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Silex Systems Limited

ABN 69 003 372 067

Financial Report
for the year ended 30 June 2017

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
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Sydney NSW 2000, Australia

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Email: investor.relations@silex.com.au
Website: 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
Website: 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

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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 scale-up stage and plans for commercial deployment remain speculative 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 subject to technology and market risks.

The commercial potential of these two technologies is currently unknown. Accordingly, the statements in this report 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; 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; 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; results from IQE's commercialisation program and the demand for cREO™ products; 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 2017.

1. Directors

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

2. Principal activities

During the year, the principal activity of the Company was the continued development and commercialisation of our core asset, the laser isotope separation process for uranium enrichment known as the SILEX technology in conjunction with exclusive licensee, GE-Hitachi Global Laser Enrichment LLC (GLE).

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:

	2017 $	2016 $
Revenue from continuing operations	1,365,646	1,617,655
(Loss) before income tax expense	(10,211,489)	(4,700,759)
Income tax expense	-	-
Net (loss) from continuing operations	(10,211,489)	(4,700,759)
Net profit from discontinued operations	92,558	1,303,871
Net (loss) for the year	(10,118,931)	(3,396,888)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	(10,118,931)	(3,396,888)

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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

Market for Nuclear Reactor Fuel

The global demand for nuclear fuel, and specifically uranium and enrichment services remains depressed with prices struggling to move above decade lows. The continued slow pace of the restart of the Japanese nuclear reactor fleet, and nuclear policy uncertainty in countries such as the US, Germany, France and South Korea has contributed to weaker growth and a delay to the expected return to a more balanced demand and supply scenario in the markets for nuclear fuel.

Looking to the medium term and beyond, we continue to believe that the outlook for the nuclear industry is positive and that market growth will return. Our view is supported by the World Nuclear Association's account of 58 reactors being currently under construction. Additionally, with the start-up of 7 new reactor units in the past year, there are 447 operable reactors globally at present. With a further 162 reactors planned with approvals, funding or commitments in place – we expect to witness the rebalancing of demand and supply fundamentals in nuclear fuel markets over the coming years.

The GLE Restructure

The search for new investors to restructure the exclusive licensee of the SILEX laser uranium enrichment technology, GE-Hitachi Global Laser Enrichment LLC (GLE), continued during the year despite a backdrop of challenging market conditions that have defined the nuclear industry since the Fukushima accident in 2011. Silex has led the search for new investors in GLE who are capable of backing GLE's transition to market and supporting the commercialisation of the SILEX technology. Engagement with the various stakeholders in the restructure of GLE has also been a key focus for Silex and is ongoing.

At the time of writing, a number of parties continue to assess the GLE restructure opportunity and progress with their due diligence. Silex also continues to consider the potential to take a majority equity interest in GLE such that we can have greater visibility and participation in the technology commercialisation program going forward. Silex continues to believe that GLE is the best vehicle to take the SILEX technology to market, based on the preservation of several key assets which will underpin the value of GLE and the SILEX technology.

The Technology Maturation Plan

Further technology maturation including several engineering scale-up and economic validation deliverables were achieved during FY2017 at both the GLE, Wilmington, North Carolina and Silex, Sydney project sites. Activities in the Test Loop facility in Wilmington included the commissioning of key process equipment which resulted in the successful demonstration of efficiency improvements and the potential to lower operating and capital costs. Laser system development activities in Sydney included test and reliability of the prototype commercial-scale plant laser system and the ongoing development of plant control systems required for the integrated prototype commercial technology demonstration to be conducted in Wilmington in the 2020 timeframe.

The Paducah Project Opportunity

Pursuant to the signing of the agreement between GLE and the US DOE in November 2016, the Paducah commercial opportunity is viewed by the Company as an ideal path to market for GLE and the SILEX technology. The opportunity would see the construction of the first laser enrichment facility and the commercial deployment of the SILEX technology to re-enrich ~300,000 metric tons of depleted uranium (tails) stockpiles owned by the DOE.

The tails re-enrichment would occur over a period of 40+ years, resulting in the production of natural grade uranium which could then be sold into the global uranium market which is expected to expand in the future. At a nominal production rate of around 2,000 metric tons of natural uranium hexafluoride (UF_6) per year (subject to applicable regulations), this project would rank as a large 'Tier 1' uranium mine by today's standards.

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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 was completed in FY2016 and resulted in the exclusive licensing of Translucent's unique semiconductor technology known as crystalline Rare Earth Oxide (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 until March 2018 in which to elect to acquire Translucent's technology at which time an additional amount of US$5m will be payable. Translucent ceased its Californian operations in December 2015 following the successful transfer of the technology to IQE.

During FY2017, IQE continued to make good progress in meeting target development milestones for initial products using the cREO™ materials. The product development program involves using two of Translucent's production reactors to produce various cREO™ templates on silicon wafers for trialling within the IQE group and select commercial partners, with initial focus on wireless communications devices and power electronics devices. In light of this progress, IQE has determined an optimal route to commercialisation within a 2 to 3-year timeframe.

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

Financial review

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

	2017 $	2016 $
Revenue from continuing operations	1,365,646	1,617,655
Other income	940,847	1,467,828
Research and development materials	(207,498)	(60,107)
Development expenditure	(6,668,102)	(2,550,261)
Employee benefits expense	(3,676,747)	(3,091,636)
Consultants and professional fees	(914,782)	(951,041)
Rent, utilities and property outgoings	(411,461)	(433,766)
Other expenses	(639,392)	(699,431)
Income tax expense	-	-
Net (loss) from continuing operations	(10,211,489)	(4,700,759)
Net profit from discontinued operations	92,558	1,303,871
Net (loss) for the year	(10,118,931)	(3,396,888)

The net loss from ordinary activities of $10.1m increased by $6.7m compared to the prior year. The net loss is comprised of the loss from continuing operations of $10.2m (an increase of $5.5m compared to the prior year) and the profit from discontinued operations of $0.1m (compared to $1.3m for the prior year).

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

Continuing Operations - Silex Systems

The Silex Systems segment result was a $10.2m loss in the current year compared to a $4.7m loss in the prior year.

Revenue (Interest income) reduced by $0.3m as average cash balances and interest rates declined. Other income reduced by $0.5m which was due to a $0.5m reduction in Research and Development tax incentive income. There was an increase in expenses from continuing operations of $4.7m compared to the prior year. This was mainly due to $6.7m of Development expenditure in the current year relating to Silex's reimbursement of GEH's pro-rata share of funding for GLE's Wilmington operations ($2.6m in the prior year). In addition, Employee benefits expense increased by $0.6m largely as a result of an increased support for continuing operations and the GLE restructure.

Discontinued Operations –Translucent and Solar Systems
The Silex Board announced the cessation of the Solar Systems business operation on 30 July 2015. Various property, plant and equipment and technology assets were sold to third parties with total proceeds of $2.8m received, of which $0.5m was received during the year ended 30 June 2017. All (held for sale) assets of the Solar Systems business have now been sold.

As a result of the exclusive License and Assignment Agreement with IQE Plc for Translucent's proprietary cREO™ technology, the product development and commercialisation program was transferred to IQE. The Translucent, Palo Alto, California operation ceased upon the successful transfer of the cREO™ technology in late 2015.

The profit from discontinued operations was $0.1m in the current year compared to a profit of $1.3m in the prior year. The current year result was mainly due a $0.1m profit on sale of residual Solar Systems' assets ($1.3m in the prior period).

Balance sheet

A summary of our balance sheet is set out below:

	30 June 2017 $	30 June 2016 $
ASSETS		
Total current assets	44,520,749	55,098,350
Total non-current assets	7,367,498	1,706,048
Total assets	51,888,247	56,804,398
LIABILITIES		
Total current liabilities	2,479,087	2,950,265
Total non-current liabilities	116,892	104,728
Total liabilities	2,595,979	3,054,993
Net assets	49,292,268	53,749,405
EQUITY		
Total equity	49,292,268	53,749,405

As at 30 June 2017, total assets were $51.9m. Significant assets are cash holdings of $42.7m (cash and term deposits), and Available-for-sale financial assets of $7.3m. Total liabilities were $2.6m and included trade and other payables of $1.8m.

5. Earnings per share

	2017 Cents	2016 Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings per share	(6.0)	(2.8)
Diluted earnings per share	(6.0)	(2.8)
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		
Basic earnings per share	(5.9)	(2.0)
Diluted earnings per share	(5.9)	(2.0)

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6. Significant changes in state of affairs

The financial position and performance of the Company continued to be affected by the Company's participation in the restructure of the exclusive licensee for the SILEX technology, GLE. This effort is consistent with the objectives of the Company's 2014 major strategic review which aimed to return the Company's focus to the development and commercialisation of its foundation technology and core asset – the SILEX technology.

Silex continued its efforts to attract new investors to support a restructure of GLE, after GE-Hitachi (GEH) disclosed in 2016 their intention to divest their 76% stake in GLE. Silex holds an exclusive, assignable option over GEH's 76% equity stake in GLE in accordance with the provisions of a Term Sheet signed by Silex and GEH in April 2016 and as last amended and extended on 31 August 2017 (refer ASX Announcement dated 1 September 2017). The amended Term Sheet, which will remain in force until either execution of the PSA or the termination of negotiations, contemplates Silex acquiring a majority interest in GLE.

Pursuant to the amended Term Sheet, Silex will continue to contribute 76% of the funding of GLE's Wilmington, North Carolina operations in addition to funding Silex's laser development activities at its Lucas Heights facility south of Sydney. The amended Term Sheet provides a revised framework for the GLE restructure, including a more efficient and clearer path to finalizing negotiations on a full and binding Purchase and Sale Agreement for the acquisition of GEH's 76% interest in GLE.

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 2017 and 22 September 2017, 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 $4,500,000 since 30 June 2017. 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 2017 will be recognised in the financial statements for the year ended 30 June 2018.

As announced to the ASX on 1 September 2017, Silex and GE-Hitachi Nuclear Energy (GEH) reached agreement to further amend and extend the Term Sheet for the exclusive assignable option over GEH's 76% interest in GLE. The amended Term Sheet, which will remain in force until either execution of a binding Purchase and Sales Agreement (PSA) or the termination of negotiations, contemplates Silex taking a majority interest in GLE. Pursuant to the amended Term Sheet Silex will continue to contribute 76% of the funding of GLE's Wilmington, North Carolina operations in addition to funding Silex's laser development activities at its Lucas Heights facility south of Sydney. The total funding support for the 6 months ending 31 December 2017 is expected to be approximately $6.5 million.

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.

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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 intending to exit GLE, due to changes in business priorities and the continuing adverse market conditions driven by the Fukushima disaster in 2011. Silex continues in its efforts to restructure GLE and on 1 September 2017 announced the agreement to amend and extend the PSA Term Sheet that was originally signed with GEH in April 2016. At the time of writing, a number of parties continue to assess the GLE restructure opportunity and progress with their due diligence activities. In parallel, Silex continues to consider the possibility of taking a majority equity interest in GLE, which would provide the Company greater visibility and participation in the technology commercialisation program going forward.

In light of the above, future potential milestone receipts and royalties under the Amended and Restated Technology Commercialisation and License Agreement (ARTCLA) signed with GLE in 2013 may be significantly delayed or changed 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, and the timing of the recovery in the markets for uranium and enrichment services. At this time, it is too early to speculate how the final outcome of the GLE restructure will affect the Company's position under the ARTCLA, particularly if Silex proceeds with the acquisition of a majority interest in GLE. That said, the Company is striving to maximise the potential returns from commercialisation of the SILEX technology under a variety of possible future scenarios.

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 uncertain.

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 funding for the remaining commercialisation program, and a recovery in the markets for both uranium and enrichment services.

Business strategies and future prospects

The SILEX Technology

In recent years, the Company has refocussed its resources and attention to our core asset, the SILEX laser based uranium enrichment technology. We remain 100% committed to the SILEX technology and its successful commercialisation in collaboration with exclusive licensee GLE. We intend to continue to protect our core asset and position ourselves to participate in the forecasted recovery of the global market for nuclear fuel in the mid-2020's.

Central to the execution of our strategy are the following:

- efforts to increase Silex's involvement with GLE – potentially as a significant shareholder;
- increased presence in the US, the target market for deployment of the SILEX technology;
- ongoing evaluation of new opportunities to participate in the nuclear fuel cycle;
- retention of our talent and maintaining our Sydney facility as a centre of innovation; and
- focus on effective cost management to ensure the most efficient use of cash reserves.

The SILEX technology represents a unique third-generation laser-based solution for production of two key components of nuclear power reactor fuel:

- natural grade uranium via re-enrichment of tails inventories (i.e. the Paducah commercial plant project); and
- enriched uranium for use as fuel in today's conventional nuclear power reactors - in the form of low enriched uranium (LEU), as well as customised fuel for the next generation fleet of small modular reactors (SMR's) - in the form of high assay LEU.

The SILEX technology maturation program continues to advance at both the GLE, Wilmington and Silex, Sydney project sites, with several engineering scale-up and economic validation deliverables achieved during the year. Activities at the Test Loop facility in Wilmington included the commissioning and demonstration of key process equipment components which resulted in the confirmation of significant efficiency improvements and the potential to lower operating and capital costs. Laser system development activities in Sydney included the commissioning and demonstration of a prototype production-scale laser system and the development of associated control systems, all of which will be combined for a major integrated demonstration of the prototype commercial technology to be conducted in Wilmington.

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	Paducah Opportunity

Status of Nuclear Fuel Markets

The global demand for nuclear fuel, and specifically uranium and enrichment services remains depressed. The continued slow pace of the restart of the Japanese nuclear reactor fleet, and nuclear policy uncertainty in countries such as the US, Germany, France and South Korea has contributed to weaker growth and a delay to the expected return to a more balanced demand and supply scenario in the markets for nuclear fuel.

Looking to the medium term and beyond, we continue to believe that the outlook for the nuclear industry is positive and that market growth will return. Our view is supported by the World Nuclear Association's account of 58 reactors being currently under construction. Additionally, with the start-up of 7 new reactor units in the past year, there are 447 operable reactors globally at present. With a further 162 reactors planned with approvals, funding or commitments in place – we expect to witness the rebalancing of demand and supply fundamentals in nuclear fuel markets over the coming years.

We continue to believe our core asset, the SILEX technology 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.

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9. Information on Directors

a) Directors' profiles

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

Dr Lisa McIntyre BSc (Hons), PhD, GAICD. *Chair – Independent non-executive director*		
Experience and expertise	Independent non-executive director for five years and Chair for three years. Extensive experience as a Company Director. Other current directorship roles include icare NSW, HCF, Studiosity Pty Ltd and the University of Sydney. 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	None	
Former listed company directorships in last 3 years	Non-executive director of Cover-More Group Limited from November 2013 to April 2017	
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

Dr Michael Goldsworthy BSc (Hons), MSc, PhD, FAIP, GAICD. *Chief Executive Officer/Managing Director*		
Experience and expertise	CEO/MD for twenty-five 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	Nil

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Mr Christopher Wilks BComm, FAICD. *Non-executive director*		
Experience and expertise	Non-executive director for twenty-nine years. Finance director and CFO of Sonic Healthcare Limited. Various other directorships 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	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	Nil

Mr Robert Lee BSc MBA, GAICD. *Independent non-executive director*		
Experience and expertise	Independent non-executive director for two years. 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

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:

	Directors' Meetings		Audit Committee Meetings		People & Remuneration Committee Meetings	
Director's name	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Dr L M McIntyre	12	12	3	3	2	2
Dr M P Goldsworthy	12	12	*	*	*	*
Mr R A R Lee	12	12	3	3	2	2
Mr C D Wilks	12	12	3	3	2	2

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

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11. Remuneration Report

Dear Fellow Shareholders,

On behalf of the Board and as Chair of the Company's People and Remuneration Committee, I am pleased to present to you the FY2017 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 the Committee's remuneration decisions with respect to FY2017 and our remuneration policies and practices generally.

The Company's primary focus during FY2017 was leading the activities relating to the restructure of GLE, the exclusive licensee of the unique and potentially disruptive SILEX laser based uranium enrichment technology. The restructure has been hindered by challenging business conditions in the markets for nuclear fuel that are attributable to the ongoing depressed state of the nuclear industry in a post-Fukushima operating environment. These conditions continue with the recovery of the markets for uranium and enrichment services expected to take longer than originally anticipated due to the continued slow pace of reactor restarts in Japan and nuclear policy uncertainty in countries such as the US, Germany, France and South Korea. Despite these difficult conditions, Silex continues to push forward with activities to restructure GLE and continue the commercialisation of the SILEX technology.

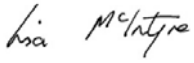
With respect to our other technology license, we have been pleased this year with the product development progress made by the exclusive licensee of the Translucent cREO™ semiconductor technology, IQE Plc. IQE continue to pursue several potential paths for the commercial deployment of the cREO™ technology with its utilisation planned in a number of IQE's growing product segments.

As a result of the GLE restructure taking longer than anticipated, the Committee made some difficult decisions with respect to the remuneration of the Company's KMP. No remuneration increases were awarded in FY2017 for our CEO/MD or our Board and our Board continues to not receive fees for Committee participation or for extraordinary time contributed to the Company's activities. Being mindful of the difficulties faced by the Company, our CEO/MD forfeited his eligibility to receive a Short-Term Incentive (STI) for FY2017. Our CFO/Company Secretary also forfeited 90% of her STI for FY2017. We also remain aware 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 eligibility of our executives to participate in long-term incentives will continue to be deferred.

Following a full review of the remuneration package of our CFO/Company Secretary, an increase of 12.65% to Total Fixed Remuneration and a 25% increase to the maximum available STI was awarded from 1 July 2016. An additional $25,000 was included on a one-off basis to the FY2017 STI with $12,500 awarded in February 2017, reflecting our CFO's significant contribution to facilitating the due diligence activities conducted by potential investors in GLE. The balance of the maximum available STI for FY2017 of $112,500 was forfeited.

As we move forward in FY2018, the Company continues to focus on minimising cash burn where possible and maximising shareholder value in all our activities related to the GLE restructure.

On behalf of the Board, I invite you to review the full report and thank you for your continued support during these difficult times. I look forward to answering any questions you may have at our Annual General Meeting in November 2017.



Dr Lisa McIntyre
Chair, People & Remuneration Committee

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The Directors present the Remuneration Report for the year ended 30 June 2017, 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 2016 Annual General Meeting
e) Executive KMP remuneration structure
f) Link between FY2017 remuneration and performance
g) Non-executive directors' remuneration
h) Directors' and KMP remuneration
i) Details of share-based compensation and bonuses
j) Shares under option

a) Directors and KMP disclosed in this report

The 2017 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
Non-executive and executive directors	
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 C D Wilks	Non-executive director
Other executive KMP	
Ms J E Ducie	CFO/Company Secretary

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.

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Members of the People & Remuneration Committee were as follows:

Committee members	Dr L M McIntyre – Chair Mr R A R Lee Mr C D Wilks
Committee secretary	Ms A N Scott to 26 May 2017, Ms J E Ducie from 29 May 2017
Number of meetings in FY2017	2
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.

Use of remuneration consultants

The Company did not engage remuneration consultants during FY2017. The Company has previously engaged AON Hewitt to conduct a thorough review of KMP and Board remuneration and structure. The recommendations from the most recent 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. High regard for contemporary market practice, good governance and alignment to changing business circumstances is maintained 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.

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.

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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 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 FY2017. At this time, it has been determined that no LTIs will be granted for FY2018.

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 unlikely 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 2016 Annual General Meeting

Silex Systems Limited received more than 97% of "yes" votes on its Remuneration Report for the 2016 financial year.

e) Executive KMP remuneration structure

For FY2017, 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.

For FY2017, the TFR for our CEO/MD remained unchanged. Following a full review of the remuneration package of our CFO/Company Secretary, an increase of 12.65% to TFR was implemented from 1 July 2016.

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Short-term Incentives (STI)

	CEO/Managing Director	CFO/Company Secretary
Composition	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.
Assessment	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.*
Total Maximum Opportunity	$200,000	$125,000**
At Risk	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.*

*** Total Maximum Opportunity reduced to $100,000 for FY2018.*

Long-term Incentive (LTI)
No long-term incentives were granted during FY2017 to the CEO/MD or CFO/Company Secretary.

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 FY2018.

f) Link between FY2017 remuneration and performance

FY2017 performance and impact on remuneration
Throughout FY2017, the Company's primary focus was on the continued development and commercialisation of the SILEX technology and the Company remained vigilant with respect to its efforts to restructure exclusive licensee, GLE and to respond to challenging operating conditions in the nuclear industry.

The STI performance criteria for FY2017 for the CEO/MD and CFO/Company Secretary were heavily focussed on the deliverables associated with the GLE restructure and the SILEX technology. Key performance criteria included achievement of a restructure of GLE, attainment of commercialisation and development milestones for the SILEX technology and delivery of financial rigour and operational cost reductions.

A one-off STI of $12,500 was awarded in February 2017 to our CFO/Company Secretary reflecting her significant contribution to the due diligence being conducted by potential investors in GLE.

Significant progress was made in all key performance areas, however being mindful of the difficulties faced by the Company, our CEO/MD forfeited his eligibility to receive a STI for FY2017 and our CFO/Company Secretary forfeited 90% of her eligibility to receive a STI for FY2017 ($12,500 awarded from total maximum opportunity of $125,000).

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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	Total STI awards to KMP $	Share price at 30 June $
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
2017	(5.9)	12,500	0.37

Contractual arrangements with executive KMPs

Component	CEO/MD	CFO/Company Secretary
Total Fixed Remuneration	$550,000	$325,000
Contract duration	Ongoing Common Law Contract	Ongoing Common Law Contract
Notice by the individual or Company	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
Termination of employment (with cause) or by the individual	STI/LTI not awarded	STI/LTI not awarded

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 $260,000 in FY2017. The Silex Board currently comprises three non-executive directors and an executive director. The current Board size and composition is deemed appropriate in light of the current activities of the Company.

The current fee structure is outlined below:

	Chair	Member
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.

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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.

		Fixed remuneration					Variable remuneration		
Name	Year	Cash salary and fees * $	Non - monetary benefits * $	Annual and long service leave ** $	Post-employment benefits - superannuation $	Other *** $	Cash bonus * $	Deferred rights # $	Total $
Executive directors									
Dr M P Goldsworthy	2017	505,987	10,264	4,527	34,916	-	-	-	555,694
	2016	505,500	10,624	9,505	34,908	-	140,000	24,725	725,262
Non-executive directors									
Dr L M McIntyre	2017	100,000	-	-	9,500	-	-	-	109,500
	2016	110,500	-	-	10,498	-	-	-	120,998
Mr R A R Lee	2017	80,000	-	-	7,600	-	-	-	87,600
	2016	89,164	-	-	8,471	-	-	-	97,635
Mr C D Wilks	2017	85,416	-	-	8,115	-	-	-	93,531
	2016	121,500	-	-	11,543	-	-	-	133,043
Mr A M Stock	2017	-	-	-	-	-	-	-	-
(until 31/8/2015)	2016	15,667	-	-	1,488	-	-	-	17,155
Other key management personnel and group executives									
Ms J E Ducie	2017	295,084	-	16,123	29,916	-	12,500	-	353,623
	2016	255,486	-	22,921	29,908	-	71,000	2,970	382,285
Mr C R Murray	2017	-	-	-	-	-	-	-	-
(until 31/8/2015)	2016	51,781	12,973	(6,730)	18,688	229,284	-	-	305,996
Total executive directors and other KMP	2017	801,071	10,264	20,650	64,832	-	12,500	-	909,317
	2016	812,767	23,597	25,696	83,504	229,284	211,000	27,695	1,413,543
Total NED remuneration	2017	265,416	-	-	25,215	-	-	-	290,631
	2016	336,831	-	-	32,000	-	-	-	368,831
Total KMP remuneration	2017	1,066,487	10,264	20,650	90,047	-	12,500	-	1,199,948
	2016	1,149,598	23,597	25,696	115,504	229,284	211,000	27,695	1,782,374

** Short-term benefits as per Corporations Regulations 2M 3.03(1) Item 6.*
*** Other long-term benefits as per Corporations Regulations 2M 3.03(1) Item 8.*
**** Other includes termination payments made to Mr C R Murray.*
 # Equity-settled share based payments as per Corporations Regulations 2M 3.03(1) Item 11.

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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 *	
	2017	2016	2017	2016	2017	2016
Directors						
Dr L M McIntyre	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr M P Goldsworthy	100.0%	77.3%	-	19.3%	-	3.4%
Mr R A R Lee	100.0%	100.0%	N/A	N/A	N/A	N/A
Mr C D Wilks	100.0%	100.0%	N/A	N/A	N/A	N/A
Mr A M Stock	N/A	100.0%	N/A	N/A	N/A	N/A
Other Executive KMP						
Ms J E Ducie	96.5%	80.6%	3.5%	18.6%	-	0.8%
Mr C R Murray	N/A	100.0%	N/A	0.0%	N/A	0.0%

**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
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 FY2017 (or FY2016).

STI bonuses
For each STI award for the year ended 30 June 2017 (payable in the form of a cash bonus), the percentage of the bonus awarded or forfeited is set out below:

2017	Total opportunity $	Awarded %	Forfeited %
Dr M P Goldsworthy	200,000	0%	100%
Ms J E Ducie	125,000	10%	90%

A one-off STI award of $12,500 was made in February 2017 to our CFO/Company Secretary reflecting the significant contribution made to facilitating the due diligence activities conducted by potential investors in GLE.

LTI deferred rights and cash incentives
No LTI's were in place for the year ended 30 June 2017.

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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:

2017	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
Directors of Silex Systems Limited					
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
Other Executive KMP					
Ms J E Ducie	3,759	-	-	-	3,759

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:

2017 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
Directors of Silex Systems Limited								
Dr M P Goldsworthy	1,102,207	-	(1,102,207)	-	-	-	-	-
Mr C D Wilks	367,035	-	(367,035)	-	-	-	-	-
Other Executive KMP								
Ms J E Ducie	60,000	-	(60,000)	-	-	-	-	-

j) Shares under option

There were no unissued ordinary shares of Silex Systems Limited under option at the date of this report.

Securities Trading Policy

The Silex Securities 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, staff are only permitted to trade in Silex securities during certain open periods. The Silex Securities Trading Policy is available on the Company's website at www.silex.com.au/Corporate-Governance.

12. Company secretary

Ms J E Ducie BBus, CA, GAICD 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.

13. 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.

14. 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.

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.

15. 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.

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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:

	2017 $	2016 $
Other assurance services		
PricewaterhouseCoopers Australian firm		
Total remuneration for other assurance services	-	-
Other services		
Seminars and training courses	582	-
Total remuneration for other services	582	-
Total remuneration for non-audit services	582	-

16. Auditors

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

17. 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 24.

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



Dr M P Goldsworthy
CEO/MD
Sydney, 22 September 2017



Mr C D Wilks
Director

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Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2017, 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.



David Ronald
Partner
PricewaterhouseCoopers

Sydney
22 September 2017

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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 (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 Corporate Governance Statement was approved by the Board on 21 September 2017 and lodged with the ASX Appendix 4G, on 22 September 2017. 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.

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Silex Systems Limited
ABN 69 003 372 067

Annual financial report – 30 June 2017

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This financial report covers the consolidated entity consisting of Silex Systems Limited and its subsidiaries. The financial report is presented in the Australian currency.

Silex Systems Limited is a company limited by its shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Silex Systems Limited
Suite 8.01, Level 8
56 Clarence St
Sydney NSW 2000
Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 4 to 10, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 22 September 2017. The Directors have the power to amend and reissue the financial report.

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	Note	2017 $	2016 $
Revenue from continuing operations	2	1,365,646	1,617,655
Other income	3	940,847	1,467,828
Research and development materials		(207,498)	(60,107)
Development expenditure		(6,668,102)	(2,550,261)
Finance costs	4	(11)	(55)
Depreciation and amortisation expense	4	(27,349)	(27,191)
Employee benefits expense		(3,676,747)	(3,091,636)
Consultants and professional fees		(914,782)	(951,041)
Printing, postage, freight, stationery and communications		(72,897)	(99,574)
Rent, utilities and property outgoings		(411,461)	(433,766)
Net foreign exchange losses		(155,223)	(143,418)
Other expenses from continuing activities		(383,912)	(429,193)
(Loss) before income tax expense		(10,211,489)	(4,700,759)
Income tax expense	5	-	-
Net (loss) from continuing operations		(10,211,489)	(4,700,759)
Net profit from discontinued operations	12	92,558	1,303,871
Net (loss) for the year		(10,118,931)	(3,396,888)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		(10,118,931)	(3,396,888)

	Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	(6.0)	(2.8)
Diluted earnings per share	(6.0)	(2.8)
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(5.9)	(2.0)
Diluted earnings per share	(5.9)	(2.0)

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

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	2017 $	2016 $
Net (loss) for the year	(10,118,931)	(3,396,888)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of available-for-sale financial assets	5,716,932	(283,451)
Exchange differences on translation of foreign operations	(53,342)	(51,181)
Other comprehensive income for the year, net of tax	5,663,590	(334,632)
Total comprehensive income for the year	(4,455,341)	(3,731,520)
Attributable to:		
Owners of Silex Systems Limited	(4,455,341)	(3,731,520)
Total comprehensive income for the year	(4,455,341)	(3,731,520)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(10,211,489)	(4,700,759)
Discontinued operations	5,756,148	969,239
	(4,455,341)	(3,731,520)

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

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	Note	30 June 2017 $	30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	1,876,319	1,581,746
Held to maturity investments - term deposits	6(b)	40,801,837	49,700,328
Trade and other receivables	6(c)	1,842,593	3,466,276
		44,520,749	54,748,350
Assets classified as held for sale	12	-	350,000
Total current assets		44,520,749	55,098,350
Non-current assets			
Available-for-sale financial assets	6(d)	7,284,502	1,624,251
Property, plant and equipment	6(e)	82,996	80,001
Deferred tax assets	6(f)	-	1,796
Total non-current assets		7,367,498	1,706,048
Total assets		51,888,247	56,804,398
LIABILITIES			
Current liabilities			
Trade and other payables	7(a)	1,846,984	1,799,049
Provisions	7(b)	632,103	472,837
		2,479,087	2,271,886
Liabilities associated with discontinued operations	12	-	678,379
Total current liabilities		2,479,087	2,950,265
Non-current liabilities			
Provisions	7(b)	116,892	104,728
Total non-current liabilities		116,892	104,728
Total liabilities		2,595,979	3,054,993
Net assets		49,292,268	53,749,405
EQUITY			
Contributed equity	8(a)	231,750,374	231,752,170
Reserves	8(b)	15,653,086	9,989,496
Accumulated losses	8(c)	(198,111,192)	(187,992,261)
Total equity		49,292,268	53,749,405

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

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	Attributable to owners of Silex Systems Limited			
	Contributed equity $	Reserves $	Accumulated losses $	Total $
Balance at 30 June 2015	231,753,076	10,296,433	(184,595,373)	57,454,136
Net (loss) for the year	-	-	(3,396,888)	(3,396,888)
Other comprehensive income	-	(334,632)	-	(334,632)
Total comprehensive income for the year	-	(334,632)	(3,396,888)	(3,731,520)
Transactions with owners in their capacity as owners				
Employee shares and options - value of employee services	-	27,695	-	27,695
Deferred tax recognised directly in equity	(906)	-	-	(906)
	(906)	27,695	-	26,789
Balance at 30 June 2016	231,752,170	9,989,496	(187,992,261)	53,749,405
Net (loss) for the year	-	-	(10,118,931)	(10,118,931)
Other comprehensive income	-	5,663,590	-	5,663,590
Total comprehensive income for the year	-	5,663,590	(10,118,931)	(4,455,341)
Transactions with owners in their capacity as owners				
Deferred tax recognised directly in equity	(1,796)	-	-	(1,796)
	(1,796)	-	-	(1,796)
Balance at 30 June 2017	231,750,374	15,653,086	(198,111,192)	49,292,268

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

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	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		2,672,348	5,467,115
Payments to suppliers and employees (inclusive of GST)		(13,157,109)	(13,835,072)
Interest received		1,449,905	1,942,298
Interest paid		(11)	(67)
Net cash (outflows) from operating activities	9(a)	(9,034,867)	(6,425,726)
Cash flows from investing activities			
Proceeds from held to maturity investments - term deposits		8,898,491	4,473,123
Payments for property, plant and equipment		(31,906)	(42,608)
Proceeds from sale of property, plant and equipment		289,100	2,586,838
Proceeds from sale of intangibles		175,000	-
Net cash inflows from investing activities		9,330,685	7,017,353
Cash flows from financing activities			
Net cash (outflows) from financing activities		-	-
Net increase in cash and cash equivalents		295,818	591,627
Cash and cash equivalents at the beginning of the financial year		1,581,746	987,777
Effects of exchange rate changes on cash		(1,245)	2,342
Cash and cash equivalents at end of year *		1,876,319	1,581,746
Non-cash investing and financing activities	9(b)		
Cash-flows of discontinued operations	12		
*Held to maturity investments excluded from Cash and cash equivalents		40,801,837	49,700,328

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

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Note 1 Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Management has determined that there is one operating segment based on the reports reviewed by Management and the Board of Directors to make strategic decisions. This segment is Silex and this relates to the operations of the parent entity which is based in New South Wales.

Solar Systems and Translucent have been disclosed as discontinued operations in note 12 and not as reportable segments.

(b) Segment information provided to Management and the Board of Directors

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 2017 is contained in the consolidated income statement.

Segment assets were $44,468,260 at 30 June 2017 compared to $54,594,394 at 30 June 2016.

Segment liabilities were $2,595,979 at 30 June 2017 compared to $2,376,614 at 30 June 2016.

Additions to non-current segment assets (other than deferred tax assets) were $31,906 (2016: $42,608).

(c) Other segment information

(i) Segment revenue

Sales between Silex entities are carried out at arm's length and are eliminated on consolidation.

The entity is domiciled in Australia. The amount of the Company's revenue from external customers in Australia including the discontinued operations is $1,369.397 (2016: $1,670,270) and the total segment revenue from external customers in the United States is $261,635 (2016: $2,101,336). Segment revenues are allocated based on the country in which the supplier is located.

Revenues attributable to the discontinued operations of Translucent of $261,635 (2016: $2,095,334) are derived from a single external customer.

(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.

	2017 $	2016 $
Segment result	(10,211,489)	(4,700,759)
Net (loss) before income tax from continuing operations	(10,211,489)	(4,700,759)

(iii) Segment assets

Assets which eliminate on consolidation such as investments in controlled entities and intercompany receivables are excluded from segment assets. Deferred tax assets are also excluded from segment assets. Reportable segment assets are reconciled to total assets as follows:

	2017 $	2016 $
Segment assets	44.468,260	54,594,394
Assets held for sale	-	350,000
Unallocated assets	7,419,987	1,860,004
Total assets as per balance sheet	51,888,247	56,804,398

Unallocated assets include Available-for-sale financial assets (shares in IQE Plc) of $7,284,502 (2016: $1,624,251).

The total of non-current assets other than deferred tax assets and Available-for-sale financial assets located in Australia is $53,180 (2016: $41,047) and the total of these non-current assets located in other countries is $29,816 (2016: $38,954).

(iv) Segment liabilities
Reportable segment liabilities exclude intercompany loans, income tax payable and deferred tax liabilities. Reportable segment liabilities are reconciled to total liabilities as follows:

	2017 $	2016 $
Segment liabilities	2,595,079	2,376,614
Discontinued operations	-	678,379
Total liabilities as per balance sheet	2,595,979	3,054,993

	2017 $	2016 $
Note 2 Revenue		
From continuing operations		
Interest income	1,365,646	1,617,655
	1,365,646	1,617,655
From discontinued operations (note 12)		
License fees	131,148	1,821,297
Recoverable project costs from IQE	130,487	216,786
Sale of goods	-	93,151
Interest income	3,751	22,717
	265,386	2,153,951

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Recoverable project costs
Revenue is recorded in the month when the related costs are incurred.

(ii) Interest income
Interest revenue is recognised on a time proportion basis using the effective interest method.

(iii) Sale of goods
A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(iv) Milestone revenue
Revenue is recognised when performance criteria are met and there is a reasonable assurance that the funds will be received.

(v) License Fees
Revenue is recognised by reference to the stage of completion of the transaction provided it is probable that economic benefits will flow to the entity. All License Fee revenue recognised has been received.

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	2017 $	2016 $
Note 3 Other income		
From continuing operations		
Research and development tax incentive	940,847	1,459,095
Profit on sale of property, plant and equipment	-	8,733
	940,847	1,467,828

	2017 $	2016 $
From discontinued operations (note 12)		
Research and development tax incentive	41,058	2,002,079
Profit on sale of property, plant and equipment	114,000	1,340,055
	155,058	3,342,134

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Government grants relating to the Research and development tax incentive are recognised when there is reasonable assurance that the grant will be received and the amount can be reliably calculated.

(i) Research and development tax incentive
Research and development tax incentive income of $981,905 (2016: $3,461,174) was recognised as Other income by the Company during the year. The Company has met the conditions of the tax incentive.

	2017 $	2016 $
Note 4 Expenses		
Net (loss) from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	27,349	26,503
Amortisation of software	-	688
Total depreciation and amortisation	27,349	27,191
Finance costs		
Interest and finance charges paid/payable	11	55
Finance costs expensed	11	55
Rental expenses relating to operating leases - minimum lease payments	370,549	366,603
Provision for employee entitlements	43,393	48,764
Defined contribution superannuation expense	199,830	196,618
Research and development costs	9,852,714	5,138,954
Loss on disposal of property, plant and equipment	253	-
Foreign exchange losses (net)	155,223	143,418

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	2017 $	2016 $
Net profit from discontinuing operations before income tax includes the following expenses:		
(Reversal) of impairment of plant and equipment	-	(175,000)
(Reversal) of impairment of intellectual property	-	(175,000)

(i) Inventory expense

Inventories recognised as an expense (including write-down to net realisable value) during the year ended 30 June 2017 amounted to $nil (2016: $18,228). This consists of $nil (2016: $18,228) included in net profit from discontinued operations in the consolidated income statement. Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2017 amounted to $nil (2016: $nil).

	2017 $	2016 $
Note 5 Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(10,211,489)	(4,700,759)
Profit from discontinued operations before income tax expense	92,558	1,303,871
	(10,118,931)	(3,396,888)
Income tax calculated @ 27.5% (2016: 30%)	(2,782,706)	(1,019,066)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	-	8,309
Unrealised exchange differences on loan balances	(637,377)	610,205
Research and development tax incentive	289,459	544,981
Sundry items	39,870	16,284
	(3,090,754)	160,713
Net deferred tax asset not recognised	3,477,046	36,070
Effect of higher rates on overseas income	(386,292)	(196,783)
Income tax expense	-	-

	2017 $	2016 $
(b) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited directly to equity	1,796	906

	2017 $	2016 $
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	130,386,961	123,764,061
Potential tax benefit at tax rate	41,509,643	41,892,524

A deferred tax asset has not been recognised as the consolidated entity has a history of tax losses.

The benefit of a deferred tax asset will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

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(d) Tax consolidation legislation

Silex Systems Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Consequently, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Note 6 Assets

This note provides information about the Company's assets.

	2017 $	2016 $
Note 6(a) Current assets - Cash and cash equivalents		
Cash at bank and on hand	876,319	1,581,746
Short-term bank deposits	1,000,000	-
	1,876,319	1,581,746

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(i) Cash at bank and on hand

These bear interest between 0% and 1.80% (2016: between 0% and 2.65%).

(ii) Short-term bank deposits

The interest rate on the deposits in the current year is 1.85%.

Additional information on the Company's exposure to interest rate risk is discussed in note 11.

	2017 $	2016 $
Note 6(b) Current assets - Held to maturity investments - Term deposits		
Bank deposits	40,801,837	49,700,328

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell a significant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in current assets as all have maturities less than 12 months from the end of the reporting period.

The bank deposits earn interest at between 2.30% and 3.05% (2016: between 2.60% and 3.15%). The deposits have an average maturity of 365 days (2016: 332 days).

	2017 $	2016 $
Note 6(c) Current assets - Trade and other receivables		
Trade debtors	23,114	97,561
Other receivables	17,342	72,282
Accrued income	1,601,888	3,172,395
Prepayments	200,249	124,038
	1,842,593	3,466,276

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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(i) Impaired trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

As at 30 June 2017, trade receivables of the Company with a nominal value of $nil were impaired (2016: $nil). As at 30 June 2017, the provision for doubtful debts was $nil (2016: $nil).

Amounts charged to the provision for doubtful debts account are generally written off when there is no expectation of recovering additional cash. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(ii) Past due but not impaired trade receivables

As at 30 June 2017, trade receivables of $22,169 (2016: $64,509) were past due but not impaired. These amounts were received in July 2017 (2016: in July 2016).

(iii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained. As at 30 June 2017, other receivables of the Company with a nominal value of $nil were impaired (2016: $nil). As at 30 June 2017, the provision for doubtful debts for other receivables was $nil (2016: $nil).

(iv) Accrued income

Accrued income includes accrued research and development tax incentive and accrued interest.

(v) Foreign exchange and interest rate risk

Information concerning the Company's exposure to foreign currency in relation to trade and other receivables is provided in note 11.

(vi) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer note 11 for further information.

	2017 $	2016 $
Note 6(d) Non-current assets - Available-for-sale financial assets		
Listed securities		
Equity securities	7,284,502	1,624,251

(i) Classification of financial assets as available-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and the Company intends to hold them for the medium to long-term. They are presented as non-current assets unless the Company intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for available-for-sale financial assets and risk exposure

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost.

For an analysis of the sensitivity of available-for-sale financial assets to exchange rate and price risk, refer to note 11(b).

(iii) Amounts recognised in other comprehensive income

During the year, the following gains/(losses) were recognised in other comprehensive income.

	2017 $	2016 $
Gains/(losses) recognised in other comprehensive income (see note 8(b))	5,716,932	(283,451)

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Note 6(e) Non-current assets - Property, plant and equipment

	Plant and equipment $	Motor vehicles $	Total $
At 30 June 2015			
Cost	825,752	180,826	1,006,578
Accumulated depreciation	(771,045)	(171,472)	(942,517)
Net book amount	54,707	9,354	64,061
Year ended 30 June 2016			
Opening net book amount	54,707	9,354	64,061
Exchange differences	-	1,284	1,284
Additions	3,580	39,028	42,608
Disposals	-	(1,449)	(1,449)
Depreciation charge	(17,240)	(9,263)	(26,503)
Closing net book value	41,047	38,954	80,001
At 30 June 2016			
Cost	806,532	191,906	998,438
Accumulated depreciation	(765,485)	(152,952)	(918,437)
Net book amount	41,047	38,954	80,001
Year ended 30 June 2017			
Opening net book amount	41,047	38,954	80,001
Exchange differences	-	(1,209)	(1,209)
Additions	31,906	-	31,906
Disposals	(353)	-	(353)
Depreciation charge	(19,420)	(7,929)	(27,349)
Closing net book value	53,180	29,816	82,996
At 30 June 2017			
Cost	819,926	190,499	1,010,425
Accumulated depreciation	(766,746)	(160,683)	(927,429)
Net book amount	53,180	29,816	82,996

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Directly attributable labour costs incurred in the construction of property, plant and equipment are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements 2 years
- Plant and Machinery 1-10 years
- Vehicles 3-7 years
- Furniture, fittings and equipment 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 22(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

	2017 $	2016 $
Note 6(f) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Provision for employee entitlements, warranties, restructuring and decommissioning	205,974	309,824
Depreciation and amortisation	857,453	3,610,202
Payables not deductible	2,663,981	1,204,456
Amortisation of share issue expenses	-	1,796
Tax losses	41,509,643	41,892,524
	45,237,051	47,018,802
Amounts recognised directly in equity		
Share issue expenses	(1,796)	(906)
	45,235,255	47,017,896
Set-off deferred tax liabilities pursuant to set-off provisions	(4,765,225)	(3,294,994)
Net deferred tax assets not recognised	(40,470,030)	(43,721,106)
Net deferred tax assets	-	1,796

	2017 $	2016 $
Movements:		
Opening at 1 July	1,796	2,702
Credited/(charged) to equity	(1,796)	(906)
Closing balance at 30 June	-	1,796

	2017 $	2016 $
Deferred tax assets to be recovered after more than 12 months	-	983
Deferred tax assets to be recovered within 12 months	-	813
	-	1,796

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Note 6(g) Non-current assets - Intangible assets

	Software $
At 30 June 2015	
Cost	24,682
Accumulated amortisation	(23,994)
Net book amount	688
Year ended 30 June 2016	
Opening net book value	688
Amortisation charge	(688)
Closing net book value	-
At 30 June 2016	
Cost	24,682
Accumulated amortisation	(24,682)
Net book amount	-
Year ended 30 June 2017	
Opening net book value	-
Amortisation charge*	-
Closing net book value	-
At 30 June 2017	
Cost	24,682
Accumulated amortisation	(24,682)
Net book amount	-

** Amortisation of $nil (2016: $688) is included in depreciation and amortisation expense in the income statement.*

(i) Software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 4 years.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other expenditure that does not meet these expenditure criteria are recognised as an expense as incurred. Given the stage of development of the Company's technologies, research and development costs are expensed as incurred.

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Note 7 Liabilities

This note provides information about the Company's liabilities.

	2017 $	2016 $
Note 7(a) Current liabilities - Trade and other payables		
Trade creditors	1,411,448	1,161,418
Derivative financial instruments - forward exchange contracts	56,684	157,909
Other payables	378,852	479,722
	1,846,984	1,799,049

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade creditors are usually paid within 45 days of recognition. Trade creditors, derivative financial instruments and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(i) Amounts not expected to be settled within the next 12 months

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2017 $	2016 $
Annual leave obligations expected to be settled after 12 months	37,568	17,902

(ii) Risk exposure

Information about the Company's exposure to foreign exchange risk is provided in note 11.

	2017			2016		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Note 7(b) Provisions						
Employee benefits - long service leave and anniversary leave	485,012	78,892	563,904	440,837	104,728	545,565
Warranty provision	147,091	-	147,091	-	-	-
Make good provision	-	38,000	38,000	32,000	-	32,000
	632,103	116,892	748,995	472,837	104,728	577,565

(i) Amounts not expected to be settled within the next 12 months

The current provision for long service leave and anniversary leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2017 $	2016 $
Current Long service leave and anniversary leave obligations expected to be settled after 12 months	416,048	395,899

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Movements in each class of provision during the financial year, other than long service leave and anniversary leave, are set out below:

	Warranty $
Carrying amount at start of the year	-
Transfer of Silex Solar warranty provision	149,294
Amounts used during the year	(2,203)
Carrying amount at end of the year	147,091

Provision is made for the estimated warranty claims in respect of products sold. The claims may be settled in the next financial year and this may be extended into future years.

	Make good $
Carrying amount at start of the year	32,000
Charged to profit or loss	
- additional provisions recognised	6,000
Carrying amount at end of the year	38,000

The Company is required to restore its leased premises under the terms of the lease contracts. A provision has been recognised for the present value of the estimate expenditure required to meet these obligations.

	2017 $	2016 $
Note 7(c) Non-current liabilities - Deferred tax liabilities		
The balance comprising temporary differences attributable to:		
Foreign currency cash balances and loans	2,190,759	3,063,275
Available-for-sale financial assets	2,384,197	-
Accrued income	190,269	231,719
	4,765,225	3,294,994
Set off deferred tax liabilities pursuant to set-off provisions	(4,765,225)	(3,294,994)
Net deferred tax liabilities	-	-

Note 8 Equity

The note provides information about the Company's equity.

	Parent entity 2017 Shares	Parent entity 2016 Shares	Parent entity 2017 $	Parent entity 2016 $
Note 8(a) Contributed equity				
(i) Share capital				
Ordinary shares				
Fully paid	170,467,339	170,467,339	231,750,374	231,752,170

(ii) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price $	$
30 June 2015	Balance	170,467,339		231,753,076
	Deferred tax recognised directly in equity			(906)
30 June 2016	Balance	170,467,339		231,752,170
	Deferred tax recognised directly in equity			(1,796)
30 June 2017	Balance	170,467,339		231,750,374

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(iii) Ordinary shares

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(iv) Options

Information relating to the Silex Systems Limited Employee Share Option Plan (No. 1), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 18.

(v) Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares.

	2017 $	2016 $
Note 8(b) Reserves		
Foreign currency translation reserve	(1,515,753)	(1,462,411)
Revaluation - Available-for-sale financial assets	5,433,481	(283,451)
Transactions with non-controlling interests	(2,891,856)	(2,891,856)
Share based payments reserve	14,627,214	14,627,214
	15,653,086	9,989,496

	2017 $	2016 $
Movements		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(1,462,411)	(1,411,230)
Net exchange differences on translation of foreign controlled entity	(53,342)	(51,181)
Balance at the end of the financial year	(1,515,753)	(1,462,411)

	2017 $	2016 $
Revaluation - Available-for-sale financial assets		
Balance at the beginning of the financial year	(283,451)	-
Differences on revaluation	5,716,932	(283,451)
Balance at the end of the financial year	5,433,481	(283,451)

	2017 $	2016 $
Transactions with non-controlling interests		
Balance at the beginning of the financial year	(2,891,856)	(2,891,856)
Balance at the end of the financial year	(2,891,856)	(2,891,856)

	2017 $	2016 $
Share based payments reserve		
Balance at the beginning of the financial year	14,627,214	14,599,519
Share based payment expense	-	27,695
Balance at the end of the financial year	14,627,214	14,627,214

Nature and purpose of reserves

(i) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 22(c). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Revaluation - Available-for-sale financial assets
Changes in the fair value of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(iii) Transactions with non-controlling interests
This reserve is used to record the differences described in note 22(b)(ii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iv) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised. It is also used to recognise the fair value of deferred shares to be issued.

	2017 $	2016 $
Note 8(c) Accumulated losses		
Accumulated losses at the beginning of the financial year	(187,992,261)	(184,595,373)
Net (loss) attributable to members of Silex Systems Limited	(10,118,931)	(3,396,888)
Accumulated losses at the end of the financial year	(198,111,192)	(187,992,261)

	2017 $	2016 $
Note 9 Cash flow information		
(a) Reconciliation of net (loss) after income tax to net cash (outflows) from operating activities		
Net (loss) after income tax	(10,118,931)	(3,396,888)
Depreciation and amortisation	27,349	27,191
(Reverse impairment) of property, plant and equipment	-	(175,000)
(Reverse impairment) of intangibles	-	(175,000)
(Profit) on sale of plant and equipment	(113,747)	(1,348,788)
Non-cash employee benefits expense - share based payments	-	27,695
Net exchange differences	5,793	(338,258)
(Increase)/decrease in prepayments and other current assets	(76,211)	142,003
Decrease/(increase) in trade and other debtors	129,387	(49,854)
Decrease in accrued income	1,570,507	1,976,927
Decrease in inventories	-	18,228
(Increase) in available-for-sale financial assets	-	(1,624,251)
(Decrease)/increase in trade and other creditors	(255,884)	197,390
(Decrease) in provisions	(203,130)	(1,707,121)
Net cash (outflows) from operating activities	(9,034,867)	(6,425,726)

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	2017 $	2016 $
(b) Non-cash investing and financing activities		
Acquisition of Available-for-sale financial assets from License Fee receivable	-	1,876,807

Note 10 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Note 11 Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investing excess liquidity.

(a) Derivatives

Foreign exchange contracts are used to manage foreign exchange risk. The Company may enter into forward exchange contracts which are economic hedges for foreign currencies to be traded at a future date but do not satisfy the requirements for hedge accounting. These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately.

The Company's policy is to hedge a proportion of its anticipated cash flows in USD. At year end, the Company held forward exchange contracts totalling US$1,500,000 (2016: US$3,975,000) to purchase USD with contractual maturity dates up to September 2017 (2016: up to January 2017) as part of its strategy to minimise the financial effects of foreign currency fluctuations. The Board monitors the Company's hedging strategy on a continuing basis. The fair value of derivative contracts outstanding at year end totals $56,684 (2016: $157,909) and is recorded in Current liabilities – trade and other payables at year end.

(b) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Company's exposure to USD foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	2017 AUD	2016 AUD
Cash and cash equivalents	48,553	15,878
Trade payables	933,388	696,570
Forward exchange contracts - buy foreign currency	1,951,727	5,359,093

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Profit or loss is sensitive to the value of the AUD compared to the USD.

	Impact on post-tax profit		Impact on other components of equity	
	2017	2016	2017	2016
	$	$	$	$
AUD/USD - increase by 15%	(139,160)	(610,226)	(139,160)	(610,226)
AUD/USD - decrease by 15%	188,275	825,600	188,275	825,600

In March 2016, the Company received shares in IQE Plc, a UK based company, resulting from the License and Assignment Agreement signed in September 2015. IQE's shares are listed on the London Stock Exchange (GBP currency). The impact of an increase or decrease in the AUD/GBP (provided it is not deemed an impairment) would not impact post tax profits as it is accounted for in other comprehensive income. The impact of a 15% increase in the AUD/GBP would decrease other components of equity by $950,152 (2016: $211,859) and a 15% decrease in the AUD/GBP would increase other components of equity by $1,285,500 (2016: $286,633).

(ii) Cash flow and fair value interest rate risk

As the Company has significant interest-bearing assets, the Company's income and operating cash flows are influenced by changes in market interest rates. Company policy is to maintain the majority of cash and cash equivalents at fixed rates by the use of term deposits, bank bills, etc.

The Company manages its cash flow interest rate risk by having a spread of maturity dates with different institutions.

As at the reporting date, the Company had the following variable interest rate cash and cash equivalents:

	30 June 2017		30 June 2016	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	1.71%	703,310	2.65%	1,477,808

Profit or loss is sensitive to higher / lower interest income from cash and cash equivalents as a result of changes in interest rates.

	Impact on post-tax profit		Impact on other components of equity	
	2017	2016	2017	2016
	$	$	$	$
Interest rates - increase by 1.00%	18,477	15,977	18,477	15,977
Interest rates - decrease by 1.00%	(18,477)	(15,977)	(18,477)	(15,977)

(iii) Price risk

The Company's exposure to equity securities price risk arises from Translucent's shares in IQE Plc which are classified in the balance sheet as available-for-sale financial assets.

The impact of an increase or decrease in the IQE share price (provided it is not deemed an impairment) would not impact post tax profits as it is accounted for in other comprehensive income. The impact of a 10% increase in IQE's share price would increase other components of equity by $728,450 (2016: $162,425) and a 10% decrease in IQE's share price would reduce other components of equity by $728,450 (2016: $162,425). The impact of a 20% increase in IQE's share price would increase other components of equity by $1,456,900 (2016: $324,850) and a 20% decrease in IQE's share price would reduce other components of equity by $1,456,900 (2016: $324,850).

(c) Credit risk

The Company has a concentration of credit risk with its main receipts in recent years coming from GE-Hitachi Global Laser Enrichment LLC ('GLE' – the venture owned by GE, Hitachi and Cameco to commercialise the SILEX technology in the US), IQE Plc (in relation to the licensing of Translucent's unique semiconductor technology), banks (interest income) and government (government grants and Research and development tax Incentive). The Company has policies in place to ensure that transactions are with entities with an appropriate credit history. For banks and financial institutions, only independently rated parties with a minimum rating as approved by the Board are accepted. Cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

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The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	2017 $	2016 $
Trade receivables *		
Group 1	-	-
Group 2	23,114	97,561
Group 3	-	-
Total trade receivables	23,114	97,561

* Group 1 – new customers (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past.

Trade receivables consists of trade receivables from discontinued operations $23,114 (2016: $97,561).

	2017 $	2016 $
Cash and cash equivalents and held to maturity investments		
ANZ Banking Group Limited	11,016,325	18,296,401
National Australia Bank	8,800,000	11,300,000
Bendigo and Adelaide Bank Limited	11,250,000	15,250,000
Bank of Queensland	11,500,000	6,400,000
Bank of America	111,829	35,671
Other	2	2
	42,678,156	51,282,074

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Company had access to the following undrawn borrowing facilities at the reporting date:

	2017 $	2016 $
Floating rate		
- Expiring within one year (documentary credit facility and visa facility)	200,000	200,000
	200,000	200,000

The documentary credit facility and visa facility may be drawn at any time and is subject to annual review.

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Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

At 30 June 2017	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying Amounts (assets)/liabilities $
Non-derivatives							
Non-interest bearing	1,790,300	-	-	-	-	1,790,300	1,790,300
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	1,790,300	-	-	-	-	1,790,300	1,790,300
Derivatives							
Forward foreign exchange contracts	56,684	-	-	-	-	56,684	56,684
	56,684	-	-	-	-	56,684	56,584

At 30 June 2016	Less than 6 months $	6-12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying Amounts (assets)/liabilities $
Non-derivatives							
Non-interest bearing	1,944,959	-	-	-	-	1,944,959	1,944,959
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	1,944,959	-	-	-	-	1,944,959	1,944,959
Derivatives							
Forward foreign exchange contracts	125,135	32,774	-	-	-	157,909	157,909
	125,135	32,774	-	-	-	157,909	157,909

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual values at the current market interest rates that is available to the Company for similar instruments.

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Note 12 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 2017, the residual assets held for sale were sold. On 15 September 2015, Silex announced that Translucent had signed a License and Assignment Agreement with IQE Plc with the technology commercialisation program subsequently transferred to IQE in late 2015. As a result, these two former business segments, net of cash, 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.

	2017 $	2016 $
Revenue (note 2)	265,386	2,153,951
Other income (note 3)	155,058	3,342,134
Expenses	(327,886)	(4,192,214)
Profit before income tax	92,558	1,303,871
Income tax expense	-	-
Profit after income tax of the discontinued operations	92,558	1,303,871

	2017 $	2016 $
Net cash inflows/(outflows) from operating activities	1,227,061	(2,114,844)
Net cash inflows from investing activities	464,000	3,064,790
Net cash inflows from the discontinued operations	1,691,061	949,946

	2017 $	2016 $
Property, plant and equipment	-	175,000
Intangible assets	-	175,000
Total assets of disposal group held for sale	-	350,000

	2017 $	2016 $
Trade and other payables	-	(303,819)
Provisions	-	(374,560)
Total Liabilities associated with discontinued operations	-	(678,379)

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Note 13 Interests in other entities

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 22(b).

			Equity holding	
Name of entity	Country of incorporation	Class of shares	2017 %	2016 %
Translucent Inc *	United States of America	Ordinary	99.7%	99.7%
		Preference	100.0%	100.0%
		Total	99.9%	99.9%
A.C.N. 142 019 583 Pty Ltd **	Australia	Ordinary	100.0%	100.0%
		Total	100.0%	100.0%
A.C.N. 137 638 021 Pty Ltd ***	Australia	Ordinary	100.0%	100.0%
		Total	100.0%	100.0%
ChronoLogic Pty Ltd	Australia	Ordinary	79.6%	79.6%
		Preference	100.0%	100.0%
		Total	90.0%	90.0%
Silex Solar Pty Ltd	Australia	Ordinary	100.0%	100.0%
		Total	100.0%	100.0%

** Option holders previously held options over ordinary shares in Translucent Inc. On a fully-diluted basis, in total, Silex Systems Limited owns 99.9% of Translucent (2016: 99.4%).*
*** Solar Systems Pty Ltd changed its name to A.C.N. 142 019 583 Pty Ltd in July 2016.*
**** Solar Systems (Mildura) Pty Ltd changed its name to A.C.N. 137 638 021 Pty Ltd in July 2016.*

(i) Transactions with non-controlling interests

These were no transactions with non-controlling interests in the current or prior years.

Note 14 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). In January 2017, the Term Sheet was extended to 31 March 2017 and in April 2017, the Term Sheet was further extended to 31 August 2017. The Term Sheet and extensions provide terms of a proposed Purchase and Sale Agreement (PSA) whereby Silex may acquire the shares owned by GENE and GEHA (together as 'GEH') representing 76% of the issued capital of GE-Hitachi Global Laser Enrichment LLC (GLE). Silex has the exclusive right to assign its rights to acquire GEH's 76% equity stake in GLE in full or in part to new investors

Whilst the Term Sheet and extensions are principally Non-Binding, there are certain Binding Obligations. Silex has a Binding Funding Agreement Obligation and is required to make certain reimbursements to the Sellers (GEH). Expenses recorded in the current year amounted to $6,668,102. Furthermore, under the Binding Funding provisions, Silex is required to reimburse the Sellers for a further US$1,000,000 for expenditure for the 2 months to 31 August 2017.

In addition, if a binding PSA is signed then Silex and any of its assignees are required to make additional funding payments to GEH. As per the Term Sheet signed in April 2016 and as extended, in the event that Silex elects to purchase the full 76% of GEH equity that is available for the sale and a binding PSA is executed, the maximum amount of additional funding payable by Silex (a contingent liability) is US$1,125,000 for the 15 months to 31 March 2017. At the current point in time, the timing of any outflow of funds is uncertain and subject to Silex signing a binding PSA and either fully or partially assigning its rights under the Term Sheet to new investors.

Refer note 16 for details of the amendment and extension of the Term Sheet after year end.

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	2017 $	2016 $
Note 15 Commitments for expenditure and guarantees		
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment	-	-

	2017 $	2016 $
(b) Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	367,907	357,429
Later than one year but not later than five years	534,562	128,144
	902,469	485,573

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

Under the Term Sheet (refer note 14 above), Silex is required to reimburse the Sellers for a further US$1,000,000 for expenditure for the 2 months to 31 August 2017.

(d) Guarantees entered into by the Company

The Company has provided guarantees totalling $51,837 (2016: $49,844) for rent for its corporate office premises.

Note 16 Events occurring after reporting date

Between 30 June 2017 and the date of this report, 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 $4,500,000 since 30 June 2017. 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 2017 will be recognised in the financial statements for the year ended 30 June 2018.

As announced to the ASX on 1 September 2017, Silex and GE-Hitachi Nuclear Energy (GEH) reached agreement to further amend and extend the Term Sheet for the exclusive assignable option over GEH's 76% interest in GLE. The amended Term Sheet, which will remain in force until either execution of a binding Purchase and Sales Agreement (PSA) or the termination of negotiations, contemplates Silex taking a majority interest in GLE. Pursuant to the amended Term Sheet Silex will continue to contribute 76% of the funding of GLE's Wilmington, North Carolina operations in addition to funding Silex's laser development activities at its Lucas Heights facility south of Sydney. This funding support for the 6 months ending 31 December 2017 is expected to be approximately $6.5 million.

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 this report.

Note 17 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 13(a).

(b) Key management personnel

	2017 $	2016 $
Short-term employee benefits	1,089,251	1,384,195
Post-employment benefits	90,047	115,504
Long-term benefits	20,650	25,696
Termination benefits	-	229,284
Share-based payments	-	27,695
	1,199,948	1,782,374

(c) Transactions with related parties

The following transactions occurred with related parties:

	2017 $	2016 $
Contributions to superannuation funds on behalf of employees	230,180	340,774

Note 18 Share-based payments

(a) Silex Systems Limited Employee Share Option Plan (No. 1)

The Employee Share Option Plan (No. 1) was terminated by a resolution of the Silex Board in accordance with the plan rules on 24 October 2013.

Under the rules of the terminated plan, all full-time and part-time staff and executive directors of the consolidated entity were eligible to participate in the plan with options granted for no consideration. Options were granted for a five-year period and were exercisable after three years of the date of the grant (after two years of the date of grant for options issued prior to 16 March 2012). The options lapse if the holder ceases to be an eligible employee other than by reason of death or permanent disablement, unless the Board determines otherwise in its absolute discretion. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days before the options are granted plus five cents. Amounts received on the exercise of options are recognised as share capital.

At 30 June 2017, no options granted under the Silex Systems Limited Employee Share Plan (No.1) remain exercisable. No further options will be granted under this Plan.

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Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price cents	Balance at start of year Number	Issued during the year Number	Lapsed/forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at the end of the year Number
Consolidated and parent entity - 2017								
5/07/2011	4/07/2016	292	100,000	-	(100,000)	-	-	-
			100,000	-	(100,000)	-	-	-
Weighted average exercise price			$2.92	-	$2.92	-	-	-

Grant date	Expiry date	Exercise price cents	Balance at start of year Number	Issued during the year Number	Lapsed/forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at the end of the year Number
Consolidated and parent entity - 2016								
30/07/2010	29/07/2015	465	140,000	-	(140,000)	-	-	-
15/10/2010	14/10/2015	528	165,000	-	(165,000)	-	-	-
5/07/2011	4/07/2016	292	245,000	-	(145,000)	-	100,000	100,000
			550,000	-	(450,000)	-	100,000	100,000
Weighted average exercise price			$4.07	-	$4.32	-	$2.92	$2.92

The market price of shares under option at 30 June 2016 was $0.31.

No options were exercised during the year ended 30 June 2017 or during the year ended 30 June 2016.

The weighted average remaining contractual life of share options outstanding at 30 June 2016 was 0.0 years.

Fair value of options granted
No options were granted during the year ended 30 June 2017 or during the year ended 30 June 2016.

(b) Options to directors
No options were issued to directors during the year ended 30 June 2017 or during the year ended 30 June 2016.

(c) Translucent Inc Stock Incentive Plan
All full-time and part-time staff of Translucent Inc were eligible to participate in the plan. In addition, consultants were eligible to participate in the plan.

Options were granted under the plan for no consideration and for a ten-year period and exercisable at various stages over the five years from the date of the grant. The options lapsed if the holder ceases to be an eligible employee other than due to death or permanent disablement, unless the Board determines otherwise in its absolute discretion. Options granted under the plan carried no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the fair value of the shares at the time of granting of the options. Amounts received on the exercise of options are recognised as share capital.

No further options will be granted under this Plan.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ forfeited during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc – 2017								
4/10/2006	4/10/2016	6.4	644,404	-	(644,404)	-	-	-
			644,404	-	(644,404)	-	-	-
Weighted average exercise price - US cents			6.400	-	6.400	-	-	-

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ forfeited during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc – 2016								
13/04/2006	13/04/2016	6.4	644,404	-	(644,404)	-	-	-
4/10/2006	4/10/2016	6.4	644,404	-	-	-	644,404	644,404
15/05/2008	15/05/2018	10.8	15,000	-	(15,000)	-	-	-
			1,303,808	-	(659,404)	-	644,404	644,404
Weighted average exercise price - US cents			6.451	-	6.500	-	6.400	6.400

No options were granted during the year or the previous year.

(d) Shares to employees

No shares were issued in the current year or in the prior year.

(e) Long-term incentive shares/rights to CEO/Managing Director

At the 2013 Annual General Meeting, shareholders approved a long-term incentive for Dr M P Goldsworthy in the form of restricted Silex ordinary shares up to a maximum of 62.5% of his FY2014 total fixed remuneration package. The actual LTI payable was subject to performance criteria comprising Total Shareholder Return (TSR) over a three-year performance period ended 30 June 2016, and a share price hurdle of $5.40 with the shares to be issued in November 2016. As the TSR performance criteria was not met as at the end of the three-year performance period, no amount was payable under the FY2014 long-term incentive.

(f) Expenses arising from share-based transactions

Total expenses arising from share-based payment transactions recognised during the period as part of remuneration expense were as follows:

	2017 $	2016 $
Shares to be issued	-	27,695

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Note 19 Remuneration of auditors

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

	2017 $	2016 $
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	98,039	105,000
Total remuneration for audit services	98,039	105,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
Total remuneration for other assurance services	-	-
Total remuneration for assurance services	98,039	105,000
(b) Other services		
Seminars and training courses	582	-
Total remuneration for other services	582	-
Total remuneration	98,621	105,000

It is Silex's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Silex are important; these assignments are principally assurance related, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is Silex's policy to seek competitive quotes for all major consulting projects.

Note 20 Earnings per share

	2017 Cents	2016 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	(5.99)	(2.76)
From discontinued operations	0.05	0.77
Total basic earnings per share attributable to the ordinary equity holders of the company	(5.94)	(1.99)

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

	2017	2016
(b) Diluted earnings per share	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the company	(5.99)	(2.76)
From discontinued operations	0.05	0.77
Total diluted earnings per share attributable to the ordinary equity holders of the company	(5.94)	(1.99)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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	2017 $	2016 $
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	(10,211,489)	(4,700,759)
From discontinued operations	92,558	1,303,871
	(10,118,931)	(3,396,888)
Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	(10,211,489)	(4,700,759)
From discontinued operations	92,558	1,303,871
	(10,118,931)	(3,396,888)

	2017 Number	2016 Number
(d) Weighted average number of shares used in the denominator		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	170,467,339	170,467,339
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share:	170,467,339	170,467,339

(e) Information concerning the classification of securities

In the current year and prior year, options were not included in the calculation of diluted earnings per share because they were antidilutive.

In the current year and prior year, rights to shares were not included in the calculation of diluted earnings per share because they were antidilutive.

Further information about options and shares is included in note 18.

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Note 21 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017 $	2016 $
Balance Sheet		
Current assets	44,385,913	52,915,043
Total assets	44,447,418	54,756,868
Current liabilities	2,469,318	2,271,886
Total liabilities	2,586,210	2,376,614
Net assets	41,861,208	52,380,254
Shareholders' equity		
Issued capital	231,750,374	231,752,170
Reserves		
Share based payments	14,432,340	14,432,340
Accumulated losses	(204,321,506)	(193,804,256)
Total equity	41,861,208	52,380,254
Net (loss) for the period	(10,517,250)	(6,296,937)
Total comprehensive income	(10,517,250)	(6,296,937)

The Net (loss) for the period above differs from the segment result disclosed in note 1 as the segment result excludes exchange gains and losses on intercompany loans (which eliminate on consolidation), write-downs of intercompany loans (which eliminate on consolidation) and impairment charges for investments in subsidiaries (which eliminate on consolidation).

(b) Guarantees entered into by the parent company

The parent has provided a $51,837 (2016: $49,844) bank guarantee for the rent of its corporate office premises.

(c) Contingent liabilities of the parent entity

With respect to the Non-Binding Purchase and Sale Agreement (PSA) Term Sheet (as amended and extended) signed by Silex with GENE Holdings, GE-Hitachi Nuclear Energy Americas LLC and General Electric Company (collectively GEH) and as disclosed in note 14 (refer note 14 for further information), in the event a binding PSA is executed, Silex is required to make additional funding payments to the Sellers, GEH. The amount of this additional funding amounts (a contingent liability) is US$1,125,000. At the current point in time, the timing of any outflow of funds is uncertain and subject to Silex signing a binding PSA. At 30 June 2016, the contingent liability in relation to the Term Sheet was US$1,000,000.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at the 30 June 2017 (and 30 June 2016), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

(e) Basis of preparation

This parent entity financial information has been prepared on the same basis as the consolidated financial statements except as set out below:

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Silex Systems Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

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(ii) Tax consolidation legislation
Silex Systems Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation. The head entity, Silex Systems Limited, and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the group continues to be a stand-alone taxpayer in its own right.

Note 22 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent that they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Silex Systems Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Silex Systems Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Silex Systems Limited company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared on a historical cost basis, except for the following:
- Available-for-sale financial assets are measured at fair value; and
- Assets held for sale – measured at fair value less cost of disposal.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies.

New and amended standards adopted by the Company
Silex Systems Limited has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2016.

AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
AASB 2015-1 *Amendment to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle*; and
AASB 2015-2 *Amendments to Australian Accounting Standards-Disclosure Initiative: Amendments to AASB 101.*

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments*
AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. The standard will give the Company the option to either value its shares in IQE at fair value through profit or loss or by making an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income.

If the Company elects to value at fair value through other comprehensive income:
- the classification will change from Available-for-sale financial assets to Fair Value through other comprehensive income in the balance sheet.
- if the shares are sold, under the new standard the impact will never be reclassified to profit and loss.
- impairments under the new standard would go through other comprehensive income.

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The new hedge rules will generally make it easier to apply hedge accounting going forward as the standard applies a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Company has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. The new rules must be applied for financial years commencing on or after 1 January 2018.

AASB 15 *Revenue from Contracts with Customers*
The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules and is not able to estimate the impact of the new rules on the Company's financial statements. The new standard is mandatory for financial years commencing on or after 1 January 2018.

AASB 16 *Leases*
The new standard will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $902,469. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a lease liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify under AASB 16.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silex Systems Limited ('parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Silex Systems Limited and its subsidiaries together are referred to in this financial report as the Company or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Company.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests
The Company treats transactions with non-controlling interests that do not result in a loss of control, as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Silex Systems Limited.

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(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Silex Systems Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. The Company's funding of its investment in Translucent Inc has been deemed part of its net investment. When a foreign operation is sold or borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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(e) Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 15). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Investments and other financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 6(c)). Loans and receivables are carried at amortised cost using the effective interest method.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are carried at fair value. Gains or losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(iii) Impairment of Investments and other financial assets

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The subsidiaries have built up accumulated losses. Hence, due to the nature of these businesses, a provision against the value of the investment in the subsidiaries has been raised.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

(h) Measurement and fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

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The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(i) Employee benefits

(i) Wages and salaries, annual leave and personal leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave/anniversary leave

The liability for long service leave/anniversary leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Some employees of the Company are entitled to benefits on retirement, disability or death from the Company's defined contribution superannuation plan. The fund receives fixed contributions from the Company and the Company's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(iv) Share-based payments

Share-based compensation benefits have been provided to employees via the Silex Systems Limited Employee Share Option Plan (No. 1) and the Silex Systems Limited Performance Rights Plan. Ownership-based remuneration has also provided to employees via the Translucent Inc Employee Option Plan. Information relating to these schemes is set out in note 18.

The fair value of options granted under the Silex Systems Limited Employee Share Option Plan (No. 1) and Translucent Inc Employee Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the relevant balance of the share-based payments reserve is transferred to share capital.

The Performance Rights Plan is structured in a manner whereby awards (described as performance rights) granted are a right to acquire fully paid ordinary shares in the Company for $nil consideration, subject to meeting certain pre-determined key performance indicators and vesting conditions. The Plan may be used as a Short-Term or Long-Term Incentive vehicle.

The fair value of deferred shares granted under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates.

The fair value of deferred shares granted under the long-term incentive scheme is recognised as an expense over the vesting period of the award. The fair value is measured at the grant date of the award.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The liabilities associated with discontinued operations are presented separately from other liabilities in the balance sheet. The results of discontinued operations are presented separately in the income statement.

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In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 64 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 22(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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 2017

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Independent auditor's report

To the members of Silex Systems Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Silex Systems Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors; declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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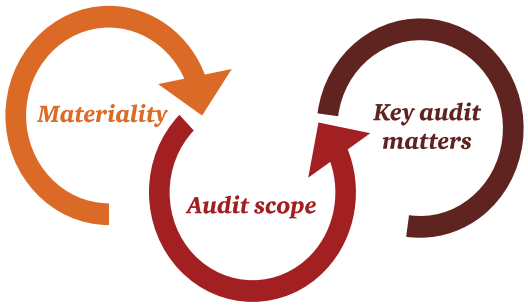
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The principal activity of the Group during the year ended 30 June 2017 was the continued development and commercialisation of the core asset and foundation technology – the laser isotope separation process for uranium enrichment known as the SILEX technology. The Group's accounting processes are performed by the finance team at the Company's head office in Sydney.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of $511,000, which represents 5% of the Group's loss before tax from continuing operations. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose the Group's loss before tax from continuing operations because, in our view, it is the metric against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• We performed audit procedures at the Group's head office and focused our audit procedures on the financial position and performance of the Company and Translucent given their significance to the financial position as at 30 June 2017 and the results of the Group for the year then ended as a whole.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee of the Group: 1. Term Sheet with GE-Hitachi Nuclear Energy 2. Available for sale financial assets • These are further described in the Key audit matters section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
1. Term Sheet with GE-Hitachi Nuclear Energy On 31 August 2017, Silex and GE-Hitachi Nuclear Energy (GEH) reached agreement to amend and further extend the Term Sheet, first announced on 2 May 2016. Refer to Note 16 for the details on the amended and extended Term Sheet. As the above transaction is significant to the Group, we focused on the following key matters resulting from the Term Sheet: a) the recognition of the development expenditure amounting $6,668,102 in the consolidated income statement of the Group for the year ended 30 June 2017 b) the disclosure of a contingent liability of US$1,125,000 in Note 14 of the financial report of the Group.	We obtained and read the Term Sheet and amendments since the original announcement on 2 May 2016, including the amended and extended Term Sheet dated 31 August 2017 to obtain an understanding of the key terms. We noted that Silex continues to hold an exclusive assignable option over GEH's interest in GE-Hitachi Global Laser Enrichment LLC (GLE) and a monthly reimbursement is required by Silex based on the approved GLE budget and additional funding payments to GEH is only required upon execution of the Purchase and Sale Agreement. In order to assess the accounting treatment and disclosures adopted by the Group to reflect the terms of the Term Sheet, we: • tested the reimbursement payments recorded by the Group for the development expenditure to the supporting documentation of the reimbursements made under the requirements of the Term Sheet, on a sample basis • agreed the conditions and amounts in the amended and extended Term Sheet to the contingent liability recognised and disclosed in the financial report of the Group.

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Key audit matter	How our audit addressed the key audit matter

2. Available for sale financial assets - IQE Plc shares

As explained in Note 6(d) of the financial report, the fair value of IQE Plc (IQE) shares (LON: IQE) which were received as an initial payment for the licensing of Translucent's cREO™ technology under an exclusive Licence and Assignment Agreement (the agreement) with IQE, has increased by $5,660,251 for the year ended 30 June 2017.

As the Group elected not to designate these shares as held at fair value through profit and loss category asset and does not intend to liquidate them in the short-term, the IQE shares are recorded at fair value as at 30 June 2017 and classified as Non-Current Available for Sale financial assets on the balance sheet in accordance with the requirements of *AASB 139 Financial Instruments*.

We considered this matter a key audit matter because of the materiality of the amounts, the judgement involved in classification of the IQE shares as non-current financial assets available for sale and the resulting impact on the results of the Group of any changes in fair value of these shares following initial recognition by the Group.

Our audit procedures included confirming the number of IQE shares held by the Group and assessing the fair value of the shares as at 30 June 2017. In order to do this we:

- agreed the number of IQE shares held by the Group to share certificates, without identifying any exception
- obtained the Group's calculation of the fair value of the shares as at 30 June 2017 (balance date), re-performed the calculation with reference to the number of the shares held by the Group and quoted share price of IQE shares at the balance date and agreed the amount to the available for sale financial asset recognised by the Group as at the balance date, without exception
- assessed the classification of IQE shares by reference to Board minutes outlining the determination made by the Group on initial recognition, including the stated intention not to liquidate the shares in the short-term, and found the Group's accounting policy and treatment of the IQE shares as available for sale financial assets consistent with the Board's decisions.

Other information

The directors are responsible for the other information. The other information comprises the Chair's Report, CEO's report, Business Overview, Historical Background, Director's Report, Corporate Governance Statement, Shareholders' Information and Company Directory included in the Company's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 13 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Silex Systems Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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.

PricewaterhouseCoopers

David Ronald
Partner
22 September 2017

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Shareholders' information

1. Information relating to shareholders as at 6 September 2017
(a) Distribution schedule

1-1,000	1,978
1,001-5,000	2,370
5,001-10,000	786
10,001-100,000	1,093
100,001 and over	163
Total number of holders of each class of security	6,390
Voting rights - on a show of hands	
- on a poll	
Percentage of total holding held by the largest 20 holders	52.77%
Number of total holding less than a marketable parcel of shares	2,330

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	29,801,030
Global X Management Company	13,097,044

(b) Names of Twenty Largest Holders as at 6 September 2017

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.48%
HSBC Custody Nominees (Australia) Limited	15,686,219	9.20%
Mr Paul Cozzi	7,870,000	4.62%
Majenta Holdings Pty Ltd	5,703,923	3.35%
Polly Pty Ltd	4,073,863	2.39%
J P Morgan Nominees Australia Limited	3,448,670	2.02%
Throvena Pty Ltd	2,978,203	1.75%
Citicorp Nominees Pty Limited	2,804,055	1.64%
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	1,749,999	1.03%
Old Digger Pty Ltd	1,629,865	0.96%
Houghton Waterville Pty Ltd	1,000,000	0.59%
Quadrangle Nominees Limited	847,245	0.50%
Mithena Holdings Pty Ltd	817,139	0.48%
Mr Xiangyang Wu	808,870	0.47%
Hillboi Nominees Pty Ltd	779,295	0.46%
Mr Luca Rotter + Ms Jane Louise Abbott	775,000	0.45%
	89,958,335	52.77%

2. Interest of directors in shares as at 6 September 2017

	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 6 September 2017
As at 6 September 2017, no securities were subject to voluntary escrow.

4. Unquoted equity securities as at 6 September 2017
There were no unquoted equity securities at 6 September 2017.

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