IQE Plc (IQE) as noted above. The outcome of IQE's commercialisation program remains high risk.

The Company's future prospects and results remain largely dependent on the outcomes of the commercialisation programs for the SILEX and cREO™ technologies, the GLE restructure and a recovery in the accessible markets for both uranium and enrichment services.

##### **Business strategies and future prospects**

##### ***The SILEX Technology***

###### *Commercialisation Program*

The SILEX technology is currently in the final phase of a commercialisation program involving engineering scale-up and economic validation. Silex has taken the lead on the search for new investors in GLE, with a preference for securing high calibre strategic investors who are capable of supporting GLE's transition to market with the SILEX technology. Discussions continue to advance with a number of interested parties. We remain convinced that the best way to create value for our shareholders is to continue to focus our efforts on the restructure of GLE and to potentially become a shareholder in GLE ourselves such that we can have greater visibility and influence over the technology commercialisation program going forward.



Silex firmly believes that GLE is the best vehicle to take the SILEX technology to market, based on the preservation of several key assets which will underpin GLE's value going forward. These assets include:

- the highly skilled and specialised engineering team based in Wilmington (in addition to the highly talented laser development team in Sydney);
- the Test Loop demonstration facility that has operated since 2010 and continues to advance the technology towards full-scale demonstration; and
- the combined construction and operating license (COL) granted by the US Nuclear Regulatory Commission in 2012 for a potential commercial enrichment plant in Wilmington, NC.

In addition to these key assets, the Paducah commercial plant opportunity (to produce natural grade uranium from tails stockpiles owned by the US Department of Energy (DOE)) is being negotiated exclusively between the DOE and GLE.

The focus of the Company is firmly set on the remainder of the commercialisation program for the SILEX technology. Whilst the pace of this commercialisation program was slowed significantly by GLE in July 2014, the technology engineering and economic validation program has continued to achieve pleasing results during FY2016. Key technology demonstration activities relating to improved process efficiency and scaled-up laser system performance were completed during the year in review at the Wilmington and Sydney project sites respectively.

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:

Phase	Objectives	Status
Phase I	Test Loop technology demonstration and NRC commercial plant license approval	Completed 2013
Phase II	Economic and engineering validation for the initial commercial production module	Commenced in 2013
Phase III	Construction of the first full-scale commercial production facility	To be confirmed

*Status of Nuclear Fuel Markets*

Challenging market conditions continued to impact the nuclear fuel markets throughout FY2016. This was not unexpected given the continued slow pace of the restart of the Japanese nuclear reactor fleet following the Fukushima disaster in 2011 and the announcement of the premature retirement of a number of reactors in the US and Europe. As a result, the demand for enrichment and uranium remains low and prices are currently depressed.

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. At the time of writing, only 3 reactors are connected to the grid in Japan with another 22 reactors in the restart approval process, according to the World Nuclear Association (WNA) ([world-nuclear.org](http://world-nuclear.org)). Despite the slow pace of restarts, Japan remains committed to nuclear power generation with a target to produce around one fifth of its power from nuclear energy by 2030.

Longer term, a more positive outlook remains for the nuclear industry, driven by the merits of nuclear power as a clean emissions-free source of base load electricity becoming better understood around the world. Billions of dollars of investment continues to be made every year in the nuclear industry with new nuclear plant builds continuing in the US and the UK, as well as extensive programs in China, Russia, India and South Korea. This is in addition to extensions being granted to the operating lives of existing nuclear plants which could see many of these plants generating clean, reliable and affordable baseload electricity for up to 80 years. Ten new reactor units commenced operations in the past year giving a total of 445 operable reactors globally. With an additional 61 reactors under construction and 170 planned – the demand and supply fundamentals of the nuclear fuel markets are set to recover in the coming years.

We therefore remain encouraged by these positive developments in the global nuclear industry. We continue to believe the SILEX technology, being our core asset and the only third generation laser enrichment technology being commercialised in the world, is the best path forward to deliver value to our shareholders. However, the risks surrounding nuclear industry growth prospects and the related nuclear fuel market conditions, and the outcome of the GLE restructure, could impact the commercialisation program outlined above and ultimately the timing of future potential milestone payments and royalties under the Technology Commercialisation and License Agreement signed with GLE in 2006.

**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. Chair – Independent non-executive director</b>		
Experience and expertise	Independent non-executive director for four years and Chair for two years. Extensive experience as a Company Director. Current roles include icare NSW, HCF, Cover-More Group Limited, GenesisCare and Your Tutor Pty Ltd. Executive career in strategy, commercialisation and performance support as a senior partner of global strategy firm L.E.K. Consulting for 20 years.	
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

<b>Dr Michael Goldsworthy BSc (Hons), MSc, PhD, FAIP, GAICD. Chief Executive Officer/Managing Director</b>		
Experience and expertise	CEO/MD for twenty four 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

<b>Mr Christopher Wilks BComm, FAICD. <i>Non-executive director</i></b>		
Experience and expertise	Non-executive director for twenty eight years. Finance director and CFO of Sonic Healthcare Limited. Various other directorships held of public companies held over the last thirty years.	
Other current listed company directorships	Executive director of Sonic Healthcare Limited since 1989 (Finance director since 1993)	
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

<b>Mr Robert Lee BSc MBA, GAICD. <i>Independent non-executive director</i></b>		
Experience and expertise	Independent non-executive director from 1 July 2015. Experienced company director, corporate adviser and former Executive Director of Macquarie Group Limited. Currently a non-executive director of Westmead IVF and Maple-Brown Abbott 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

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

<b>Mr Andrew Stock BEng (Chem) (Hons), FIE Aust, GAICD. <i>Independent non-executive director until 31 August 2015</i></b>		
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	10	10	3	3	3	3
Dr M P Goldsworthy	10	10	*	*	*	*
Mr R A R Lee	10	10	3	3	3	3
Mr A M Stock (held to date of retirement)	2	2	1	1	1	1
Mr C D Wilks	10	10	3	3	3	3

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

## 11. Remuneration Report

Dear Shareholders,

On behalf of the Board, I am pleased to present to you the FY2016 Silex Systems Limited Remuneration Report for which we seek your support at our Annual General Meeting in November.

The details of the remuneration received by the Company's Key Management Personnel (KMP) are prepared in accordance with accounting standards, legislative requirements and best practice corporate governance guidance. The following comments aim to provide greater insight into our remuneration policies and practices during what has been a difficult time for Silex and our shareholders.

Challenging business conditions continue to be faced by the Company, which are largely attributable to the ongoing depressed state of the nuclear fuel markets in a post-Fukushima operating environment. These conditions continue to negatively impact the commercialisation program of our foundation technology – the SILEX laser-based uranium enrichment technology and ultimately our share price. Despite these difficult conditions, Silex continues to push forward with activities to support the licensees of our unique and potentially disruptive technologies – the SILEX technology and the Translucent cREO™ semiconductor technology.

We have successfully implemented our major strategic review and strategy to significantly reduce our operational cash burn and devote our resources to the commercialisation of the SILEX technology. As a result of our restructure, significant changes have taken place throughout the Company since the announcement of our strategic review on 30 June 2014, including a 75% reduction in head count Company wide, a ~50% reduction in corporate headcount and the combining of various roles and responsibilities to streamline operations and reduce costs.

Some difficult decisions have been made in recent years which impacted the Company's KMP. From 1 January 2015, our CEO/MD agreed to a reduction of approximately 55% to Total Maximum Potential Remuneration, which included a reduction of 31% in Total Fixed Remuneration. No remuneration increases were awarded to KMP for the 3 years to 30 June 2016 and from 1 April 2016, our Board agreed to reduce its remuneration with the cessation of committee fees.

For FY2017, no changes were made to the remuneration package of our CEO/MD. We awarded various members of our team salary increases – the retention of our significantly reduced team and their individual and collective expertise that benefits the Company being a key focus. A full review was completed of the remuneration package of our CFO/Company Secretary and an increase of 12.65% to Total Fixed Remuneration and a 25% increase to the maximum available short term incentive awarded. We remain cognisant of shareholder concern that any long-term equity based remuneration is linked to growth in shareholder value. Therefore, at this time, it has been determined that no long-term incentives will be granted.

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 2016.



Dr Lisa McIntyre  
Chair, People & Remuneration Committee

The Directors present the Remuneration Report for the year ended 30 June 2016, 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 2015 Annual General Meeting
- e) Executive KMP remuneration structure
- f) Link between FY2016 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 2016 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
<i>Non-executive and executive directors</i>	
Dr L M McIntyre	Chair and Non-executive director
Dr M P Goldsworthy	CEO/Managing Director – Executive director
Mr R A R Lee	Non-executive director
Mr A M Stock	Non-executive director (until 31 August 2015)
Mr C D Wilks	Non-executive director
<i>Other executive KMP</i>	
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.

Members of the People & Remuneration Committee were as follows:

Committee members	Dr L M McIntyre – Chair Mr R A R Lee Mr A M Stock (until 31 August 2015) Mr C D Wilks
Committee secretary	Ms A N Scott
Number of meetings in FY2016	3
Other individuals who regularly attended meetings	Dr M P Goldsworthy – CEO/MD

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/Corporate-Governance](http://www.silex.com.au/Corporate-Governance).

Use of remuneration consultants

The Company did not engage remuneration consultants during FY2016. The Company has previously engaged AON Hewitt to conduct a thorough review of KMP and Board remuneration and structure. The recommendations from that review were fully implemented during FY2015 and FY2016. The Company continues to access market data and industry remuneration surveys and reports on a regular basis.

**c) Linking remuneration structure to company performance**

Remuneration strategy, policy and framework

In determining executive KMP remuneration, the Board's policy is based on the principle of aligning remuneration outcomes with the successful delivery of strategy whilst ensuring our remuneration practices are designed to attract, motivate and retain highly qualified and specialised personnel. Regard for contemporary market practice, good governance and alignment to changing business circumstances is held at all times. 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. Executive KMP who have a greater ability to influence outcomes have a greater portion of their overall remuneration package 'at risk'.

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 and operating 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.

<b>Element</b>	<b>Purpose</b>	<b>Performance Metrics</b>	<b>Potential Value</b>
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 outcomes, as well as functional 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 FY2016. At this time, it has been determined that no LTIs will be granted for FY2017.

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 2015 Annual General Meeting**

Silex Systems Limited received more than 98% of "yes" votes on its remuneration report for the 2015 financial year.

**e) Executive KMP remuneration structure**

For FY2016, executive KMP remuneration packages included a mix of total fixed remuneration (TFR) and short-term 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.

Effective from 1 January 2015, the TFR for the Silex CEO/MD was significantly reduced by mutual agreement. For FY2016, the TFR for all other KMP remained unchanged.



Short-term Incentives (STI)

	<b>CEO/Managing Director</b>	<b>CFO/Company Secretary</b>	<b>CEO – Solar Systems (nb. no FY2016 STI issued)</b>
<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 were historically paid in cash.
<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 was 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 and execution of Company strategy. At all times the Board has the discretion to make a final determination based on share price performance or other factors.*

Long-term Incentive (LTI)

No long-term incentives were granted during FY2016 to the CEO/MD or CFO/Company Secretary.

A LTI/Success Fee Bonus was offered to the CEO – Solar Systems in FY2014. This was not time-bound and remained an ongoing potential incentive throughout FY2015 and until the announcement of the cessation of the Solar Systems' business operations on 30 July 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 operations and redundancy of the CEO, no long-term incentive was payable.

At the time of writing, it has been determined that no long-term incentives will be granted to the CEO/MD or CFO/Company Secretary during FY2017.

**f) Link between FY2016 remuneration and performance**

FY2016 performance and impact on remuneration

Throughout FY2016, the Company continued to implement significant strategic changes and respond to challenging operating conditions in the nuclear industry. The Company's primary focus was on the continued development and commercialisation of the SILEX technology. In addition, the major strategic review implementation was completed resulting in the exclusive License and Assignment Agreement for Translucent's proprietary cREO™ technology being signed on the 15 September 2015, and the transfer of the technology to IQE Plc during the year. As IQE will now be responsible for the completion of product development and commercialisation activities, the Translucent operations in Palo Alto, California ceased at the end of December 2015. The Solar Systems business also ceased operating during the year and various property, plant and equipment and technology assets sold to third parties.

The STI performance criteria for FY2016 for the CEO/MD and CFO/Company Secretary were heavily focussed on the deliverables associated with the SILEX technology and the Company's strategic review. Key performance criteria met included the licensing of the Translucent cREO™ technology, progress in the commercialisation of the SILEX technology, delivery of financial rigour and operational cost reductions and resolution of the Solar Systems business.

The Board awarded the CEO/MD and the CFO/Company Secretary 70% and 85% respectively of the maximum STIs available. These incentives were paid in cash after satisfying the required service and performance conditions.

The FY2015 STI and 25% of the maximum short-term incentive for FY2016 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 and expansion of duties following a 50% headcount reduction in corporate resources. This retainer was time bound and eligibility criteria deemed satisfied on 30 September 2015, with payment made in October 2015.

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 \$
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
2016	(2.0)	211,000	0.31

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	Contract terminated by redundancy 31 August 2015
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. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation.

With effect from 1 April 2016, all non-executive directors agreed to reduce their remuneration with the cessation of committee fees.

The aggregate non-executive directors' fees are reviewed periodically by the Board taking into account comparable roles and market data provided by an independent remuneration consultant. The non-executive 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 the aggregate significantly reduced from \$465,905 in FY2014 to \$304,331 in FY2016. The process of Board renewal continued during FY2016 with one director retiring from the Board. The Silex Board currently comprises three non-executive directors and an executive director. The current Board size is deemed appropriate in light of the current activities of the Company.

The current fee structure is outlined below:

	<b>Chair</b>	<b>Member</b>
Board	100,000	80,000
Committee	-	-

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

**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	Fixed remuneration					Variable remuneration			Total
		Cash salary and fees *	Non - monetary benefits	Long service leave	Post-employment benefits - superannuation	Other**	Cash bonus	Options	Deferred rights	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>										
Dr M P Goldsworthy	2016	515,664	10,624	(659)	34,908	-	140,000	-	24,725	725,262
	2015	631,293	16,554	(1,189)	34,983	-	140,000	100,797	125,981	1,048,419
<i>Non-executive directors (NED)</i>										
Dr L M McIntyre	2016	110,500	-	-	10,498	-	-	-	-	120,998
	2015	114,000	-	-	10,830	-	-	-	-	124,830
Mr R A R Lee (from 1/7/2015)	2016	89,164	-	-	8,471	-	-	-	-	97,635
	2015	-	-	-	-	-	-	-	-	-
Mr C D Wilks	2016	121,500	-	-	11,543	-	-	-	-	133,043
	2015	132,625	-	-	12,599	-	-	33,566	-	178,790
Mr A M Stock (until 31/8/2015)	2016	15,667	-	-	1,488	-	-	-	-	17,155
	2015	94,000	-	-	8,930	-	-	-	-	102,930
<i>Other key management personnel and group executives</i>										
Ms J E Ducie	2016	267,604	-	10,803	29,908	-	71,000	-	2,970	382,285
	2015	265,190	-	4,361	29,983	-	80,000	-	2,962	382,496
Mr C R Murray (until 31/8/2015)	2016	46,187	12,973	(1,136)	18,688	229,284	-	-	-	305,996
	2015	352,368	14,626	682	37,012	-	102,400	-	-	507,088
<b>Total executive directors and other KMP</b>	<b>2016</b>	<b>829,455</b>	<b>23,597</b>	<b>9,008</b>	<b>83,504</b>	<b>229,284</b>	<b>211,000</b>	<b>-</b>	<b>27,695</b>	<b>1,413,543</b>
	<b>2015</b>	<b>1,248,851</b>	<b>31,180</b>	<b>3,854</b>	<b>101,978</b>	<b>-</b>	<b>322,400</b>	<b>100,797</b>	<b>128,943</b>	<b>1,938,003</b>
<b>Total NED remuneration</b>	<b>2016</b>	<b>336,831</b>	<b>-</b>	<b>-</b>	<b>32,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368,831</b>
	<b>2015</b>	<b>340,625</b>	<b>-</b>	<b>-</b>	<b>32,359</b>	<b>-</b>	<b>-</b>	<b>33,566</b>	<b>-</b>	<b>406,550</b>
<b>Total KMP remuneration</b>	<b>2016</b>	<b>1,166,286</b>	<b>23,597</b>	<b>9,008</b>	<b>115,504</b>	<b>229,284</b>	<b>211,000</b>	<b>-</b>	<b>27,695</b>	<b>1,782,374</b>
	<b>2015</b>	<b>1,589,476</b>	<b>31,180</b>	<b>3,854</b>	<b>134,337</b>	<b>-</b>	<b>322,400</b>	<b>134,363</b>	<b>128,943</b>	<b>2,344,553</b>

\* Inclusive of movement in annual leave accruals.

\*\* Other includes termination payments paid to Mr C R Murray.

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 *	
	2016	2015	2016	2015	2016	2015
<i>Directors</i>						
Dr L M McIntyre	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr M P Goldsworthy	77.3%	65.0%	19.3%	13.4%	3.4%	21.6%
Mr R A R Lee	100.0%	-	N/A	-	N/A	-
Mr C D Wilks	100.0%	81.2%	N/A	N/A	N/A	18.8%
Mr A M Stock	100.0%	100.0%	N/A	N/A	N/A	N/A
<i>Other Executive KMP</i>						
Ms J E Ducie	80.6%	78.3%	18.6%	20.9%	0.8%	0.8%
Mr C R Murray	100.0%	79.8%	0.0%	20.2%	0.0%	0.0%

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

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

Options

No grant of options affected remuneration in the current reporting period or will affect remuneration in a future reporting period.

There were no options granted or any options exercised by any individual during FY2016 (or FY2015).

STI bonuses

For each STI award for the year ended 30 June 2016 (payable in the form of a cash bonus), the percentage of the bonus awarded or forfeited is set out below:

2016	Total opportunity \$	Awarded %	Forfeited %
Dr M P Goldsworthy	200,000	70%	30%
Ms J E Ducie *	20,000	100%	0%
Ms J E Ducie	60,000	85%	15%

\*This relates to a retention based bonus with eligibility criteria expiring 30 September 2015. The criteria were met and the bonus was paid in FY2016.

LTI deferred rights

For each LTI award for the year ended 30 June 2016 (payable in the form of deferred rights), the percentage of the bonus awarded or forfeited is set out below:

2016	Awarded %	Forfeited %	Performance period
Dr M P Goldsworthy	0%	100%	3 years ending 30/06/2016
Ms J E Ducie	0%	100%	3 years ending 30/06/2016

The bonuses were subject to performance criteria comprising Total Shareholder Return over a 3-year period ending 30 June 2016 and a share price hurdle of \$5.40.

LTI cash incentive

For each LTI award for the year ended 30 June 2016 (payable in the form of cash), the percentage of the bonuses awarded or forfeited is set out below:

2016	Awarded %	Forfeited %	Performance period
Mr C R Murray	0%	100%	No set period

The bonus was in relation to closing a transaction for the Solar Systems business or assets.

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:

2016	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
<i>Directors of Silex Systems Limited</i>					
Dr L M McIntyre	48,230	-	-	-	48,230
Dr M P Goldsworthy	5,979,055	-	-	-	5,979,055
Mr R A R Lee	-	-	-	-	-
Mr C D Wilks	2,814,021	-	-	-	2,814,021
<i>Former Directors*</i>					
Mr A M Stock	-	-	-	-	N/A
<i>Other Executive KMP</i>					
Ms J E Ducie	3,759	-	-	-	3,759
<i>Former Executive KMP*</i>					
Mr C R Murray	-	-	-	-	N/A

\*This information relates to the period these individuals were Directors/KMP.

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:

2016 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
<i>Directors of Silex Systems Limited</i>								
Dr M P Goldsworthy	1,102,207	-	-	-	-	1,102,207	-	1,102,207
Mr C D Wilks	367,035	-	-	-	-	367,035	-	367,035
<i>Other Executive KMP</i>								
Ms J E Ducie	100,000	-	(40,000)	-	-	60,000	60,000	-

**j) Shares under option**

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

<b>Number of options</b>	<b>Issue Price of shares</b>	<b>Grant date</b>	<b>Expiry date</b>
1,469,242	\$2.04	8 December 2011	7 December 2016

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.

**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 was 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.

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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Other assurance services</b>		
PricewaterhouseCoopers Australian firm		
Audit of government grants	-	5,000
Total remuneration for other assurance services	-	5,000
<b>Other services</b>		
Corporate services	-	20,400
Total remuneration for other services	-	20,400
<b>Total remuneration for non-audit services</b>	-	25,400



**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 26.

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



Dr M P Goldsworthy  
CEO/MD

Sydney, 22 September 2016



Mr C D Wilks  
Director



## Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2016, 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 blue ink, appearing to read 'S. Humphries', with a large, stylized flourish at the end.

Stephen Humphries  
Partner  
PricewaterhouseCoopers

Sydney  
22 September 2016

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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 has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) published by the ASX Corporate Governance Council.

The 2016 Corporate Governance Statement is dated as at 30 June 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 Corporate Governance Statement was approved by the Board on 22 September 2016 and lodged with the ASX Appendix 4G, on 22 September 2016. 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/Corporate-Governance](http://www.silex.com.au/Corporate-Governance).

**Silex Systems Limited**  
**ABN 69 003 372 067**

## **Concise financial report – 30 June 2016**

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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 2016. 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).

**Silex Systems Limited**  
**Consolidated income statement**  
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Revenue from continuing operations</b>	3	1,617,655	3,674,860
Other income	4	1,467,828	42,475
Research and development materials		(60,107)	(154,296)
Development expenditure		(2,550,261)	-
Finance costs		(55)	(349)
Depreciation and amortisation expense		(27,191)	(59,821)
Employee benefits expense		(3,091,636)	(4,017,953)
Consultants and professional fees		(951,041)	(642,304)
Printing, postage, freight, stationery and communications		(99,574)	(117,893)
Rent, utilities and property outgoings		(433,766)	(474,107)
Net foreign exchange losses		(143,418)	-
Other expenses from continuing activities		(429,193)	(535,605)
<b>(Loss) before income tax expense</b>		<b>(4,700,759)</b>	<b>(2,284,993)</b>
Income tax expense		-	-
Net (loss) from continuing operations		<b>(4,700,759)</b>	<b>(2,284,993)</b>
Net profit/(loss) from discontinued operations	5	<b>1,303,871</b>	<b>(33,659,803)</b>
<b>Net (loss) for the year</b>		<b>(3,396,888)</b>	<b>(35,944,796)</b>
Net (loss) is attributable to:			
Owners of Silex Systems Limited		<b>(3,396,888)</b>	<b>(35,944,796)</b>
		<b>Cents</b>	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>(2.8)</b>	(1.3)
Diluted earnings per share		<b>(2.8)</b>	(1.3)
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the company</b>			
Basic earnings per share		<b>(2.0)</b>	(21.1)
Diluted earnings per share		<b>(2.0)</b>	(21.1)

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

**Silex Systems Limited**  
**Consolidated statement of comprehensive income**  
for the year ended 30 June 2016

	2016 \$	2015 \$
<b>Net (loss) for the year</b>	<b>(3,396,888)</b>	<b>(35,944,796)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Changes in the fair value of available-for-sale financial assets	(283,451)	-
Exchange differences on translation of foreign operations	(51,181)	275,747
<b>Other comprehensive income for the year, net of tax</b>	<b>(334,632)</b>	<b>275,747</b>
<b>Total comprehensive income for the year</b>	<b>(3,731,520)</b>	<b>(35,669,049)</b>
Attributable to:		
Owners of Silex Systems Limited	(3,731,520)	(35,669,049)
<b>Total comprehensive income for the year</b>	<b>(3,731,520)</b>	<b>(35,669,049)</b>
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(4,700,759)	(2,284,993)
Discontinued operations	969,239	(33,384,056)
	<b>(3,731,520)</b>	<b>(35,669,049)</b>

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

**Silex Systems Limited**  
**Consolidated balance sheet**  
as at 30 June 2016

	Note	30 June 2016	30 June 2015
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,581,746	987,777
Held to maturity investments - term deposits		49,700,328	54,173,451
Trade and other receivables		3,466,276	5,214,694
		<u>54,748,350</u>	<u>60,375,922</u>
Assets classified as held for sale	5	350,000	1,575,487
Total current assets		<u>55,098,350</u>	<u>61,951,409</u>
<b>Non-current assets</b>			
Available-for-sale financial assets		1,624,251	-
Property, plant and equipment		80,001	64,061
Deferred tax assets		1,796	2,702
Intangible assets		-	688
Total non-current assets		<u>1,706,048</u>	<u>67,451</u>
<b>Total assets</b>		<u>56,804,398</u>	<u>62,018,860</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,799,049	968,673
Provisions		472,837	425,919
		<u>2,271,886</u>	<u>1,394,592</u>
Liabilities associated with discontinued operations	5	678,379	3,057,022
Total current liabilities		<u>2,950,265</u>	<u>4,451,614</u>
<b>Non-current liabilities</b>			
Provisions		104,728	113,110
Total non-current liabilities		<u>104,728</u>	<u>113,110</u>
<b>Total liabilities</b>		<u>3,054,993</u>	<u>4,564,724</u>
<b>Net assets</b>		<u>53,749,405</u>	<u>57,454,136</u>
<b>EQUITY</b>			
Contributed equity		231,752,170	231,753,076
Reserves		9,989,496	10,296,433
Accumulated losses		(187,992,261)	(184,595,373)
<b>Total equity</b>		<u>53,749,405</u>	<u>57,454,136</u>

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

**Silex Systems Limited**  
**Consolidated statement of changes in equity**  
for the year ended 30 June 2016

	Attributable to owners of Silex Systems Limited				Non-controlling interests	Total
	Contributed equity	Reserves	Accumulated losses	Total		
	\$	\$	\$	\$	\$	\$
<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)
Other comprehensive income	-	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
	<b>81,845</b>	<b>137,875</b>	<b>-</b>	<b>219,720</b>	<b>818,382</b>	<b>1,038,102</b>
<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>
Net (loss) for the year	-	-	(3,396,888)	(3,396,888)	-	(3,396,888)
Other comprehensive income	-	(334,632)	-	(334,632)	-	(334,632)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(334,632)</b>	<b>(3,396,888)</b>	<b>(3,731,520)</b>	<b>-</b>	<b>(3,731,520)</b>
<b>Transactions with owners in their capacity as owners</b>						
Employee shares and options - value of employee services	-	27,695	-	27,695	-	27,695
Deferred tax recognised directly in equity	(906)	-	-	(906)	-	(906)
	<b>(906)</b>	<b>27,695</b>	<b>-</b>	<b>26,789</b>	<b>-</b>	<b>26,789</b>
<b>Balance at 30 June 2016</b>	<b>231,752,170</b>	<b>9,989,496</b>	<b>(187,992,261)</b>	<b>53,749,405</b>	<b>-</b>	<b>53,749,405</b>

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



**Silex Systems Limited**  
**Consolidated statement of cash flows**  
for the year ended 30 June 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and government grants (inclusive of GST)	5,467,115	14,506,671
Payments to suppliers and employees (inclusive of GST)	(13,835,072)	(24,718,382)
Interest received	1,942,298	2,284,445
Interest paid	(67)	(1,805)
<b>Net cash (outflows) from operating activities</b>	<b>(6,425,726)</b>	<b>(7,929,071)</b>
 <b>Cash flows from investing activities</b>		
Proceeds from held to maturity investments - term deposits	4,473,123	6,582,588
Payments for property, plant and equipment	(42,608)	(215,990)
Payments for intangibles	-	(651,570)
Proceeds from sale of property, plant and equipment	2,586,838	14,636
<b>Net cash inflows from investing activities</b>	<b>7,017,353</b>	<b>5,729,664</b>
 <b>Cash flows from financing activities</b>		
Transaction costs from issue of shares	-	(3,228)
<b>Net cash (outflows) from financing activities</b>	<b>-</b>	<b>(3,228)</b>
 <b>Net increase/(decrease) in cash held</b>	<b>591,627</b>	<b>(2,202,635)</b>
Cash and cash equivalents at the beginning of the financial year	987,777	3,178,811
Effects of exchange rate changes on cash	2,342	11,601
<b>Cash and cash equivalents at end of the financial year *</b>	<b>1,581,746</b>	<b>987,777</b>
 *Held to maturity investments excluded from Cash and cash equivalents	<b>49,700,328</b>	<b>54,173,451</b>

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

**Note 1 Significant changes in the current accounting period**

The financial position and performance of the Company continued to be affected by the implementation of the outcomes of the strategic review announced by the Board on 30 June 2014 that has resulted 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 in the year ended 30 June 2016, including the cessation of the Solar Systems business operations as announced on 30 July 2015. This resulted in the sale of the assets including the properties at Bridgewater and Mildura and the termination of the lease and exit of the manufacturing facility at Abbotsford. In July 2016, the Company completed the sale of the IP and associated manufacturing assets.

A License and Assignment Agreement between Translucent Inc and IQE Plc was executed on the 15 September 2015. The Agreement provides for the completion of product development and commercialisation activities during the 30-month license period by IQE. As a result, the Translucent technology has been transferred to IQE's facility in North Carolina and the Translucent facility in Palo Alto, California was vacated in December 2015.

Silex announced on 2 May 2016 that it had signed a term sheet with GE-Hitachi Nuclear Energy (GEH) to provide a framework for the parties to negotiate a mutually acceptable restructure of GE-Hitachi Global Laser Enrichment LLC (GLE). This followed GEH's notification that they were looking to exit GLE. Under the term sheet, Silex has agreed to reimburse GEH its pro-rata share of funding for GLE Wilmington operations for CY2016 whilst conducting a search to identify new investors for GLE and the commercialisation program.

**Note 2 Segment information**

Segment revenue and segment result information provided to the board of directors for the Silex segment, the one reportable segment for the year ended 30 June 2016 is contained in the consolidated income statement.

Segment assets were \$54,594,394 at 30 June 2016 compared to \$59,794,515 at 30 June 2015.

Segment liabilities were \$2,376,614 at 30 June 2016 compared to \$1,507,702 at 30 June 2015.

*(ii) 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. Solar Systems and Translucent 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.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Segment result	<b>(4,700,759)</b>	<b>(2,284,993)</b>
<b>Net (loss) before income tax from continuing operations</b>	<b>(4,700,759)</b>	<b>(2,284,993)</b>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Note 3 Revenue</b>		
<b>From continuing operations</b>		
Recoverable project costs from GLE	-	1,493,766
Interest income	<b>1,617,655</b>	<b>2,181,094</b>
	<b>1,617,655</b>	<b>3,674,860</b>
<b>From discontinued operations (note 5)</b>		
License fees	<b>1,821,297</b>	-
Recoverable project costs from IQE	<b>216,786</b>	-
Sale of goods	<b>93,151</b>	132,924
Services	-	35,168
Interest income	<b>22,717</b>	14,921
	<b>2,153,951</b>	<b>183,013</b>

**Silex Systems Limited**  
**Notes to the financial statements**  
30 June 2016 (continued)

	2016	2015
	\$	\$
<b>Note 4 Other income</b>		
<b>From continuing operations</b>		
Research and development tax incentive	1,459,095	-
Foreign currency exchange gains (net)	-	42,475
Profit on sale of property, plant and equipment	8,733	-
	1,467,828	42,475
	2016	2015
	\$	\$
<b>From discontinued operations (note 5)</b>		
Research and development tax incentive	2,002,079	4,508,336
Government grants	-	668,276
Profit on sale of property, plant and equipment	1,340,055	14,636
	3,342,134	5,191,248

*(i) Government grants*

Government solar project grants of \$nil (2015: \$602,603), 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 \$nil (2015: \$65,673) 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 \$3,461,174 (2015: \$4,508,336) was recognised as Other income by the Company during the year. The Company has met the conditions of the tax incentive.

**Note 5 Discontinued operations and Assets held for sale**

In accordance with the continued implementation of the outcome of the Company's major strategic review and resulting restructure, the Solar Systems and Translucent businesses have been disclosed as discontinued operations.

On 30 July 2015, Silex announced a decision had been made to cease business operations at Solar Systems. During the year ended 30 June 2016, many of the assets were sold, including the properties and Bridgewater and Mildura, and the leased facility at Abbotsford was vacated.

On 15 September 2015, Silex announced that Translucent had signed a License and Assignment Agreement with IQE Plc with the technology commercialisation program to be transferred to IQE. Under the terms of the License and Assignment Agreement, IQE was required to pay an initial License Fee of US\$1.415 million and this was received in March 2016. IQE has 30 months in which to elect to acquire Translucent's technology with the payment of a further US\$5 million. As a result, these two former business segments, net of cash, held to maturity investments, some receivables and Available-for-sale financial assets (shares in IQE) are reported as held for sale.

A summary of the results of the discontinued operations is provided below.

	2016	2015
	\$	\$
Revenue (note 3)	2,153,951	183,013
Other income (note 4)	3,342,134	5,191,248
Expenses	(4,192,214)	(39,034,064)
Profit/(loss) before income tax	1,303,871	(33,659,803)
Income tax expense	-	-
<b>Profit/(loss) after income tax of the discontinued operations</b>	<b>1,303,871</b>	<b>(33,659,803)</b>

**Silex Systems Limited**  
**Notes to the financial statements**  
30 June 2016 (continued)

	2016	2015
	\$	\$
Net cash (outflows) from operating activities	(2,114,844)	(6,237,983)
Net cash inflows/(outflows) from investing activities	3,064,790	(812,586)
<b>Net cash inflows/(outflows) from the discontinued operations</b>	<b>949,946</b>	<b>(7,050,569)</b>

	2016	2015
	\$	\$
Trade and other receivables	-	320,658
Inventories	-	18,228
Property, plant and equipment	175,000	1,236,601
Intangible assets	175,000	-
<b>Total assets of disposal group held for sale</b>	<b>350,000</b>	<b>1,575,487</b>

	2016	2015
	\$	\$
Trade and other payables	(303,819)	(936,805)
Provisions	(374,560)	(2,120,217)
<b>Total Liabilities associated with discontinued operations</b>	<b>(678,379)</b>	<b>(3,057,022)</b>

**Note 6 Contingent liabilities and commitments in accordance with Purchase and Sale Agreement Term Sheet**

*(i) Contingent liabilities*

In April 2016, Silex signed a Non-Binding Purchase and Sale Agreement (PSA) Term Sheet with GENE Holdings (GENE), GE-Hitachi Nuclear Energy Americas LLC (GEHA) and General Electric Company (GE). The Term Sheet sets out details of a proposed Purchase and Sale Agreement (PSA) whereby Silex may acquire the shares owned by GENE and GEHA together representing 76% of the issued capital of GE-Hitachi Global Laser Enrichment LLC (GLE). Whilst the Term Sheet is principally Non-Binding, there are certain Binding Obligations. Under the Term Sheet, Silex has a Binding Funding Obligation and is required to make certain reimbursement payments to the Sellers (GENE and GEHA). Expenses recorded in the current year amounted to \$2,550,261.

In addition, if a PSA is signed then Silex is required to make additional funding payments to GENE and GEHA. The amount of this additional funding amounts (a contingent liability) is US\$500,000 for the period to 30 June 2016 and a further US\$500,000 for the 6 months to 31 December 2016 i.e. US\$1m in total, in the event a PSA is executed. At the current point in time, the timing of any outflow of funds is uncertain and subject to Silex signing a PSA.

*(ii) Commitments in accordance with Purchase and Sale Agreement Term Sheet*

Under the Term Sheet, Silex is required to reimburse the Sellers for a further US\$2,100,000 for expenditure for the 6 months to 31 December 2016.

**Note 7 Dividends**

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

**Note 8 Events occurring after reporting date**

Between 30 June 2016 and 22 September 2016, the IQE Plc share price (LON: IQE) has increased considerably. Combined with movements in exchange rates the value of the shares (disclosed as Available-for-sale financial assets) has increased by approximately \$1,160,000 since 30 June 2016. Gains or losses arising from changes in the fair value of shares classified as available-for-sale are recognised in other comprehensive income. The financial effects of the movements in fair value since 30 June 2016 will be recognised in the financial statements for the year ended 30 June 2017.

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 2016. 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.

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2016 as set out on pages 28 to 37 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 2016. 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



Mr C D Wilks  
Director

Sydney

22 September 2016



## 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 2016, 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 2016 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 2016. We expressed an unmodified audit opinion on that financial report in our report dated 22 September 2016. 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.

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*.

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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 2016 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 2016.

We have audited the remuneration report included in pages 13 to 23 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

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

Stephen Humphries  
Partner

Sydney  
22 September 2016



Shareholders' information

**1. Information relating to shareholders as at 12 September 2016**

**(a) Distribution schedule**

1-1,000	2,057
1,001-5,000	2,557
5,001-10,000	843
10,001-100,000	1,124
100,001 and over	141
Total number of holders of each class of security	6,722

Voting rights - on a show of hands  
- on a poll

Percentage of total holding held by the largest 20 holders	55.40%
Number of total holding less than a marketable parcel of shares	2,767

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	29,801,030
Prudential Plc (M&G Group)	12,786,077

**(b) Names of Twenty Largest Holders as at 12 September 2016**

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.48%
HSBC Custody Nominees (Australia) Limited	20,511,723	12.03%
Majenta Holdings Pty Ltd	5,703,923	3.35%
Mr Paul Cozzi	4,800,000	2.82%
J P Morgan Nominees Australia Limited	4,319,093	2.53%
Polly Pty Ltd	4,073,863	2.39%
Citicorp Nominees Pty Limited	3,529,036	2.07%
National Nominees Limited	3,079,351	1.81%
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%
Felson Holdings Pty Ltd	2,251,000	1.32%
Quintal Pty Ltd	2,002,952	1.17%
Sporran Lean Pty Ltd	1,650,000	0.97%
Old Digger Pty Ltd	1,145,000	0.67%
Quadrangle Nominees Limited	847,245	0.50%
Mithena Holdings Pty Ltd	817,139	0.48%
Mr Xiangyang Wu	685,655	0.40%
Mr Luca Rotter + Ms Jane Louise Abbott	655,000	0.38%
Hillboi Nominees Pty Ltd	651,295	0.38%
	94,432,515	55.40%

**2. Interest of directors in shares as at 12 September 2016**

	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 12 September 2016**

As at 12 September 2016, no securities were subject to voluntary escrow.

**4. Unquoted equity securities as at 12 September 2016**

	Number on issue	Number of holders
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).