



Silex



Annual Report 2013



IMPORTANT NOTICE:

Forward Looking Statements and Business Risks

Silex Systems is a research and development Company whose assets are its proprietary rights in various technologies, including, but not limited to, the SILEX technology, Solar Systems technology and business, Translucent technology and ChronoLogic technology. Several of the Company's technologies are in the development stage and have not been commercially deployed, and therefore are high-risk. Accordingly, the statements in this report regarding the future of the Company's technologies and commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors.

Some risk factors that could affect future results and commercial prospects include, but are not limited to: results from the SILEX uranium enrichment commercialisation program; the demand for enriched uranium; the risks associated with the development of Solar Systems technology and related marketing activities; the outcomes of the Company's interests in the development of various semiconductor, photonics, instrumentation and alternative energy technologies; the time taken to develop various technologies; the development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property associated with its numerous technologies; the potential impact of government regulations or policies; and the outcomes of various commercialisation strategies undertaken by the Company.

»»» Contents

- 02** Chairman's Report
- 06** CEO's Report
- 12** Company Overview
- 26** Directors' Report
- 58** Corporate Governance Statement
- 67** Concise Financial Report
- 78** Independent Auditor's Report to the Members
- 80** Shareholders' Information
- 85** Company Directory

»» Chairman's Report



Professor Stephen Burdon
Chairman

'Silex is well placed to capitalise on the opportunities within the clean energy sector as the demand for nuclear and solar power continues to increase.'

Dear Fellow Shareholders


The year ended 30 June 2013 was a milestone year for Silex Systems Limited with a number of key achievements, particularly in our uranium enrichment and utility-scale solar power businesses. These illustrate our commitment to progressing technological development towards realising greater shareholder value.

While maintaining a strong focus on delivering operational and strategic priorities, during the year, we continued to implement important corporate governance initiatives.

Milestone Achievements

The SILEX Uranium Enrichment Technology achieved two significant milestones this year. The Test Loop Phase I Milestone completion in May evidenced advanced technology demonstration and validation and secured a US\$15 million milestone payment for Silex. Achieving this milestone was a key step in the commercialisation of the SILEX Uranium Enrichment Technology, allowing focus to shift now to developing and testing full scale plant equipment in Phase II of the program.

The successful completion of the Phase I Milestone was preceded in September 2012 by the US Nuclear Regulatory Commission (NRC) approval of the world's first license to construct and operate a commercial SILEX laser enrichment plant in Wilmington, North Carolina, and is a great tribute to the combined GLE-Silex team after several years of excellent work. I would like to take this opportunity to congratulate our CEO and co-inventor of the SILEX Technology, Dr Michael Goldsworthy, and his talented team of scientists and engineers, for their pivotal contribution in achieving the milestone.



The Paducah, Kentucky depleted uranium processing proposal recently submitted by GLE, which is currently under evaluation by the US Department of Energy, provides an additional commercial opportunity for the SILEX technology.

Solar Systems officially opened its 1.5MW Mildura Solar Demonstration Facility in July – a key milestone on the path to commercialising our unique ‘Dense Array’ CPV technology. The Mildura plant was officially opened by the Victorian Minister for Energy and Resources, The Hon. Nicholas Kotsiras MP, and the launch was attended by over 120 people including local members of parliament, community stakeholders, business partners, investors and media.

We are excited about the economic potential that this unique renewable energy technology may deliver to Solar Systems and ultimately to Silex shareholders, if the projected low cost of generated electricity can be realised over the next few years. We are also pleased to have progressed with construction of our 1MW facility in Saudi Arabia – a key future market for this innovative technology. An additional site has also been secured in California, USA and we are currently assessing several other mid-sized commercial project opportunities.

Translucent has continued to progress its advanced substrate product development and associated industry validation activities in the target Power Electronics and CPV solar cell markets. We also anticipate finalising our strategic review process for ChronoLogic, with the aim of securing appropriate partners for its technology and products.

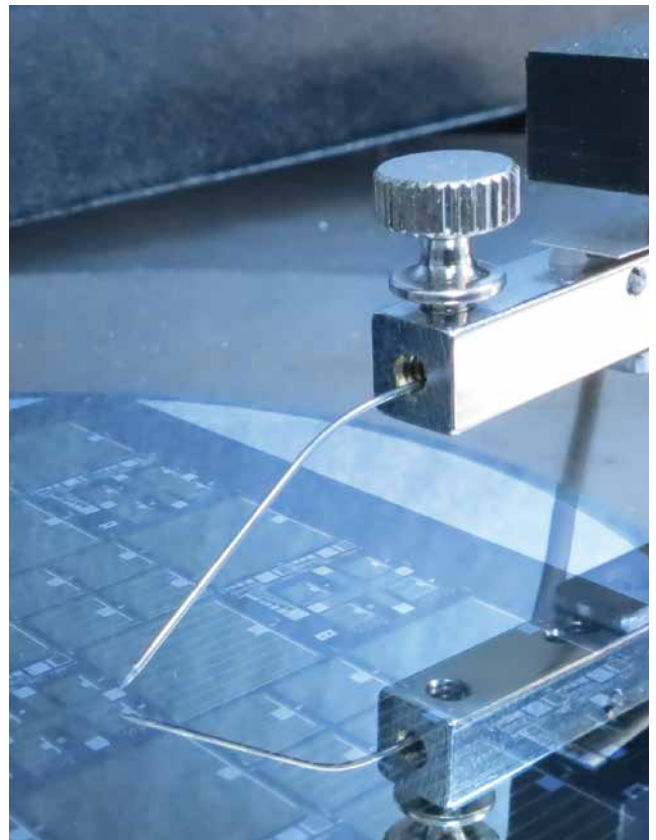
Financial Performance

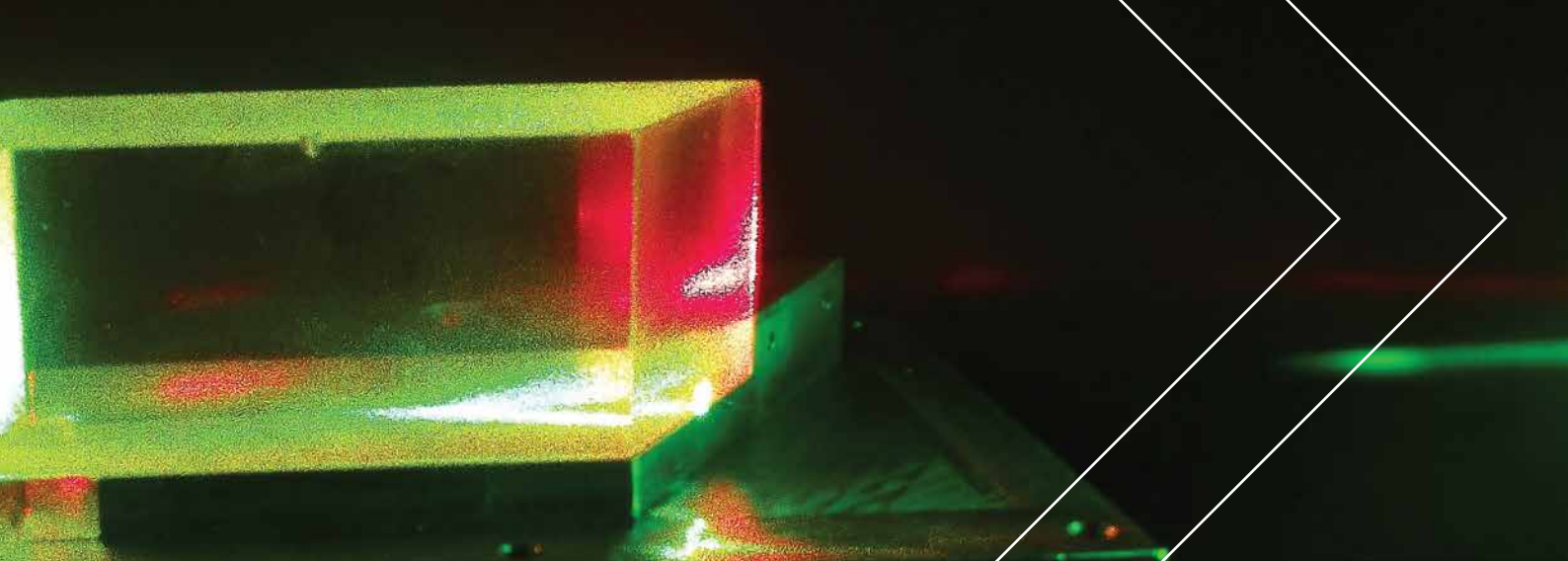
We achieved a good result this year in terms of preserving our balance sheet, with cash reserves of ~\$73 million at the time of writing (which includes the milestone payment of US\$15 million from GE-Hitachi Global Laser Enrichment (GLE)). All business units operated according to approved budgets and progressed towards key commercial objectives.

We have remained acutely focused on improving market sentiment and our share price, and during the year stepped

up our efforts with a new investor and public relations program. We introduced an investor newsletter and increased communications with both current and potential shareholders. These activities will continue into the New Year and we believe will provide a good platform for us to keep shareholders fully informed of our progress and the opportunities ahead. As always, your Board and Management teams are interested in feedback on all of these initiatives.

We remain keenly focused on delivering key milestones and commercialising our unique technologies for the benefit of our shareholders. The Board and Management continue to evaluate strategies to monetise our technologies and increase shareholder value at the earliest opportunity.





Corporate Governance

Our commitment to ongoing Board renewal has seen the appointment of two new non-executive Directors during the year. Dr Lisa McIntyre was appointed in July 2012 and was formally elected by shareholders at the 2012 Annual General Meeting. We are very pleased with Lisa's contribution to date. We have also recently welcomed Mr Andrew Stock, who was appointed on 1 August 2013. Andrew brings a wealth of energy industry experience to the Board and his appointment will continue to strengthen and diversify the skill set of the Board. Silex Directors recommend shareholders vote to formally elect Andrew at the 2013 Annual General Meeting.

Mr Chris Wilks has made invaluable contributions both to the Board and Management. His deep legacy knowledge and financial skills, particularly relating to GE and GLE, remain a significant asset and we strongly recommend his re-election to the Board at the 2013 Annual General Meeting.

In June 2013, Mr Peter Campbell decided to retire as a non-executive Director of Silex in order to enable ongoing Board renewal, effective as of 30 September 2013. We sincerely thank Peter for his immeasurable contribution to the Silex Board over the last 17 years and wish him well in his future endeavours.

With our recent changes, we now believe we have a good mix of skills, experience and industry knowledge for the current opportunities and challenges, but we will continue to review the best Board composition for our business during the next 12 months.

The People & Remuneration Committee has continued to review the remuneration of Key Management Personnel and non-executive Directors. Throughout FY2013, the Company has continued to implement initiatives to provide greater clarity and links between remuneration and the execution of the Group's strategy and to take performance into account at all times when reviewing remuneration for all employees of the Group. In finalising our Short Term Incentive awards for our CEO and other senior managers, we have taken into account Total Shareholder Returns over the year and therefore have provided lower entitlements than normal to continue our policy of aligning remuneration with shareholder returns.

Enhancements to our remuneration practices can be found in the Remuneration Report commencing on page 35 and we look forward to answering any questions you may have at our Annual General Meeting in November 2013.

Management

Last year's decision to bolster our executive management capability, with the goal of providing for greater focus on the commercialisation phases of our various businesses, led us to the active recruitment of additional executives within the Group. This includes the recruitment of a Chief Executive Officer for the Solar Systems business, currently underway, as well as the promotion of our long serving Vice President of Engineering, Dr Andrew Clark, to a business unit operational leadership role at Translucent.

In addition, we will continue to recruit and boost our executive ranks, as and when it makes commercial sense.

Outlook

Silex is well placed to capitalise on the opportunities within the clean energy sector as the demand for nuclear and solar power continues to increase. We remain firmly committed to progressing each of our unique technologies through their respective commercialisation phases and build on the milestone achievements of the last 12 months.

I very much look forward to updating you again at the Annual General Meeting in November.

Professor Stephen Burdon

Chairman

3 October 2013



»» CEO's Report



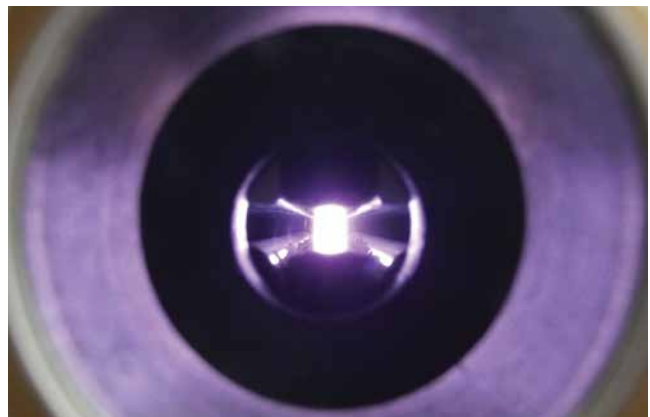
Dr Michael Goldsworthy
CEO/Managing Director

'...we are firmly committed to progressing our unique technologies through their respective commercialisation phases and look forward to continuing to build on the milestone achievements of the last 12 months.'



The year ended 30 June 2013 has been an exciting year for Silex. Our unique technologies are transitioning to commercialisation, whilst a number of significant milestones were achieved during the year.

Silex is in a strong financial position with cash reserves of ~\$73 million at the time of writing. This includes a milestone payment of US\$15 million which was received from GE-Hitachi Global Laser Enrichment (GLE) in July 2013. As we move towards 2014, we are firmly committed to progressing our unique technologies through their respective commercialisation phases and look forward to continuing to build on the milestone achievements of the last 12 months. Operational updates for each of our businesses are detailed on pages following.





Highlights of the Year in Review

SILEX Uranium Enrichment

- Test Loop Program Phase I Milestone successfully completed at GE-Hitachi Global Laser Enrichment's (GLE) facility in USA, triggering a US\$15 million milestone payment to Silex;
- Technology is now being engineered to commercial scale in the Phase II program;
- Approval from the US Nuclear Regulatory Commission for a construction and operating license for the Wilmington, North Carolina, USA, facility; and
- GLE submitted a proposal in response to a Request for Offers from the US Department of Energy to construct a new facility at Paducah, Kentucky to enrich depleted uranium inventories using the SILEX Technology.

Solar Systems

- Opening of Australia's largest Concentrating Photovoltaic (CPV) solar power station in Mildura, Australia. The 1.5MW facility, consisting of 40 large CPV dish concentrator systems, is connected to the local grid and generating clean energy;
- Preliminary project development activities to develop the 100MW Mildura Power Station advanced with construction expected to commence in late 2014,

subject to successful operation of the 1.5MW facility and finalisation of financial prerequisites; and

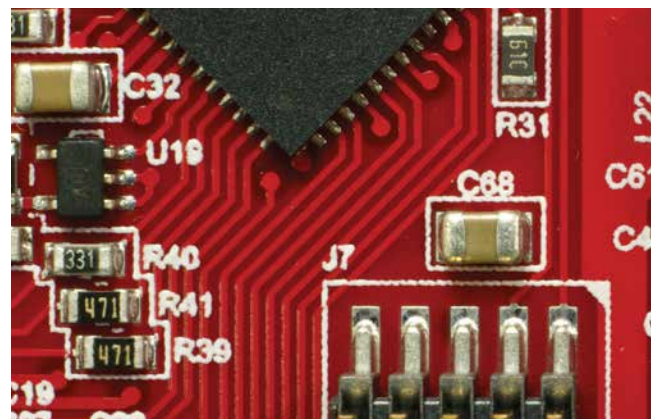
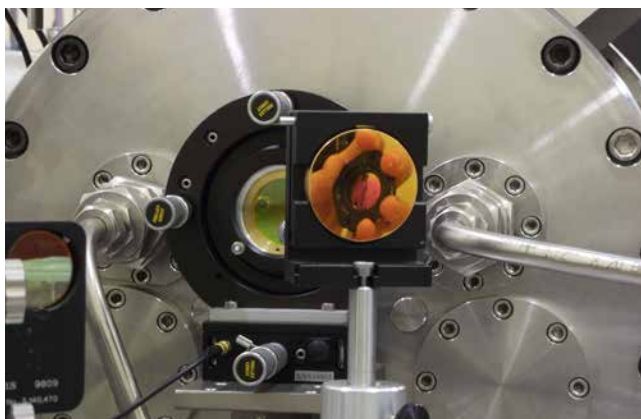
- Construction of a 1MW facility at the Nofa Equestrian Resort near Riyadh, Saudi Arabia is well advanced.

Translucent

- Continued progress of advanced substrate product development and industry validation activities targeting the Power Electronics and CPV solar cell markets including:
 - Improving the quality of Gallium Nitride (GaN) material which could significantly reduce costs of production for the Power Electronics industry; and
 - Advancing low-cost germanium-tin (GeSn) substrates for application to ultra-high efficiency multi-junction solar cells with wafers being processed by industry partners.

ChronoLogic

Following a review, discussions continue to secure strategic partners for the ChronoLogic technology and products.





SILEX Uranium Enrichment

Phase I: Test Loop Milestone Completion

In May 2013, Silex announced that the Test Loop Program Phase I Milestone: Technology Demonstration and Validation, had been successfully completed at GE-Hitachi Global Laser Enrichment's (GLE) facility in Wilmington, North Carolina, USA. Completion of the Phase I Milestone triggered a US\$15 million milestone payment from GLE to Silex, which was received in July 2013.

The achievement of the Test Loop Phase I Milestone – involving advanced technology demonstration – is a key step in the commercialisation of the SILEX Uranium Enrichment Technology by GLE. The milestone completion followed receipt of approval from the US Nuclear Regulatory Commission in September 2012 for a combined construction and operating license for the first commercial plant planned for Wilmington, North Carolina.

Phase II: Full-Scale Engineering and Economic Validation

The Project teams in Wilmington, North Carolina, Oak Ridge, Tennessee and Lucas Heights, Australia are now fully focused on Phase II of the Commercialisation Program, which includes economic and engineering validation of the technology and full scale-up for the construction of the initial commercial production module. Once optimised, this module would be replicated several times to build out the world's first laser enrichment plant.

The Path Forward

GLE is conducting a stage-gated approach to commercialisation of the SILEX laser enrichment technology, with the following three phases:

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

While pursuing the Phase II program and taking into account industry and market conditions, commercial opportunities and other factors, GLE plans to evaluate deployment of the technology and the construction of the first full-scale commercial production facility at Wilmington, North Carolina.

Paducah, Kentucky Opportunity Update

The US Department of Energy (DOE) issued a formal Request for Offers (RFO) for re-utilisation of the Paducah Gaseous Diffusion Plant facilities after the plant ceased operations in May 2013. GLE submitted a response to the RFO on 14 August which included a non-binding proposal to establish an enrichment plant at Paducah using the SILEX Technology. The Paducah enrichment plant proposal would potentially involve the processing of hundreds of thousands of tons of depleted uranium tails inventories owned by the DOE. The DOE expects to enter negotiations with preferred parties in the next few months and, if viable, execute an agreement in early 2014, or sooner if possible.



The Nuclear Industry Outlook

The global nuclear power industry is now facing the future with renewed confidence after two years of relative uncertainty, following the tragic earthquake and tsunami events in Japan in March 2011, which led to the disaster at the Fukushima nuclear plant. The industry is moving ahead once again with many governments around the world recognising that nuclear power is an important source of clean base-load energy in a carbon-constrained economy.

Globally, there are 432 operable nuclear power plants including 48 plants in Japan that are still offline pending re-start approvals by Japan's Nuclear Regulation Authority. There are currently 68 nuclear reactors under construction world-wide, 162 reactors planned with funding or major commitments in place, and expected to be in operation within 8-10 years and a further 316 reactors proposed with specific program or site proposals and expected to be in operation within 15 years. This significant expansion in nuclear capacity is planned by several countries, most notably China, India and the Middle East.

Uranium enrichment pricing has been significantly impacted since the events of Fukushima, with prices currently down ~30%. Enrichment (and uranium) pricing is expected to remain depressed in the short-term (the next 2 to 3 years) due to the continuing effect of excess supply of uranium and enrichment services largely attributable to the Japanese nuclear reactor fleet being offline (to date only 2 of the 50 operable reactors have been re-started).

Despite the negative short-term outlook, we believe the market outlook for the medium and long-term is very positive. The positive medium-term sentiment will be driven primarily by the shutdown of approximately 25% of current uranium enrichment capacity in CY2013, with the closure of the 6MSWU Paducah Gaseous Diffusion Plant in May 2013 and the cessation of the 6MSWU Russia-United States Highly Enriched Uranium (HEU) program at the end of CY2013. New centrifuge capacity of only around 5MSWU will only partially replace this gap – potentially leading to a supply constrained market in the 5 to 10 year timeframe. In the longer term, the approximate doubling of existing global nuclear power capacity will see a significant increase in the demand for uranium enrichment services.





Solar Systems

During the year, a number of important milestones were achieved by Solar Systems including the opening of the Mildura Concentrating Photovoltaic (CPV) Solar Demonstration Facility and construction of the facility at Nofa in Saudi Arabia. These and other activities are detailed below.

Mildura Solar Demonstration Facility

Australia's largest CPV solar power station was opened on 17 July 2013. The 1.5MW facility, consisting of 40 large CPV dish concentrator systems, is connected to the local grid and providing enough power for up to 500 average sized homes at peak power production. The operating plant will be evaluated over the next year to provide performance and reliability data needed to establish commercial viability of the technology, before proceeding with a much larger 100MW solar power station at the same location.

Preliminary project development activities for the 100MW Mildura Power Station are progressing. Construction is expected to commence in late 2014, subject to successful operation of the 1.5MW facility and securing the necessary funding arrangements. If built, the 100MW Mildura Solar Facility is expected to be one of the largest solar CPV plants

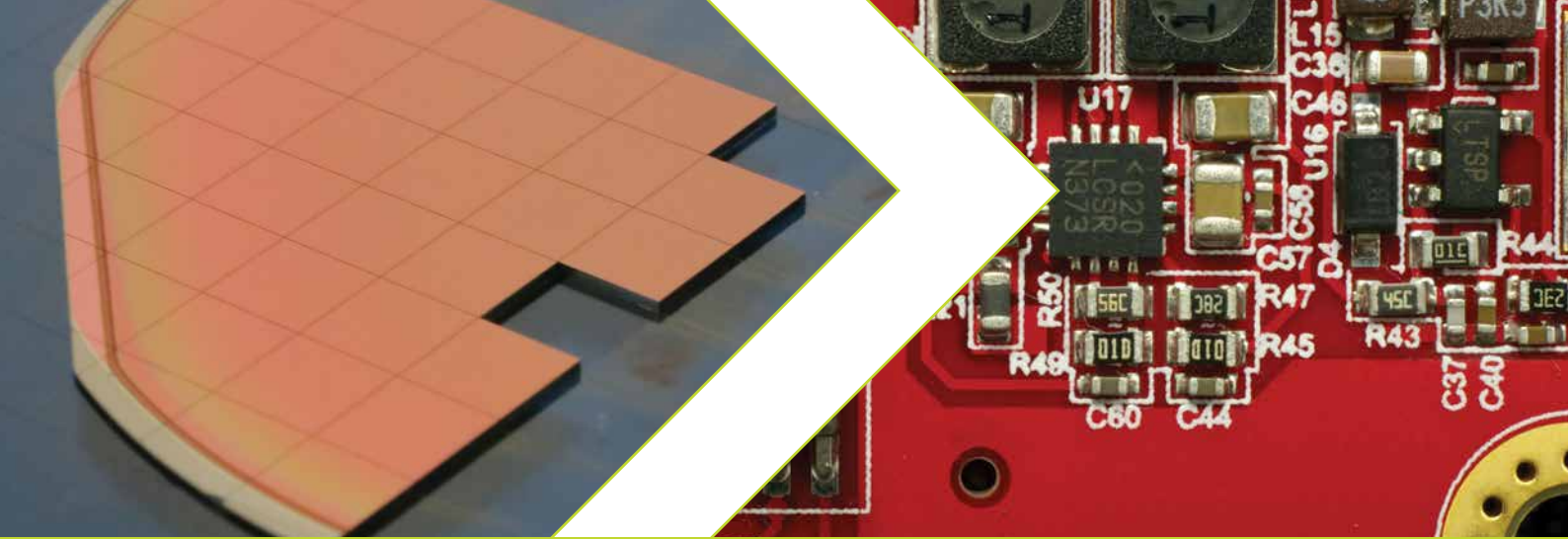
in the world. The 100MW Mildura Power Station Project has received conditional funding commitments of \$75 million from the Commonwealth Government and approximately \$35 million from the Victorian Government.

Additional Demonstration Plants and Power Station Projects

Construction of a 1MW facility at the Nofa Equestrian Resort near Riyadh, Saudi Arabia, continues. This will be the first offshore facility using Solar Systems' 'Dense Array' CPV Dish technology. Significant opportunities exist for the development of solar projects in Saudi Arabia with a major 40GW solar initiative worth around US\$109 billion announced in 2012 by the Saudi government.

Solar Systems has also secured an option over a site for the construction of a demonstration facility of up to 1MW at Beaumont, California, USA. Solar Systems will maintain this option and will review this opportunity later in CY2013. During FY2014 Solar Systems' business development activities will primarily focus on additional mid-sized project opportunities (10 to 50MW) in Australia, the Middle East and potentially USA.





Translucent

Translucent continues to progress its advanced substrate product development and industry validation activities in the target Power Electronics and CPV solar cell markets. If successfully commercialised, Translucent's proprietary substrates, which utilise its novel rare earth oxide (REO) materials, may provide significant cost advantages and potential performance improvements compared to sapphire, germanium and other expensive substrates that these industries currently use.

Product Development Activities

i) Substrates for Power Electronics

Translucent has continued to improve the quality of Gallium Nitride (GaN) material incorporated in its vGaN™ on-silicon substrates which could significantly reduce costs of production for the Power Electronics industry. Prototype transistor test structures have been fabricated and tested with favourable initial results. Commercial grade vGaN™ substrates are expected to be ready for customer evaluation later in CY2013.

ii) Substrates for Ultra-High Efficiency Solar Cells

Development of Translucent's proprietary low-cost germanium-tin (GeSn) substrates for application to ultra-high efficiency multi-junction solar cells has advanced with wafers being processed by industry partners. Single junction solar cells have been demonstrated with encouraging results. Double and triple junction solar cells are currently being grown, with demonstration multi-junction cells expected to be produced later in CY2013 for subsequent evaluation.

Commercial Activities

Commercial activities continue to increase with potential customers in both the Power Electronics and CPV industries building functional devices and conducting trials on Translucent's silicon wafer-based substrates with continuously improving results.

ChronoLogic

Development of the core USB-inSync™ technology continues to advance, with the demonstration of the third generation level of performance. Development of several new products has been completed in preparation for introduction into the Test and Measurement instrumentation market.

A review is being undertaken for this business, with the aim of securing appropriate strategic partners for its technology and products. This has resulted in interest from several companies and discussions are continuing. The process has taken longer than anticipated, however, it is expected that significant progress in this effort will be achieved by the end of this fiscal year.

Outlook

We remain firmly committed to progressing each of our technologies through their respective commercialisation phases and establishing economic value through a prudent investment and monetisation strategy. We look forward to sharing our results with you and providing a further update at the Annual General Meeting in November.

Dr Michael Goldsworthy
CEO/Managing Director

»»» Company Overview

Our Mission

To become a world leader in advanced technology solutions in key strategic markets, including the nuclear industry, the solar power industry and the semiconductor materials and instrumentation industries.



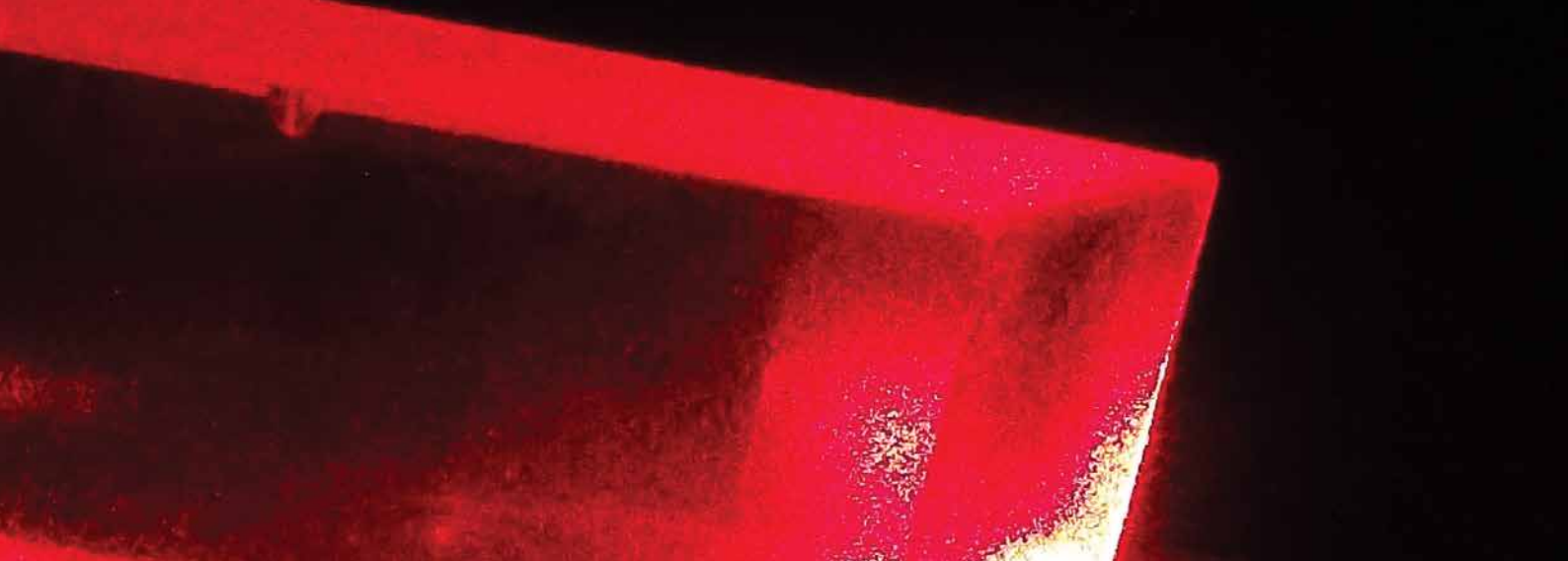
Silex Corporate Structure

Silex Systems Limited

ASX: SLX
OTCQX: SILXY
HQ: Sydney, Australia
(The SILEX Uranium Enrichment Technology)

www.silex.com.au





> Solar Systems Pty Ltd

Melbourne, Australia (100% ownership)
Utility-Scale PV (Solar Power Stations)

www.solarsystems.com.au



> Translucent Inc.

Palo Alto, USA (99% ownership)
Advanced Materials
(Semiconductors & Solar)

www.translucentinc.com



> ChronoLogic Pty Ltd

Adelaide, Australia (90% ownership)
Instrumentation (Test & Measurement)

www.chronologic.com.au



Historical Background

- 1988** Silex was established by founder Dr Michael Goldsworthy as a technology research and development subsidiary of Sonic Healthcare Limited, an Australian publicly listed company.
- 1990** Silex began researching the isotope separation concepts of the co-inventors Dr Michael Goldsworthy and Dr Horst Struve.
- 1993** The unique principles of the SILEX (Separation of Isotopes by Laser EXcitation) Process were formulated.
- 1995** 'Proof of Principle' demonstration of the SILEX Process was achieved at the Company's laboratories in Lucas Heights, south of Sydney. Uranium enrichment, the largest market for isotope separation, became the primary focus of the Company.
- 1996** Silex was divested from Sonic Healthcare Limited and set about establishing the commercial viability of the SILEX technology.
- 1998** Silex was listed on the Australian Stock Exchange (ASX) under the symbol 'SLX'.
- 1999** An Agreement for Cooperation between the US and Australian Governments was signed, paving the way for continued development of the SILEX Technology for uranium enrichment, and facilitating its future transfer to the US.
- 2000** The first macroscopic demonstration of the SILEX uranium process was successfully achieved.
- Silex won the 2000 Australian Technology Award for Excellence in the Manufacturing and Engineering sector.
- Silex raised \$36 million through a share issue to assist in funding the development of the Company's technology portfolio.
- 2001** Silex entered the semiconductor materials field with the founding investment for Translucent Inc., a Silicon Valley start-up developing silicon photonics technology.

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

- 2002** Silex acquired a controlling 51% interest in ChronoLogic Pty Ltd, an Adelaide-based start-up developing novel technology for the electronics and instrumentation industries.
- The SILEX Uranium Enrichment Project achieved a key milestone with the first full demonstration on practical uranium enrichment using the SILEX 'Direct Measurement Facility' at Lucas Heights, Sydney.
- 2003** Silex took a majority ownership in Translucent Inc., moving to ~70% interest (from 30%).
- 2004** Silex successfully commissioned the world's first silicon laser enrichment pilot plant.
- Translucent secured its first US Patent for 'optical silicon' and filed patents for Silicon-on-Insulator (SOI) and dielectric substrates for the semiconductor industry.
- 2005** Translucent wins a US Defence Department DARPA Grant to help develop the 'optical silicon' technology, under DARPA's Electronics and Photonics Integrated Circuits (EPIC) Program.
- ChronoLogic wins a Federal Government "Commercial Ready Grant" for its novel 'USB-inSync™' Data Acquisition technology.
- 2006** Silex and the General Electric Company sign an exclusive Technology Commercialisation and License Agreement for the SILEX Uranium Enrichment Technology in May, with US Government authorisations received in October.
- Silex also increased its stake in ChronoLogic to 90%.
- 2007** Transfer of the SILEX Uranium Enrichment project to GE's Wilmington, North Carolina (USA) nuclear fuel plant was completed in the first half of 2007. Hitachi joined GE as project partner.



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

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

2008 Global Laser Enrichment (GLE), formed as a subsidiary of GE-Hitachi Nuclear Energy (GEH) to commercialise the SILEX Technology, announced that it had selected its Wilmington, North Carolina, headquarters site for the first potential commercial SILEX uranium enrichment facility.

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

GEH and Cameco Corp. announced that Cameco Corporation, the world's largest uranium producer, had joined the GLE venture.

Cameco paid US\$123.8 million for a 24% stake in GLE. GE retained 51% ownership with Hitachi at 25%.

2009 Silex announced in June the acquisition of the Sydney Olympic Park (SOP) solar photovoltaic (PV) panel manufacturing facility – the only PV panel plant in Australia.

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

In July, GLE announced the on-schedule start-up of the Test Loop to evaluate the next-generation SILEX uranium enrichment technology.

2010 Silex acquired the business assets of Melbourne based Solar Systems Group in March. Solar Systems' concentrating photovoltaic (CPV) technology is applicable to large utility-scale solar power generation, using its unique ultra-high efficiency 'Dense Array' technology.

GLE and Silex announced the successful completion of the Test Loop initial measurement program in April.

2011 Silex successfully completed a capital raising of \$89 million and a share purchase plan which raised a further \$20 million.

Completion of a \$75 million Federal Government conditional funding package for the 100MW Mildura Solar Power Station was announced by Solar Systems in June. A \$35 million conditional funding package from the Victorian Government for the same project was confirmed in 2010.

2012 Solar Systems was awarded a funding grant from the Australian Solar Institute. The business also secured a site for a facility at the Nofa Equestrian Resort near Riyadh, Saudi Arabia with construction of a 1MW facility commencing during the year. An additional demonstration site was also secured in Beaumont, California, USA. Solar Systems opened its 0.6MW Test & Demonstration Facility at Bridgewater, Victoria.

Following a significant business restructure and continuing challenging trading conditions in the Australian solar panel market, Silex decided to cease the panel manufacturing operations at Silex Solar's Sydney Olympic Park plant.

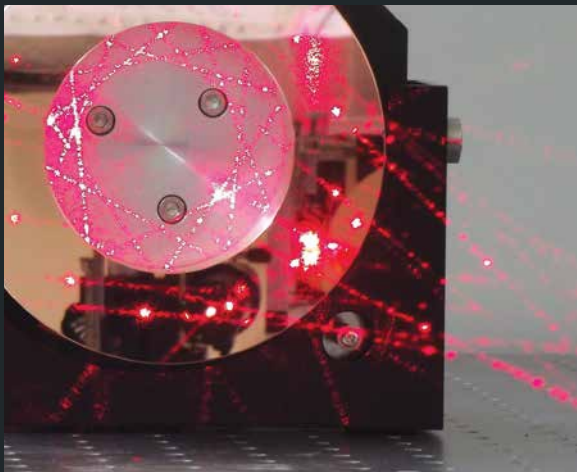
In September, the US NRC approved the world's first Construction and Operating License for a commercial laser enrichment plant utilising the SILEX technology at Wilmington, North Carolina.

2013 Successful completion of the Test Loop Program Phase I Milestone: Technology Demonstration and Validation was achieved in May in Wilmington, North Carolina – triggering a \$US15 million milestone payment from GLE to Silex (which was received in July).

Solar Systems completed construction of Australia's largest CPV Solar Plant – a 1.5MW Solar Demonstration Facility at Mildura, Victoria in June. The 1.5MW facility is a precursor to a potential 100MW facility at the same location.

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

Business Overview



SILEX Technology: Business Facts

Platform

Nuclear Energy

Location

Lucas Heights, NSW, Australia

GLE: Wilmington, North Carolina,
and Oak Ridge, Tennessee, USA

Corporate Office: Sydney, NSW, Australia

SILEX Technology

Business Description

Silex Systems Third Generation Laser-Based Uranium Enrichment Technology

Silex has licensed its 'SILEX' laser-based enrichment technology to GE-Hitachi Global Laser Enrichment (GLE), a business venture comprising GE (51%), Hitachi (25%) and Cameco (24%). Silex and GLE are commercialising the technology for potential deployment in the USA.

Background

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

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

Silex signed a Technology Commercialisation and License agreement with General Electric Company (GE) in 2006 to develop and commercialise the technology to enrich uranium for use in nuclear power reactors. Since 2008, the project has been managed by GE subsidiary Global Laser Enrichment (GLE), comprising GE (51%) Hitachi (25%) and Cameco (24%).

Uranium Enrichment

Naturally occurring uranium must be enriched before it can be used as fuel in a nuclear reactor. Enrichment is a technically difficult process and constitutes a major component of nuclear fuel costs.

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



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

The SILEX Technology

The SILEX Technology is a unique laser-based process that has the potential to efficiently separate uranium isotopes as well as other various elements.

The SILEX Technology has a number of advantages over other uranium enrichment processes including:

- Breakthrough in efficiency – uses less energy
- Smaller footprint than centrifuge and diffusion
- Lowest capital costs of all enrichment technologies

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

GLE Agreement

Our agreement with Global Laser Enrichment (GLE) is an exclusive worldwide commercialisation and licensing agreement for the SILEX Uranium Enrichment Technology.



GLE is conducting a stage-gated approach to commercialisation of the SILEX laser enrichment technology, with the following three phases:

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

Subject to the outcome of the Phase II program and securing of sufficient conditional customer commitments, GLE plans to make a decision regarding deployment of the technology and the construction of the first full-scale commercial production facility.

Following a recent review and update to the original Technology Commercialisation and License Agreement, signed between Silex and General Electric in 2006, the final commercialisation milestone payment has been restructured into two payments:

- Commencement of construction for the initial commercial plant: US\$5 million
- NRC verification of construction compliance of the initial commercial plant: US\$15 million

The timeline for these milestones and related activities will be reviewed as Phase II continues.

Perpetual Royalty

Additionally, Silex will receive a perpetual royalty of up to 12 percent, comprising:

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

Business Overview

Continued



Solar Systems: Business Facts

Platform

Solar Energy

Ownership

100 Percent

Manufacturing

Melbourne, Victoria, Australia

Project Sites

Bridgewater, Victoria, Australia

Mildura, Victoria, Australia

Tibrak, Saudi Arabia

Beaumont, California, USA

Acquired

2010



Solar Systems

Business Description

Ultra-High Efficiency Utility-Scale CPV Power Generation

Solar Systems has developed Ultra-High Efficiency Utility-Scale concentrating photovoltaic (CPV) technology based on its proprietary 'Dense Array' dish concentrator system, targeting deployment of utility-scale solar power stations in key global markets.

Background

As climate change issues bring about a paradigm shift in energy production from conventional fossil fuel sources to renewable energy sources and nuclear power, there has been increasing interest in developing solar energy technology that could be economically viable in very large-scale utility projects in the order of 10's to 100's of megawatts (MW's) electrical output.

Silex acquired the assets of Melbourne based Solar Systems, including the technology, intellectual property and patents, a new manufacturing facility in Abbotsford, Melbourne and a large-scale test and demonstration facility in Bridgewater, central Victoria in 2010.

CPV Dish Technology

Solar Systems utilises a novel approach known as the 'Dense Array' concentrating photovoltaic (CPV) dish technology, whereby low-cost large-area parabolic mirrors reflect the sunlight onto a small-area solar conversion module, concentrating the sunlight to the equivalent of approximately 500 to 1000 suns.

The 'Dense Array' system is based on close packing of ultra-high efficiency solar cells in a centrally mounted converter. The cells are cooled for maximum output efficiency, high reliability and extended cell life, all key differentiators when compared with other CPV technologies. The concentrator systems are based on high reliability parabolic Dish Concentrators which are programmed to accurately track the sun from sunrise to sunset every day to maximise the total energy yield produced.



The cells used in Solar Systems' patented CPV technology are called 'multi-junction' cells because they contain several sub-cell structures in each cell (currently three cells in one), which enable the conversion of the sun's rays directly into electricity (with no moving parts) at extremely high efficiency. These cells are constantly improving, with a clearly defined roadmap from the current conversion efficiency of greater than 40% with a roadmap to efficiencies of over 50%. By incorporating these highly efficient multi-junction solar cells into its 'Dense Array' dish concentrator, Solar Systems can produce approximately 1000 times the amount of energy as a roof mounted flat plate PV panel with the same area of cells.

The 'Dense Array' CPV Converter

The centrally mounted 'Dense Array' CPV converter is actively cooled via a closed loop cooling system. In comparison to other CPV technologies, this results in:

- higher cell operating efficiencies (lower operating temperature)
- higher cell reliability (less severe thermal cycling)
- longer expected cell lifetime (more stable lifetime operation)

Commercialisation and Project Deployment

Solar Systems is undertaking a phased approach to the commercialisation of its 'Dense Array' CPV Technology:

Phase	Objectives	Status
Phase I	Product Commercialisation Program:	Completed – June 2012
	<ul style="list-style-type: none"> • Product release milestone including upgrade of the 'Dense Array' converter • 16 Dish 0.6MW test facility installed at Bridgewater, Victoria 	
Phase II	Pilot Demonstration Facilities and Certification Process:	Completed – June 2013
	<ul style="list-style-type: none"> • Mildura Stage 1: 40 Dish system units (1.5MW peak power output) 	Under construction
	<ul style="list-style-type: none"> • Nofa, Saudi Arabia – 1MW 	TBA
	<ul style="list-style-type: none"> • Beaumont, USA – up to 1MW 	Underway
Phase III	Global Deployment of Utility Scale Projects:	Planning underway
	<ul style="list-style-type: none"> • International Electrotechnical Commission (IEC) certification process 	
	<ul style="list-style-type: none"> • Mildura Stage 2: 100MW power station • Conditional funding contributions: Federal Government \$75 million and Victorian Government \$35 million • Exploring domestic and global project opportunities at the 10 to 50 MW scale 	

Key elements in the Solar Systems Technology



Manufacturing
Melbourne



CPV Module
6cm x 6cm



CPV Converter
0.25m²



CS500 Dish
15m Diameter

»» Business Overview

Continued



Translucent: Business Facts

Platform

Advanced Semiconductor Materials

Ownership

99 Percent

Location

Palo Alto, California, USA

Acquired

2001 (founded by Silix)

Translucent

Business Description

Game Changing Semiconductor Substrate Materials

Translucent has developed novel semiconductor materials based on the 'rare earth oxide' (REO) family for application to the manufacturing of next generation devices in the semiconductor, power electronics and photovoltaics industries.

Background

Translucent has been developing advanced materials, initially based on REO's in its state-of-the-art development facility in Palo Alto, California, since 2001.

The initial research and development activities focused on applications in the photonics and semiconductor industries.

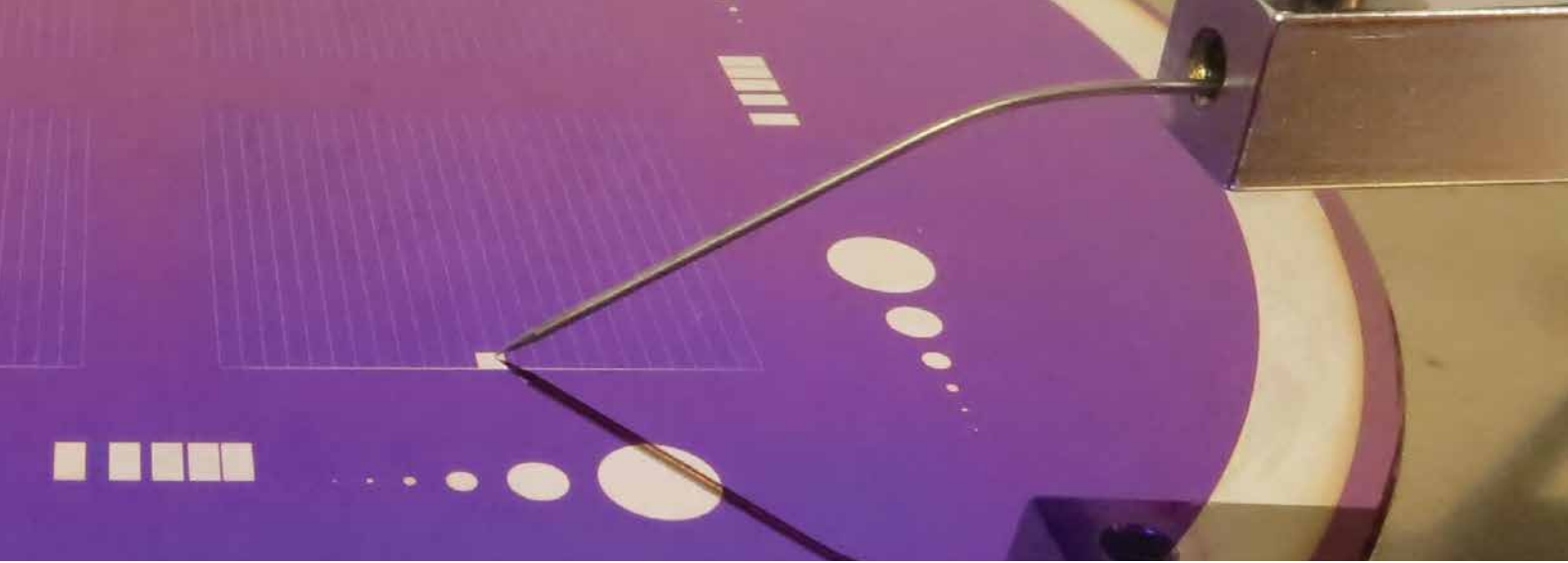
By carefully depositing REO's onto well-established semiconductor materials such as silicon, and making them compatible with other semiconductor materials and industrial semiconductor processes, the original photonics applications have been expanded to include photovoltaics and power electronics, with a common theme of using the REO's to develop low cost "on-silicon" solutions.

REO Technology – Commercial Applications

Several industries are forced to use high-cost non-silicon substrates for high-end semiconductor device applications. For example, high cost substrates such as germanium, sapphire and silicon carbide are commonly used for fabrication of many high powered semiconductor devices.

Translucent's innovative REO platform could enable these industries to use large low-cost silicon wafers, potentially overcoming traditional barriers (such as wafer bowing and cracking), in the highly prized transition to silicon wafers.

Translucent is commercialising this technology with a focus on applications in the semiconductor, Power Electronics and photovoltaics industries.

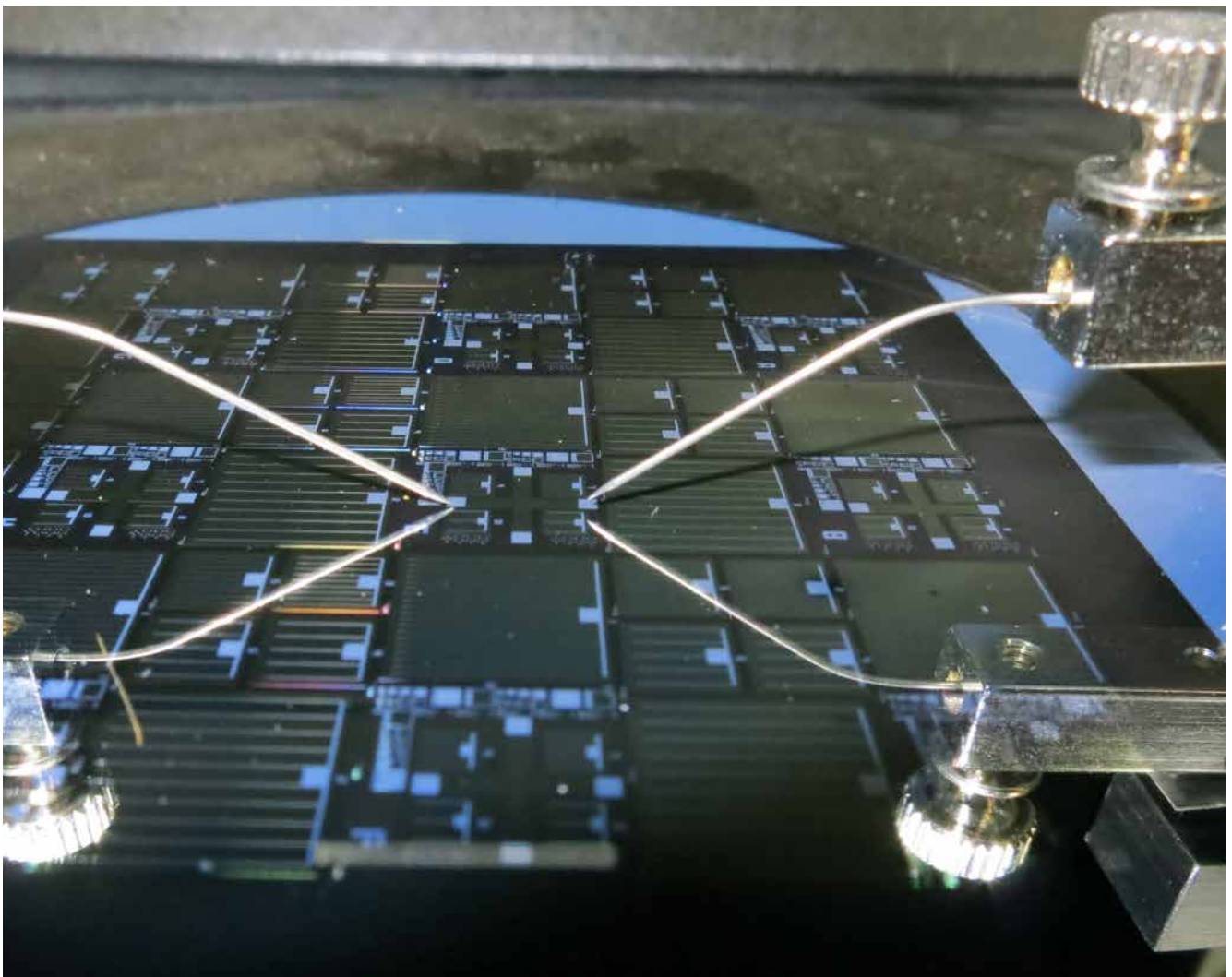


Substrates for Power Electronics

Translucent has continued to improve the quality of Gallium Nitride (GaN) material incorporated in its vGaN™ on-silicon substrates which could significantly reduce costs of production for the Power Electronics industry. Prototype transistor test structures have been fabricated and tested with favourable initial results. Commercial grade vGaN™ substrates are expected to be ready for customer evaluation later in CY2013.

Substrates for Ultra-High Efficiency Solar Cells

Development of Translucent's proprietary low-cost germanium-tin (GeSn) substrates for application to ultra-high efficiency multi-junction solar cells has advanced with wafers being processed by industry partners. Single junction solar cells have been demonstrated with encouraging results. Double and triple junction solar cells are currently being developed, with demonstration multi-junction cells expected to be produced later in CY2013 for subsequent evaluation.



Business Overview

Continued



ChronoLogic: Business Facts

Platform

Advanced Materials & Instrumentation

Ownership

90 Percent

Location

Adelaide, South Australia, Australia

Acquired

2002 (51 percent)

2006 (90 percent)



ChronoLogic

Business Description

Precision Test and Measurement through a Universal Distributed Platform

ChronoLogic has developed the world's first high precision timing and control products based on the ultra-low cost USB-inSync™ platform, targeting applications in the electronic instrumentation markets.

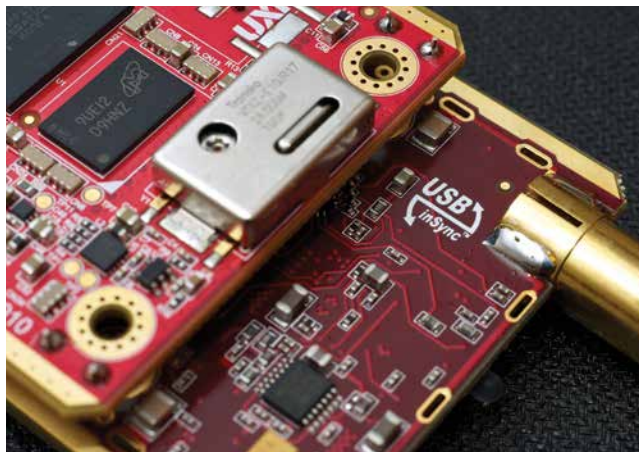
Background

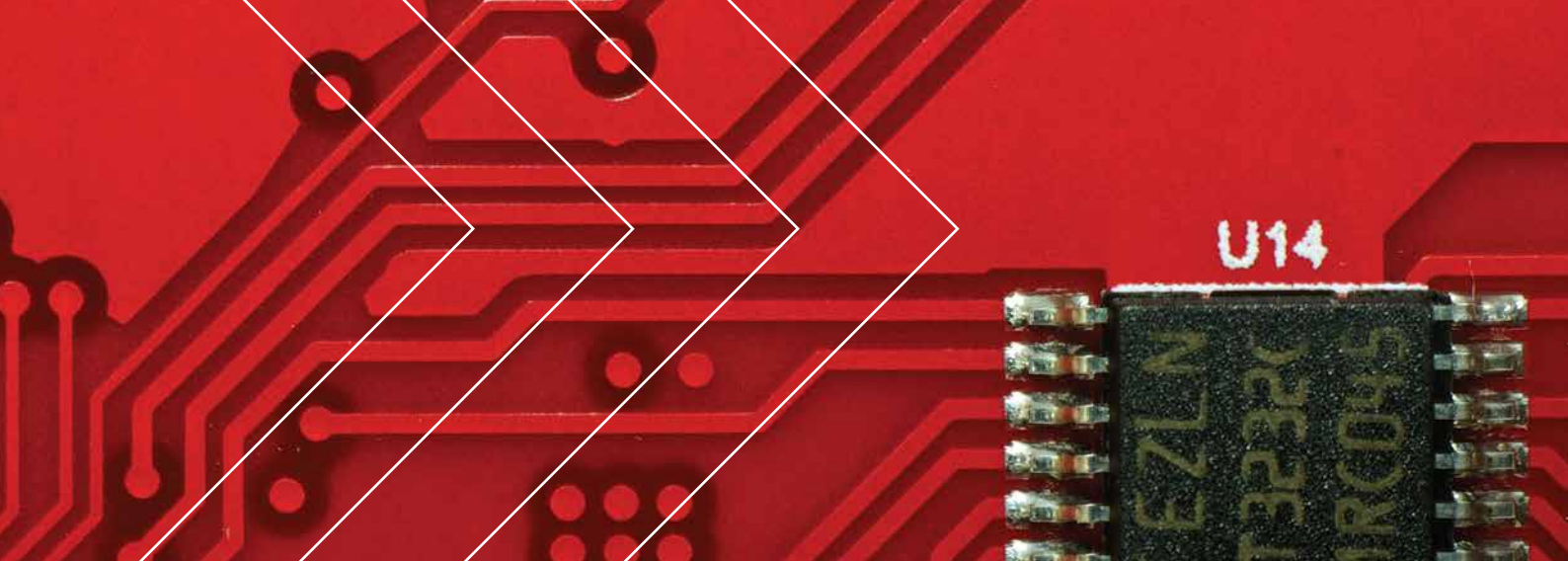
The target markets for ChronoLogic's range of products are quite considerable, amounting to several billions of dollars in revenue annually. They include:

- Test & Measurement Market
- Data Acquisition Market
- Precision Timing Market

ChronoLogic has developed a range of instruments for the test and measurement industry called 'Distributed Virtual Instrumentation' (DVI), incorporating its 'USB-inSync™' technology.

ChronoLogic is also pioneering new USB-based connectivity standard called 'UXI' to extend cross-platform interoperability from existing technology to the 'USB-inSync™' platform.





ChronoLogic's Technology

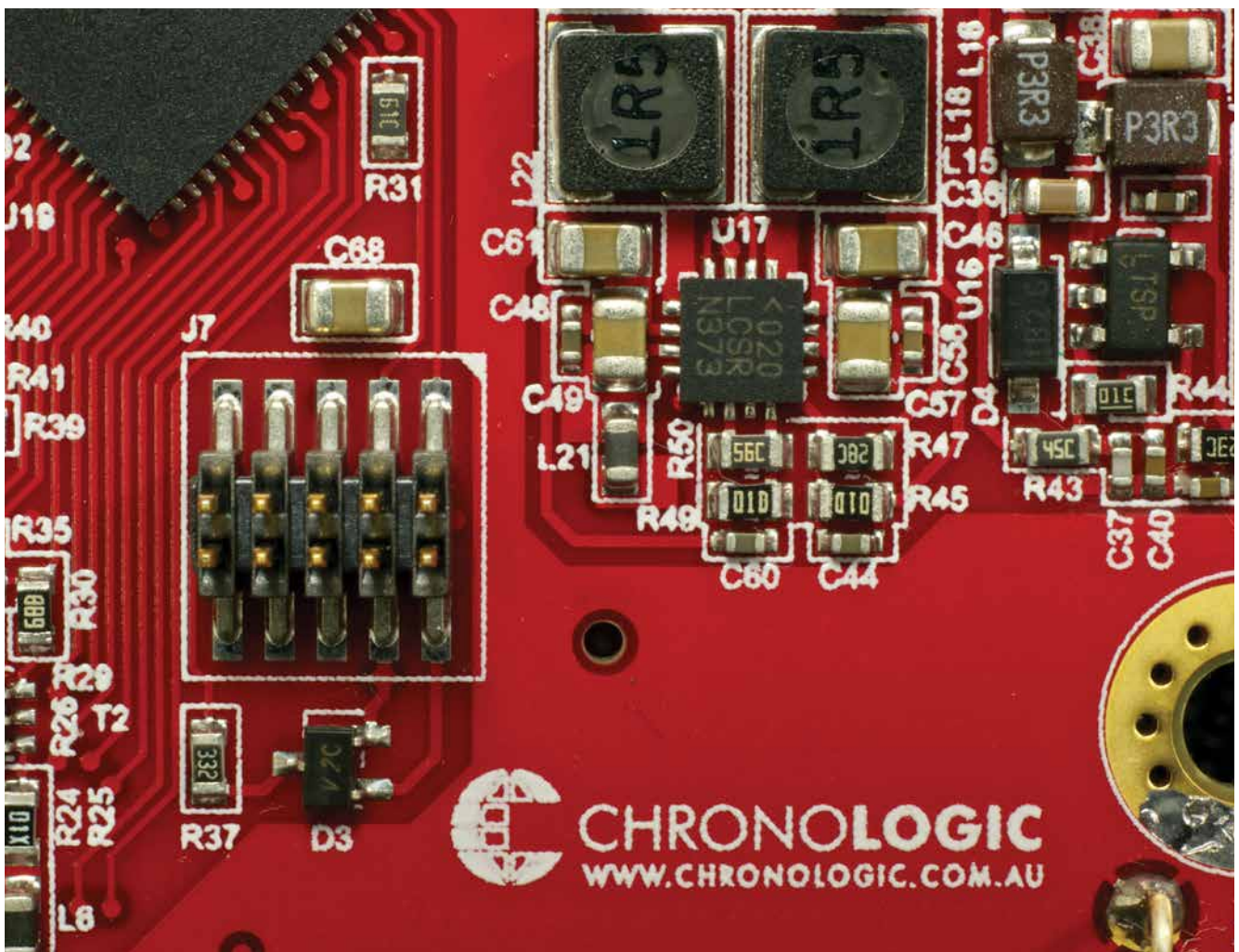
Virtually every consumer product we use today has been manufactured and tested in plants and laboratories using data acquisition and control systems, and test and measurement instrumentation. Applications fall within the Test, Control and Automation areas, including the semiconductor, automotive and mining industries through to medical diagnostics and food processing.

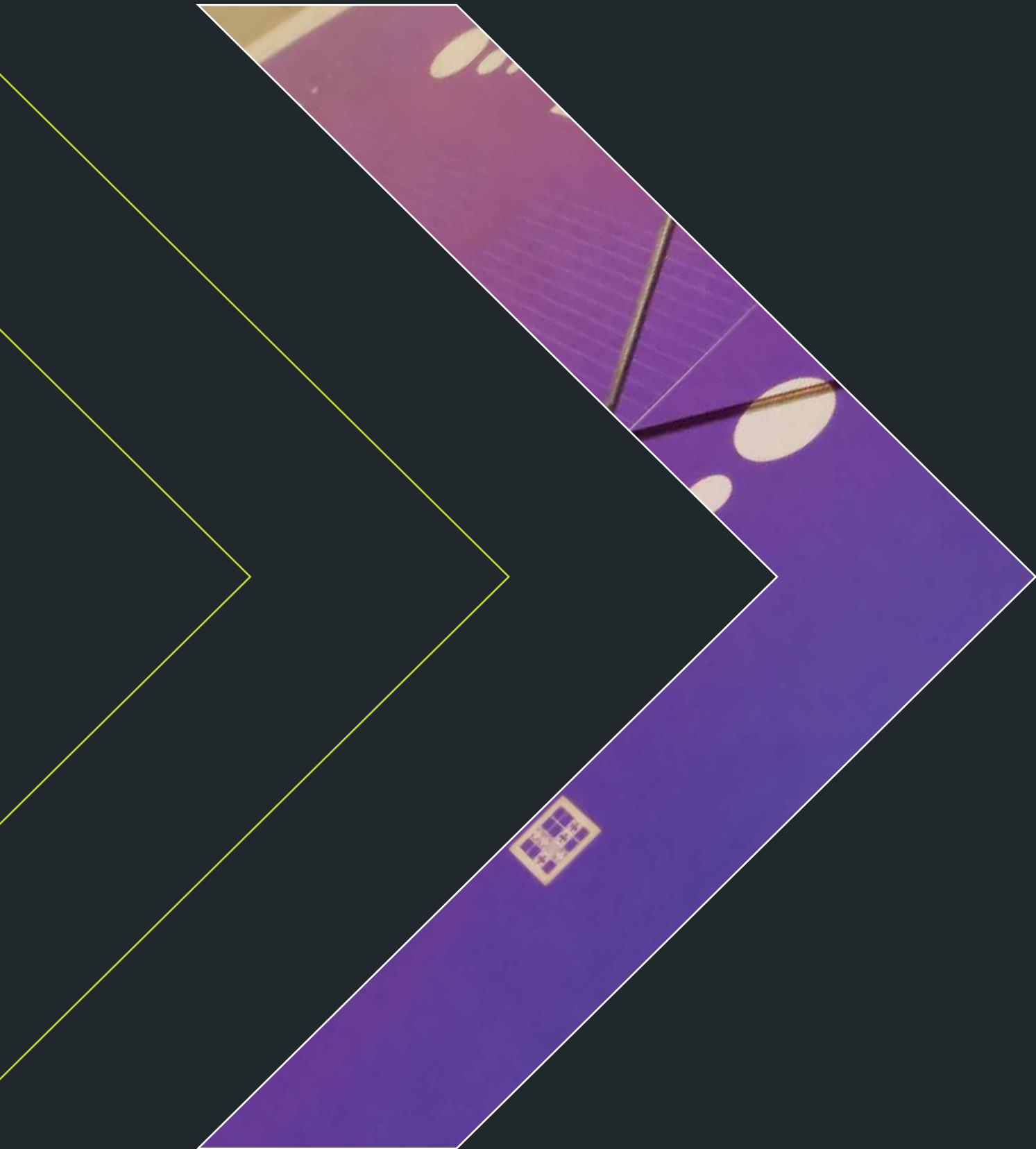
A large number of these applications require synchronous measurements and acquisition of data, and the ability to control processes and/ or events with precise relative timing.

These requirements are addressed for the first time on the low-cost USB-based instrumentation platform by ChronoLogic.

ChronoLogic's USB-inSync™ technology transforms the ubiquitous USB connection from a simple consumer connectivity data-bus to an instrumentation grade interface with class-leading synchronisation capabilities.

Following a review, discussions continue to secure strategic partners for the ChronoLogic technology and products.







**Concise Financial Report
for the year ended
30 June 2013**

**SILEX SYSTEMS LIMITED
& ITS SUBSIDIARIES**

ABN 69 003 372 067

Directors' Report

Your directors present their report on the consolidated entity consisting of Silex Systems Limited (Silex or the Company) and the entities it controlled at the end of, or during the year ended 30 June 2013.

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:

Prof S W R Burdon
Mr R P Campbell
Dr C S Goldschmidt
Dr M P Goldsworthy
Mr C D Wilks

Dr L M McIntyre was appointed a director on 2 July 2012 and Mr A M Stock was appointed a director on 1 August 2013 and both continue in office at the date of this report.

2. Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

- a) SILEX Technology: commercialisation of the Company's foundation technology – the laser isotope separation process for uranium enrichment known as the 'SILEX Technology';
- b) Solar Systems: research, development and commercialisation activities for the unique 'Dense Array' concentrated photovoltaic (CPV) system being developed for utility-scale solar power stations by wholly-owned subsidiary Solar Systems Pty Ltd;
- c) Translucent: research, development and commercialisation of novel semiconductor materials based on the 'rare earth oxide' family for application to the manufacturing of next generation devices in the semiconductor, power electronics and photovoltaics industries. These activities are being undertaken by Translucent Inc, a California based company in which Silex has a 99% fully diluted interest; and
- d) ChronoLogic: development and commercialisation of high precision timing and control products based on the proprietary USB-inSync™ technology targeting application in the electronic instrumentation markets. These activities are being undertaken by ChronoLogic Pty Ltd, in which Silex has a 90% interest.

3. Dividend

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

Directors' Report

4. Review of operations and activities

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

Trading Results

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

	2013	2012
	\$	\$
Revenue from continuing operations	23,654,025	9,438,691
Profit/(loss) before income tax expense	850,544	(17,982,777)
Income tax expense	-	-
Net profit/(loss) from continuing operations	850,544	(17,982,777)
Net (loss) from discontinued operation	(1,080,995)	(18,987,847)
Net (loss) for the year	(230,451)	(36,970,624)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	(93,119)	(36,792,005)
Non-controlling interests	(137,332)	(178,619)
	(230,451)	(36,970,624)

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 improved result for the period was mainly due to the US\$15.0m (AU\$15.4m) revenue from GE-Hitachi Global Laser Enrichment ('GLE') for the successful completion of the Test Loop Program Phase I Milestone. In addition, Silex Systems has continued to focus on lowering its operating cost structure whilst maintaining technical and commercialisation progress for each of its business segments.

The current year result was also impacted favourably by the R&D Tax Incentive program. The result included R&D Tax Incentive income of \$3.3m relating to the previous financial year which was not included in the FY2012 financial statements, as at the time of lodgement the value of the incentive could not be reliably measured.

The Silex Systems' segment result was \$15.9m profit in the current year compared to \$1.5m profit in the previous year. The discontinuation of the Silex Solar operation also contributed to the improved result with a loss of \$1.1m, compared to \$19.0m in the previous year. The Silex Systems' business segment profit was mostly offset by losses in the other business segments as commercialisation activities continued.

Directors' Report

Financial review

Details of segment results are detailed below:

Silex Systems

The segment result for the parent company Silex Systems was a profit of \$15.9m compared to a profit of \$1.5m in the previous year. The improved result in the current year was due to the successful completion of the Test Loop Program Phase I Milestone resulting in milestone revenue of US\$15.0m (AU\$15.4m) to Silex Systems (nil in the previous year).

Solar Systems

The segment result for Solar Systems was a loss of \$9.0m compared to a loss of \$11.6m for the previous year, mainly due to the due to the favourable impact of the R&D Tax Incentive program of \$2.8m and an increase in Government grant income of \$2.7m.

On 24th June 2013, Solar Systems announced that it had completed construction and commissioning of Australia's largest concentrating photovoltaic (CPV) solar power station (1.5MW) in Mildura, north-west Victoria. The construction of a demonstration CPV solar power station at the Nofa Resort near Riyadh, Saudi Arabia, is also well advanced. It will be the first off-shore demonstration facility using the CS500 'Dense Array' Dish CPV System.

Translucent

The segment result for Translucent, based in the United States, was a loss of \$4.6m compared to a loss of \$6.2m in the previous year, due to income received from the provision of goods and services to Solar Systems and implementation of other operational cost reductions.

ChronoLogic

The segment result for ChronoLogic was a loss of \$1.3m compared to a loss of \$1.7m in the previous year. The improved result was due to the favourable impact of the R&D Tax Incentive program of \$0.5m.

Balance sheet

A summary of our balance sheet is set out below:

	30 June 2013	30 June 2012
	\$	\$
ASSETS		
Total current assets	89,074,871	96,116,311
Total non-current assets	48,155,201	36,352,733
Total assets	137,230,072	132,469,044
LIABILITIES		
Total current liabilities	8,502,832	6,884,726
Total non-current liabilities	7,402,984	4,942,953
Total liabilities	15,905,816	11,827,679
Net assets	121,324,256	120,641,365
EQUITY		
Total equity	121,324,256	120,641,365

As at 30 June 2013, total assets were \$137.2m. Significant assets are cash holdings (cash and term deposits \$64.4m), trade and other receivables (\$21.0m – largely comprising payments due from GLE), property, plant and equipment (\$27.4m) and intangible assets comprising patents and other assets generated through previous acquisitions (\$20.6m). Total liabilities were \$15.9m and are made up of trade and other payables and provisions (e.g. amounts we have set aside for potential future liabilities, particularly those related to employees). The Group does not have any borrowings (e.g. bank debt) at present.

Directors' Report

5. Earnings per share

	2013	2012
	cents	cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	0.6	(10.5)
Diluted earnings per share	0.6	(10.5)
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(0.1)	(21.6)
Diluted earnings per share	(0.1)	(21.6)

6. Significant changes in state of affairs

The Silex Solar operation ceased all activities and the plant at Sydney Olympic Park was decommissioned and subsequently closed in October 2012. There were no other significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report.

7. Matters subsequent to the end of the financial year

The directors are not aware of any 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.

8. Likely developments and expected results of operations

Silex is a technology company with interests in a number of technology development projects both in Australia and overseas. Silex also has manufacturing operations through its subsidiary Solar Systems Pty Ltd at Abbotsford, Victoria. The Company's future prospects remain dependent on the outcomes of the various technology development programs, including the Company's success in ultimately commercialising those technologies.

Business strategies and future prospects – segmental analysis

The Group's segments are summarised below:

Silex Systems

Silex invented a novel method for enriching uranium using lasers in the mid-1990's, and after further development activities in Australia, is currently supporting the commercialisation of the SILEX Technology in Wilmington, North Carolina, USA under a Technology Commercialisation and License Agreement with GE-Hitachi Global Laser Enrichment (GLE) – a business venture owned by GE (51%), Hitachi (25%) and Cameco (24%). The successful completion of the Test Loop Program Phase I Milestone resulted in a US\$15m milestone payment to Silex.

Directors' Report

GLE is conducting a stage-gated approach to commercialisation of the SILEX laser enrichment technology, with the following three phases:

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

While pursuing the Phase II program and taking into account industry and market conditions, commercial opportunities and other factors, GLE plans to evaluate deployment of the technology and the construction of the first full-scale commercial production facility at Wilmington, North Carolina.

The US Department of Energy (DOE) issued a formal Request for Offers (RFO) for re-utilisation of the Paducah Gaseous Diffusion Plant facilities after the plant ceased operations in May 2013. GLE submitted a response to the RFO on 14th August which included a non-binding proposal to establish an enrichment plant at Paducah using the SILEX Technology. The Paducah enrichment plant proposal would potentially involve the processing of hundreds of thousands of tons of depleted uranium tails inventories owned by the DOE. The DOE expects to enter negotiations in the next few months and, if viable, execute an agreement in early 2014, or sooner if possible.

The global nuclear industry continues to face short-term issues following the tragic earthquake and tsunami events in Japan in March 2011, which led to the disaster at the Fukushima nuclear plant. Uranium enrichment pricing has been significantly impacted since the events of Fukushima, with prices currently down ~30%. Enrichment (and uranium) pricing is expected to remain depressed in the short-term (the next 2 to 3 years) due to the continuing effect of excess supply of uranium and enrichment services largely attributable to the Japanese nuclear reactor fleet being offline (to date only 2 of the 50 operable reactors have been re-started).

Even with the unique challenges facing the nuclear industry including uranium enrichment, the industry nevertheless offers a great opportunity to create a company of global significance in the energy sector with many governments around the world recognising that nuclear power is an important source of clean base-load energy in a carbon-constrained economy. It is anticipated that existing global nuclear power capacity will approximately double in the longer term and we will see a significant increase in the demand for uranium enrichment services. The risks surrounding industry growth projections and market conditions, most of which are beyond our control, could impact the Phase II and Phase III programs outlined above.

Solar Systems

Significant progress with the development of Solar Systems' unique concentrating photovoltaic (CPV) 'Dense Array' technology and associated intellectual property has been made in the last 12 months. During the year, Solar Systems announced it had completed construction and commissioning of Australia's largest concentrating photovoltaic (CPV) solar power station (1.5MW) in Mildura, Victoria. The 1.5MW solar power plant is a precursor to a 100MW plant at the same site. Construction of the 100MW Mildura Power Station Project is expected to commence in late 2014, subject to successful operation of the 1.5MW facility and securing the necessary funding arrangements. The 100MW Project has received conditional funding commitments of \$75 million from the Commonwealth Government and approximately \$35 million from the Victorian Government. The construction of a demonstration CPV solar power station (1MW) at the Nofa Resort near Riyadh, Saudi Arabia, is also well advanced. An option for a site for an additional off-shore demonstration plant (up to 1MW) has also been secured in Beaumont California, USA. Solar Systems will maintain this option and will review this opportunity later in CY2013. During FY2014 Solar Systems' business development activities will primarily focus on additional mid-sized project opportunities (10 to 50MW) in Australia, the Middle East and potentially USA.

Directors' Report

Translucent

Silex has a 99% fully diluted interest in Translucent Inc, a California based company which has developed novel semiconductor materials based on the 'rare earth oxide' family for application to the manufacturing of next generation devices in the semiconductor, power electronics and photovoltaics industries.

These technologies continue to be developed for commercial deployment. Potential customers in both the power electronics and CPV industries are continuing trials with Translucent's substrate and devices with steadily improving results being achieved. Future commercial prospects for the Translucent technology will depend on continued success with the technical program, third party validation of the technologies, protection of intellectual property including patents, and successful implementation of commercialisation strategies.

ChronoLogic

Silex holds a 90% interest in ChronoLogic, which has developed the world's first high precision timing and control products based on the ultra-low cost patented USB-inSync™ technology, including the enhanced Distributed Virtual Instrumentation (DVI) product range. ChronoLogic has been undertaking a process to secure appropriate strategic partners for its technology and/or products. Detailed discussions on possible business transactions, including joint venturing, merger or acquisition are continuing.

9. Share options

Shares under option

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

Number of options	Issue price of shares	Grant date	Expiry date
25,000	\$3.63	7th October 2008	6th October 2013
50,000	\$3.54	28th November 2008	27th November 2013
50,000	\$3.51	5th December 2008	4th December 2013
50,000	\$4.19	31st March 2009	30th March 2014
100,000	\$5.88	29th June 2009	28th June 2014
130,000	\$6.13	11th January 2010	10th January 2015
565,000	\$5.24	27th May 2010	26th May 2015
540,000	\$4.65	30th July 2010	29th July 2015
165,000	\$5.28	15th October 2010	14th October 2015
325,000	\$2.92	5th July 2011	4th July 2016
1,469,242	\$2.04	8th December 2011	7th December 2016
25,000	\$3.61	16th March 2012	15th March 2017
3,494,242			

No option holder has any right under the option to participate in any other share issue of the Company or of any other entity. Between the balance sheet date and the date of this report no options were granted.

Shares issued on the exercise of options

There were no ordinary shares of Silex Systems Limited issued during the year ended 30 June 2013 on the exercise of options granted under the Silex Systems Limited Employee Share Option Plan.

Between balance date and the date of this report, no options were exercised.

Directors' Report

10. Information on Directors

a) Directors' profiles

Professor Stephen Burdon

MBA BSc (Hons) FAICD, FAIM, FIE Aust
Chairman – Non-executive (director since 2011)

Experience and expertise

Professor Burdon has extensive management experience. He previously held the position of Managing Director of OTC, Group Managing Director of Telstra and Managing Director of British Telecom Asia Pacific. In addition, Professor Burdon has experience as a non-executive director on over a dozen private and public company boards in Australia, NZ, India and Japan. He is currently a Professor of Management at the University of Technology Sydney and CASS Business School London.

Other current directorships

None

Former directorships in last 3 years

Non-executive director of Transfield Services Limited (2000 to July 2010)

Special responsibilities

Member of Audit Committee

Member of People and Remuneration Committee (Chair to 4 February 2013)

Mr Peter Campbell

FCA, CTA, FAICD
Non-executive (director since 1996)

Experience and expertise

Mr Campbell has been an independent and non-executive director since 1996. He is a Chartered Accountant with his own practice based in Sydney and is a Fellow of both the Institute of Chartered Accountants in Australia and the Tax Institute of Australia. Mr Campbell is also a registered Company Auditor.

Other current directorships

Non-executive director of Sonic Healthcare Limited since 1993 and Chairman since October 2010 and non-executive director of QRxPharma Limited since 2007.

Former directorships in last 3 years

None

Special responsibilities

Chairman of Audit Committee

Member of People and Remuneration Committee

Dr Colin Goldschmidt

MB BCh, FRCPA, FAICD
Non-executive (director since 1992)

Experience and expertise

Dr Goldschmidt has extensive experience in listed public company management, operational company leadership, international business operations and healthcare and scientific markets in Australia, Europe and the USA. He is the CEO of Sonic Healthcare Limited, a global laboratory services company.

Other current directorships

Managing Director of Sonic Healthcare Limited since 1993.

Directors' Report

Former directorships in last 3 years

None

Special responsibilities

Member of Audit Committee

Dr Michael Goldsworthy

BSc (Hons), MSc, PhD, FAIP, MAICD

CEO/Managing Director – Executive (director since 1992)

Experience and expertise

Dr Goldsworthy received his PhD in Physics from The University of New South Wales. Prior to starting with Silex Systems Limited in 1988, Dr Goldsworthy was a member of the University's academic staff and was involved in a number of laser-associated research projects. Dr Goldsworthy is the founder of the Company and has been the driving force behind the SILEX uranium enrichment project, and the establishment of the consolidated entity's extensive interests in solar, semiconductor and photonics technologies. Dr Goldsworthy was awarded the Royal Society of NSW's James Cook Medal for 2009 which recognises outstanding contributions for science and human welfare.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Chief Executive Officer/Managing Director

Dr Lisa McIntyre

BSc (Hons) PhD, GAICD

Non-executive (director since July 2012)

Experience and expertise

Dr McIntyre is a company director for various companies including HCF, I-MED Network Pty Ltd, the Garvan Institute of Medical Research and Tutoring Australasia. Prior to 2011, Lisa was a senior partner in global strategic firm L.E.K. Consulting for 19 years and led L.E.K.'s Asia Pacific Life Science and Technologies practice in Sydney where she advised healthcare companies and organisations on strategy, commercialisation and performance issues.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Member of Audit Committee

Chairperson of People and Remuneration Committee (Member to 4 February 2013)

Directors' Report

Mr Andrew Stock

BEng (Chem) (Hons), FIE Aust, GAICD
Non-executive (director since 2013)

Experience and expertise

Mr Stock was appointed to the Board in August 2013. He is one of Australia's most senior business leaders in the energy sector, with over thirty years' experience in Australia and overseas. He spent eighteen years with Origin Energy in a number of senior executive positions.

Other current directorships

Non-executive director of Horizon Oil Limited since 2011 and non-executive director of Geodynamics Limited since 2003.

Former directorships in last 3 years

None

Mr Christopher Wilks

BComm, FAICD
Non-executive (director since 1988)

Experience and expertise

Mr Wilks has a background in chartered accounting and investment banking. He was previously a partner in a private investment bank and has held positions on the board of a number of public companies.

Other current directorships

Executive director of Sonic Healthcare Limited since 1989.

Former directorships in last 3 years

None

Special responsibilities

Business development and corporate strategy

b) Directors' interests in shares and options as at the date of this report

Director's name	Class of shares	No. of shares	Share options
Prof S W R Burdon	Ordinary	35,000	-
Mr R P Campbell	Ordinary	1,354,823	-
Dr C S Goldschmidt	Ordinary	2,525,937	-
Dr M P Goldsworthy	Ordinary	5,934,212	1,102,207
Dr L M McIntyre	Ordinary	8,230	-
Mr A M Stock	Ordinary	-	-
Mr C D Wilks	Ordinary	2,814,021	367,035

Directors' Report

11. Remuneration report

Message from the People & Remuneration Committee Chairperson

Dear Shareholder,

I am pleased to present the Silex Systems Limited Remuneration Report for the year ended 30 June 2013.

Report overview

The Board has endorsed our approach to the Remuneration Report this financial year. This Remuneration Report provides a summary of Silex's remuneration policy and practices throughout the past financial year as they apply to Silex's directors and Key Management Personnel (KMP). In particular, this report provides an overview of the implementation of the changes to remuneration practices that have occurred throughout 2013.

As stated in our 2012 Remuneration Report, it was the Company's objective to provide greater clarity and links between remuneration and the execution of the Group's strategy and performance. Throughout 2013, the Company has continued to implement such initiatives and to take performance into account at all times when reviewing remuneration for all employees of the Group.

The Remuneration Report contains disclosures as required by Australian regulations and additional disclosures relating to the structure and approach to remuneration at Silex.

Improvement initiatives

The Silex business model requires a top calibre executive team with both the leadership skills to manage diverse businesses across different geographies, as well as the technical expertise to manage and direct technical, scientific and regulatory matters of varying complexity in each business. The remuneration strategy for KMP is intended to ensure we have in place remuneration policies and programs that balance the following:

- Based upon a globally consistent framework with some local flexibility to enable us to hire, retain and motivate the requisite individuals and specialised talent in each of the markets in which we operate;
- Provide our key talent with incentive opportunities that have a clear alignment and appropriate balance between remuneration outcomes and short and long term company performance, including the accomplishment of major strategic imperatives. These performance based awards need to be delivered through a mix of cash and equity vehicles to provide KMP with a sense of ownership in the business and an appropriate level of reward for over-achievement. In this context, it should be noted that some of our businesses compete for specialised talent with start-up entities where equity is a key element of a competitive remuneration package;
- Compliance with relevant regulatory and legislative requirements in Australia and with global good governance practices; and
- The desire to be transparent in the disclosures and explanations associated with our remuneration practices while acknowledging the commercial sensitivity of some of the strategic targets and innovations upon which performance is assessed and incentive outcomes are determined.

As you will note by reading the Remuneration Report, the Company has continued throughout 2013 to modify the method and manner in which its KMP are remunerated. This has been achieved through adjusting the alignment between company performance and remuneration outcomes.

Directors' Report

Throughout 2013, the People & Remuneration Committee has also focused attention on ensuring that the Short Term Incentive Plan (STIP) continues to align remuneration with Company performance, while also being market-based in its operation. The Committee continues to acknowledge that for some key employees, the STIP needs to include an assessment of strategic accomplishments, including innovations and commercialisation initiatives that do not result in an immediate 'bottom line' impact but may be the essence of our future growth.

In recognising that there is a requirement to ensure our remuneration policies reinforce Silex's future strategies and reward performance for achieving these strategies, we continue to have confidence that our approach to remunerating KMP with a market-based remuneration structure with an appropriate at-risk component appropriately aligns KMP and shareholder risk and rewards. The Committee will continue to review the STIP and Long Term Incentive Plan (LTIP) to ensure the "flow" of annual award grants is in line with good governance and to ensure we have in place controls to manage the overall total equity committed to equity based incentives and employee share acquisition. Such reviews will continue to take into account shareholders' perspectives and good governance guidelines issued by investor groups such as the Australian Council of Super Investors (ACSI).

Further details on our remuneration approach and the remuneration for the 2013 financial year are set out in this Remuneration Report. We hope we have demonstrated our continued undertaking to align KMP remuneration and reward with performance, and look forward to answering any questions you may have at our Annual General Meeting in November 2013.



Dr Lisa McIntyre
Chairperson, People & Remuneration Committee

Directors' Report

Remuneration Report

Contents

The Remuneration Report is presented in eight sections:

Section

- 1.0 Directors and Key Management Personnel disclosed in this report**
- 2.0 Remuneration governance**
 - 2.1 Board oversight
 - 2.2 People & Remuneration Committee structure
 - 2.3 Use of remuneration consultants
- 3.0 Linking remuneration to company performance**
 - 3.1 Remuneration strategy and structure
 - 3.2 Performance Rights Plan
 - 3.3 Employee Share Option Plan
 - 3.4 Share Trading Policy
- 4.0 Non-executive directors' remuneration**
- 5.0 Chief Executive Officer/Managing Director & Key Management Personnel remuneration**
 - 5.1 Chief Executive Officer/Managing Director remuneration**
 - 5.1.1 Remuneration structure
 - 5.1.2 Short Term Incentive – 2013 financial year outcome
 - 5.1.3 Long Term Incentive – 2013 financial year outcome
 - 5.2 Other Key Management Personnel remuneration**
 - 5.2.1 Short Term Incentive – 2013 financial year outcome
 - 5.3 Summary of Key Management Personnel contracts**
- 6.0 Directors' and Key Management Personnel's remuneration**
- 7.0 Other statutory disclosures**
 - 7.1 Analysis of options over equity instruments granted as remuneration
- 8.0 Company performance and consequences on shareholder wealth**
 - 8.1 Relationship between remuneration and company performance
 - 8.2 Details of remuneration: cash bonuses, rights, options and restricted shares
 - 8.3 Restrictions on limiting risk
 - 8.4 Other executives of the consolidated entity
 - 8.5 Performance of Silex Systems Limited

Directors' Report

1.0 Directors and Key Management Personnel disclosed in this report

The 2013 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 Key Management Personnel (KMP) of the Group. KMP for the 2013 financial year are as follows:

Name	Position
Non-executive and executive directors	
Prof S W R Burdon	Chairman and non-executive director
Mr R P Campbell	Non-executive director
Dr C S Goldschmidt	Non-executive director
Dr M P Goldsworthy	Managing Director/CEO – Executive director
Dr L M McIntyre	Non-executive director
Mr C D Wilks	Non-executive director
Other key management personnel	
Ms J E Ducie	CFO/Company Secretary

2.0 Remuneration governance

2.1 Board oversight

The Silex Board is ultimately responsible for ensuring that the Group'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.

Consistent with this responsibility, the Board's People & Remuneration Committee assists in making recommendations. The People & Remuneration Committee is comprised solely of non-executive directors, all of whom are considered by the Board to be independent directors.

In order to ensure that it is fully informed about the Group's remuneration strategies, structures and decision making processes, the People & Remuneration Committee meets regularly with Management in attendance by invitation.

Directors' Report

2.2 People & Remuneration Committee structure

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

Members of the People & Remuneration Committee as at the date of this report were as follows:

Committee members	Dr L M McIntyre – (member from 2 July 2012, Chairperson from 5 February 2013) Prof S W R Burdon (member for full year, Chairman until 4 February 2013) Mr R P Campbell
Committee secretary	Ms A N Scott (appointed 5 February 2013) Ms J E Ducie (from 6 August 2012 until 4 February 2013)
Number of meetings in FY13	4
Other individuals who regularly attended meetings	Dr M P Goldsworthy – CEO/MD Ms J E Ducie - CFO/Company Secretary

The role of the People & Remuneration Committee is to:

- Review and recommend to the Board the appropriate remuneration policies and practices for the Group, and its specific application to KMP, as well as the general application to all employees;
- Determine levels of reward to the CEO/MD and other KMP;
- Provide guidance to the Chair of the Board on evaluating the performance of the CEO/MD;
- Review and make recommendations to the Board regarding the remuneration of non-executive directors; and
- Communicate with shareholders and other key stakeholders on remuneration policy.

The role and responsibilities of the People & Remuneration Committee are set out in the People & Remuneration Committee Charter, which is available on the Company's website at: www.silex.com.au/about/corporate-governance. The Charter is reviewed regularly and was last reviewed in April 2013. Further information on the People & Remuneration Committee is provided in the Corporate Governance Statement of this Annual Report.

Directors' Report

2.3 Use of remuneration consultants

The People & Remuneration Committee directly engages external advisors to provide input on the process of reviewing remuneration when required. Such advice will typically cover non-executive and executive director remuneration, KMP remuneration and advice in relation to incentive plans. Remuneration consultants are engaged by and report directly to the People & Remuneration Committee.

The Silex Board's People & Remuneration Committee approved the engagement of Aon Hewitt to provide remuneration recommendations including: a KMP remuneration benchmark review and a recommendation on the STI and LTI award for the 2013 financial year for the CEO/MD. Aon Hewitt has now provided their recommendations in relation to these matters for the 2013 and the 2014 financial years.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence from any members of the KMP:

- Aon Hewitt was engaged by, and reported directly to, the Chair of the People & Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the People & Remuneration Committee under delegated authority on behalf of the Board;
- The report containing the remuneration recommendations was provided by Aon Hewitt directly to the Chair of the People & Remuneration Committee; and
- Aon Hewitt was permitted to speak to Management throughout the engagement to understand company processes, practices and other business issues and obtain Management perspectives. However, Aon Hewitt was not permitted to provide any member of Management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

The remuneration recommendations were provided to Silex as an input into decision making only. The People & Remuneration Committee considered the recommendations along with other factors in making its remuneration decisions.

The total fees paid to Aon Hewitt for the remuneration recommendations were \$9,200. There were no other services provided by Aon Hewitt for the financial year ended 30 June 2013.

Directors' Report

3.0 Linking remuneration to company performance

3.1 Remuneration strategy and structure

The remuneration strategy has been designed to attract, motivate and retain high quality personnel whilst having regard to contemporary market practice and good governance. These arrangements are also aligned with organisational practices and behaviours and aim to drive improvement to total shareholder value, whilst taking into account the dynamic labour market and regulatory landscape. The Group's aim is to reward KMP with a level and mix of remuneration commensurate with their position and responsibilities within the Company and competitive within the market in which they were recruited.

Those KMP who have a greater ability to influence outcomes have a greater proportion of overall remuneration 'at risk'.

The following table provides a summary of the three key remuneration components for KMP for the 2013 financial year:

Total Fixed Remuneration	
Composition	Comprises base salary, superannuation and any other packaged benefits.
Purpose	To provide competitive fixed remuneration set with reference to role, market and experience.
Link to performance	Company and individual performance are considered during the annual remuneration review.

Short Term Incentives (STI)	
Composition	<p>All KMP are eligible to participate in the STI Plan.</p> <p>Awards are currently paid in cash, performance rights, options or share awards.</p> <p>STI rewards are generally based on a percentage of the KMP's Total Fixed Remuneration (TFR). This percentage is recommended to the Board by the People & Remuneration Committee and is dependent on the KMP's role and responsibilities and ability to influence outcomes for the Group.</p>
Purpose	To reward KMP for their contribution to achievement of Group and/or divisional outcomes, as well as divisional Key Performance Indicators (KPIs). Deferral of a portion of the short term incentive earned into equity (performance rights, options or shares) will further align reward with Group performance.
Link to performance	<p>Operating cash flow is a key financial metric (performance to approved budget).</p> <p>Linked to other non-financial measures, such as commercial deliverables, performance, and specific operational and strategic deliverables for the Group.</p> <p>STI awards granted in equity (rights, options, shares) may be "clawed back" if the relevant KMP acts fraudulently or dishonestly or breaches their obligations to the Group (this may apply, for example, where there are accounting irregularities, unethical behaviour or compliance breaches as a result of a KMP's fraudulent or dishonest conduct).</p>

Directors' Report

Long Term Incentives (LTI)	
Composition	<p>All KMP are eligible to participate in the LTI Plan. LTI awards may be made under the Employee Share Option Plan (ESOP) or the Performance Rights Plan (PRP).</p> <p>These award vehicles provide the People & Remuneration Committee with the flexibility to determine the nature, terms and conditions of each grant each year.</p> <p>The final decision on the award vehicle is determined by the full Board at their discretion.</p>
Purpose	<p>LTIs are intended to specifically create a link between long-term shareholder value and the retention and remuneration of KMP.</p> <p>Delivering LTI in options and/or performance rights is considered the best way to recognise and reward the accomplishment of commercially sensitive strategic business initiatives and scientific and regulatory breakthroughs. Participants are aligned to these accomplishments, delivering significant value in future years rather than in the current year.</p>
Link to performance	<p>LTI award performance measures for KMP will be linked to metrics such as total shareholder return over the award period relative to the ASX 300 Index.</p> <p>KMP LTI award criteria may also be subject to a minimum share price hurdle established at the time of award.</p> <p>LTI awards granted in equity (options, performance rights) may be "clawed back" if the relevant KMP acts fraudulently or dishonestly or breaches their obligations to the Group (this may apply, for example, where there are accounting irregularities, unethical behaviour or compliance breaches as a result of a KMP's fraudulent or dishonest conduct).</p>

The Group's policy is to position total fixed remuneration at or around the median percentile of direct industry peers and other Australian listed companies of a similar size and complexity. Variable remuneration opportunities are intended to provide the opportunity to earn total remuneration above the market median for outstanding performance against the stretch targets set.

Remuneration levels are considered annually in a thorough remuneration review that considers market data, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment. This review is conducted by the People & Remuneration Committee in consultation with independent remuneration consultants.

3.2 Performance Rights Plan

During FY2013, the Company took steps to implement the new Performance Rights Plan as approved by Shareholders at the 2012 AGM. This Plan was designed to ensure that Silex's remuneration framework is aligned with both the Company's business strategy and the remuneration structures of other publicly listed companies in Australia.

The new plan is structured in a manner whereby awards which are granted (described as performance rights) are a right to acquire fully paid ordinary shares in the Company for nil exercise price, subject to meeting certain pre-determined KPIs and vesting conditions. Performance rights awards are anticipated to be made annually to KMP and other senior personnel of the Company at the sole discretion of the Board.

In accordance with Shareholder approval, the Performance Rights Plan has been designed such that it may be used as a Short Term Incentive or Long Term Incentive vehicle.

Directors' Report

The key terms of the plan are as follows:

What is the purpose of the PRP and who may be awarded performance rights?	<p>The PRP is designed to attract, motivate and retain quality personnel and senior employees to the Company, and align their interests with those of shareholders through the allocation of performance rights that are subject to the satisfaction of pre-determined vesting conditions.</p> <p>The Company may select full-time and permanent part-time employees and officers of the Group, or other persons as determined by the Board, to receive performance rights.</p>
What is the maximum allocation under the PRP?	<p>The PRP and the ESOP set an aggregate cap on issuing performance rights and options of up to 5% of the total equity of the Company in any 2 year reference period. The Board does not currently envisage the need to issue performance rights and options of more than 5% of the total equity in the Company in any 5 year reference period.</p>
What are the vesting conditions?	<p>Vesting conditions are determined by the Company on a case by case basis to be most relevant to each recipient. This allows flexibility to tailor awards to best incentivise particular segments of Management and set specific goals for them relevant to their role in the Group. In general, vesting conditions may:</p> <ul style="list-style-type: none"> • require the recipient to continue in employment with the Group for a particular period of time (service period); and/or • be based on a performance hurdle being achieved (such as project specific targets or metrics such as total shareholder return).
What vesting conditions apply to KMP?	<p>Refer to section 3.1 for details on vesting conditions that may apply to KMP of the Company.</p>
Are there hedging restrictions?	<p>Yes – recipients are restricted from entering into or procuring another person from entering into any scheme, arrangement, or transaction that protects the value of a performance right allocated under the PRP, or shares which will be issued, transferred or allocated on exercise of performance rights.</p>
What happens if a recipient engages in fraudulent or dishonest action, or breaches their obligations to the Group?	<p>If the Board determines that a recipient has acted fraudulently or dishonestly, or breached their obligations to the Group it may:</p> <ul style="list-style-type: none"> • cancel that recipient's un-exercised performance rights; • forfeit shares held by that recipient through the exercise of performance rights (by implementing a buy-back or mandatory transfer); and • require the recipient to pay the Company any proceeds received from the sale of any share issued on exercise of performance rights, and repay any distributions or dividends paid on those shares.
Expiry of performance rights	<p>A performance right will expire on the earliest of:</p> <ul style="list-style-type: none"> • the expiry date determined for that performance right on grant; • immediately on the recipient ceasing employment with the Group; and • when any vesting condition becomes incapable of satisfaction; <p>unless otherwise determined by the Company.</p>

3.3 Employee Share Option Plan

The Board has also determined that it would be beneficial to refresh the company's existing Employee Share Option Plan (ESOP) to ensure consistency with the PRP and update it for changes to law since the ESOP was originally adopted.

Accordingly, the Board will terminate the existing ESOP during FY2014 and adopt a new ESOP on the following terms. Any existing awards under the old ESOP will continue to be governed by those terms.

The new ESOP will be structured in a manner whereby awards which are granted (options) are a right to acquire fully paid ordinary shares in the Company for an exercise price determined at the time of issue of the options, subject to meeting certain pre-determined KPIs and vesting conditions. Options are anticipated to be granted infrequently, as determined by the Board to KMP and to other senior personnel to supplement other remuneration mechanisms.

Directors' Report

The key terms of the new ESOP are as follows:

What is the purpose of the ESOP and who may be awarded options?	The ESOP is intended to attract, motivate and retain the most senior personnel of the Company, and align their interests with those of shareholders through the allocation of options that are subject to the satisfaction of pre-determined vesting conditions.
What is the maximum allocation under the ESOP	The ESOP and the PRP set an aggregate cap on issuing performance rights and options of up to 5% of the total equity of the Company in any 2 year reference period. The Board does not currently envisage the need to issue performance rights and options of more than 5% of the total equity in the Company in any 5 year reference period.
Will there be an issue price or exercise price payable on options issued under the ESOP?	Yes – the ESOP allows the Company flexibility to determine the appropriate issue price and exercise price attached to options as circumstances change.
What are the vesting conditions?	Vesting conditions are determined by the Company on a case by case basis to be most relevant to each recipient. This allows flexibility to tailor awards to best incentivise senior officers and set specific goals for them relevant to their role in the Group. In general, vesting conditions may: <ul style="list-style-type: none"> • require the recipient to continue in employment with the Group for a particular period of time (service period); and/or • be based on a performance hurdle being achieved (such as project specific targets or metrics such as total shareholder return).
What vesting conditions apply to KMP?	Refer to section 3.1 for details on vesting conditions that may apply to KMP of the Company.
Are there hedging restrictions?	Yes – recipients are restricted from entering into or procuring another person from entering into any scheme, arrangement, or transaction that protects the value of an option allocated under the ESOP, or shares which will be issued, transferred or allocated on exercise of options.
What happens if a recipient engages in fraudulent or dishonest action, or breaches their obligations to the Group?	If the Board determines that a recipient has acted fraudulently or dishonestly, or breached their obligations to the Group it may: <ul style="list-style-type: none"> • cancel that recipient's un-exercised options; • forfeit shares held by that recipient through the exercise of options (by implementing a buy-back or mandatory transfer); and • require the recipient to pay the Company any proceeds received from the sale of any share issued on exercise of options, and repay any distributions or dividends paid on those shares.
Expiry of options	An option will expire on the earliest of: <ul style="list-style-type: none"> • the expiry date determined for that option on grant; • immediately on the recipient ceasing employment with the Group; and • when any vesting condition becomes incapable of satisfaction; unless otherwise determined by the Company.

3.4 Share Trading Policy

The trading of shares issued to participants under any of the company's employee equity plans is subject to, and conditional upon, compliance with the company's share trading policy.

Directors' Report

4.0 Non-executive directors' remuneration

The maximum annual aggregate directors' fee pool limit is \$750,000 and was approved by shareholders at the 2011 AGM.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration consultant. Independent market analysis suggests the directors' fees remain below market, however recognise current business circumstances, market capitalisation and shareholder perspectives. To date, our below average market fees have not been a hindrance to bringing on Board top calibre new independent directors.

There is currently no proposed change to the existing fee structure:

	Chairman	Member
Board	100,000	80,000
Audit Committee	8,000	6,000
People & Remuneration Committee	8,000	6,000

In addition to these fees, superannuation contributions will be paid to the benefit of all non-executive directors capped at the maximum amount required under the Superannuation Guarantee Legislation.

5.0 Chief Executive Officer/Managing Director & Key Management Personnel remuneration

5.1 Chief Executive Officer/Managing Director Remuneration

5.1.1 Remuneration structure

For the 2013 financial year, the CEO/MD's remuneration package included a mix of total fixed remuneration, short term and long term incentives (at-risk). The below table provides a summary for the 2013 financial year:

Total Fixed Remuneration for CEO/MD	
Composition	Base salary, superannuation and packaged motor vehicle benefits.
Assessment	Based on responsibilities and performance.
At Risk	No

Short Term Incentive Plan for CEO/MD	
Composition	Maximum value of 50% of TFR. Restricted Silex Systems Limited ordinary shares.
Assessment	A mix of agreed performance criteria comprising financial metrics and one key strategic/commercial objective for each of the Silex Group businesses. The performance criteria and their actual calibration and weighting were established at the beginning of the financial year.
At Risk	Yes

Directors' Report

Long Term Incentive Plan for CEO/MD	
Composition	Maximum value of proposed LTI award is 125% of 2013 financial year TFR value. Restricted Silex Systems Limited ordinary shares.
Assessment	<p>The LTI has a 3 year performance period from 1 July 2012 until 30 June 2015. At the completion of the performance period, any award of performance based Silex Systems Limited ordinary shares will be subject to an additional escrow period, ending 3 years following the end of the performance period.</p> <p>The actual LTI payable is subject to performance criteria as approved by Shareholders at the 2012 AGM. These performance criteria include a Total Shareholder Return (TSR) performance condition over a 3 year period and a Share Price Hurdle of \$5.40 as at 30 June 2015.</p> <p>The TSR Performance Condition applied to KMP LTI awards will be measured over a 3 year performance period relative to the ASX 300 Index:</p> <ul style="list-style-type: none"> • TSR less than 50th percentile = 0% vesting • TSR at 50th percentile = 25% vesting • TSR at 75th percentile = 75% vesting • TSR at or above 95th percentile = 125% vesting • Pro rata vesting between each of the above <p>The target TSR has been set at the 85th percentile to achieve 100% vesting. This compares to 100% vesting at the 75th percentile which is the prevalent market practice. This higher hurdle and the 25% premium for market leading outperformance are consistent with our understanding of investor expectations.</p>
At Risk	Yes

5.1.2 Short term incentive – 2013 financial year outcome

For the 2013 financial year, the Board, in its discretion and in recognition of the successful completion of the Phase I Test Loop Milestone for the SILEX uranium enrichment project that triggered a US\$15m payment to Silex, awarded the CEO/MD a \$100,000 allotment of restricted shares.

The allotment of STI restricted shares will be issued following the 2013 AGM at the volume weighted average price (VWAP) of ordinary shares over the five trading days immediately preceding the 2013 AGM.

5.1.3 Long term incentive – 2013 financial year outcome

In accordance with approval granted by Shareholders at the 2012 AGM, the CEO/MD was granted a LTI to a maximum total value of 125% of 2013 financial year TFR. The performance period was specified as being from 1 July 2012 until 30 June 2015.

Directors' Report

5.2 Other Key Management Personnel Remuneration

For the 2013 financial year, the remuneration packages for other KMP include a mix of fixed and short term incentives (at-risk). The below table provides a summary for the 2013 financial year:

Total Fixed Remuneration for KMP	
Composition	Base salary and superannuation.
Assessment	Based on responsibilities and performance.
At Risk	No

Short Term Incentive Plan for KMP	
Composition	Awards are currently paid in cash, performance rights, options or shares.
Assessment	Short term incentives paid by cash are subject to the achievement of divisional and Group financial performance, supplemented by strategic and commercial measures specific to business unit deliverables. For FY2013 STIs paid via equity were subject to a 2 year escrow period following the end of the performance period.
At Risk	Yes

5.2.1 Short term incentive – 2013 financial year outcome

For the 2013 financial year, the actual STI award for other KMP (Group CFO/Company Secretary) was determined having regard to the Group's cash flow targets and the Board's assessment of performance and progress in achieving the agreed commercially sensitive strategic objectives for each of the businesses within the Group as at 1 July 2012.

Due to the challenging nature of the targets set, it was deemed that 80% achievement was made for the 2013 financial year. This will result in an award of 80% of the maximum short term incentive opportunity of \$50,000. The award of \$40,000 (80% x \$50,000) will be paid by 75% cash and 25% escrow shares. The allotment of STI escrowed shares will be issued in October 2013 (prior to 31 October 2013) using a volume weighted average (VWAP) calculation for the five trading days immediately preceding 30 September 2013.

For commercially sensitive reasons, short term incentive targets for KMP are not published within this Remuneration Report, however the People & Remuneration Committee believe that all targets are set appropriately given market expectation of capital returns.

5.3 Summary of Key Management Personnel contracts

It is the Group's policy that service contracts for KMP, including the CEO/MD and CFO/Company Secretary are unlimited in term however, capable of termination in accordance with their contracts.

With reference to the CEO/MD the notice period is 6 months. An additional termination benefit of 6 months total fixed remuneration may be paid in the event a restraint or 'gardening leave' provision is applied. Any STI or LTI in place at the time of gardening leave/termination commencement will be dealt with in accordance with the rules governing the respective plans and in line with the specific termination parameters provided to shareholders at the time of approval of the equity incentive arrangements.

The Group retains the right to terminate all service contracts with KMP immediately by making payment in lieu of notice or as otherwise mutually agreed between the parties. On termination of employment, KMP are also entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Directors' Report

Service contracts outline the components of remuneration paid to KMP in accordance with the Group's remuneration policy. Fixed remuneration levels are reviewed annually; however there is no obligation to provide any adjustment. Any adjustment would take into account the KMP's performance and contribution, the positioning of the current remuneration relative to the indicative market median, any change in the scope of the role and any changes required to meet the principles of the Group's remuneration policy and strategy.

KMP have no entitlements to payment in lieu of notice in the event of removal for misconduct.

6.0 Directors' and Key Management Personnel's remuneration

The table below has been prepared in accordance with the requirements of the *Corporations Act 2001* and relevant accounting regulations in Australia.

2013	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments		Total
	Cash salary and fees*	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	Deferred Rights	
Name	\$	\$	\$	\$	\$	\$	\$	\$
Executive directors								
Dr M P Goldsworthy	760,523	-	63,549	16,740	14,623	231,390	161,349	1,248,174
Non-executive directors								
Prof S W R Burdon	113,200	-	-	10,188	-	-	-	123,388
Mr R P Campbell	94,000	-	-	8,460	-	-	-	102,460
Dr C S Goldschmidt	86,000	-	-	7,740	-	-	-	93,740
Dr L M McIntyre (from 2 July 2012)	92,800	-	-	8,352	-	-	-	101,152
Mr C D Wilks	127,844	-	-	13,500	(1,303)	77,053	-	217,094
Other KMP								
Ms J E Ducie	238,170	30,000	-	24,840	1,879	38,437	10,000	343,326
Total	1,512,537	30,000	63,549	89,820	15,199	346,880	171,349	2,229,334

* inclusive of movement in annual leave accruals

Directors' Report

2012	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments		
Name	Cash salary and fees*	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	Options	Deferred Rights	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Executive directors								
Dr M P Goldsworthy	755,773	-	75,448	15,775	46,193	130,593	304,000	1,327,782
Non-executive directors								
Prof S W R Burdon	91,797	-	-	8,262	-	-	-	100,059
Mr R P Campbell	89,262	-	-	8,034	-	-	-	97,296
Dr C S Goldschmidt	83,285	-	-	7,496	-	-	-	90,781
Mr C D Wilks	142,704	-	-	11,984	823	43,487	-	198,998
Other key management personnel								
Ms J E Ducie	177,049	-	-	24,347	1,912	74,483	-	277,791
Mr B J Spillane (until 12 September 2011)	25,983	-	3,060	2,338	481	-	-	31,862
Total	1,365,853	-	78,508	78,236	49,409	248,563	304,000	2,124,569

* inclusive of movement in annual leave accruals

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*	
	2013	2012	2013	2012	2013	2012
Directors						
Prof S W R Burdon (NED)	100.0%	100.0%	N/A	N/A	N/A	N/A
Mr R P Campbell (NED)	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr C S Goldschmidt (NED)	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr M P Goldsworthy (ED)	68.5%	67.3%	8.0%	22.9%	23.5%	9.8%
Dr L M McIntyre (NED)	100.0%	N/A	N/A	N/A	N/A	N/A
Mr C D Wilks (NED)	64.5%	78.1%	N/A	N/A	35.5%	21.9%
Other key management personnel						
Ms J E Ducie	77.2%	73.2%	11.6	-	11.2%	26.8%
Mr B J Spillane (until 12 September 2011)	N/A	100.0%	N/A	-	N/A	-

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

Directors' Report

7.0 Other statutory disclosures

7.1 Analysis of options over equity instruments granted as remuneration

Options are granted under the Silex Systems Limited Employee Share Option Plan. Full-time and part-time staff of the Group are eligible to participate in the plan. Options are granted under the plan for no consideration. Options are granted for a five year period and options issued to 15 March 2012 vest 100% after two years. Options issued from 16 March 2012 vest 100% after three years as recommended by various governance bodies.

In accordance with shareholder approval granted at the 2011 AGM, options were granted to the CEO/MD and non-executive director Mr Chris Wilks during the financial year ended 30 June 2012. These options were granted for a five year period and vest after three years subject to a Total Shareholder Return (TSR) hurdle measured over a three year performance period relative to the ASX 300 Index.

No options over ordinary shares in the company were provided to any director of Silex Systems Limited or KMP of the Group during the year. In addition, no options for any director of Silex Systems Limited or KMP lapsed or were cancelled during FY2013.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable (subject to share price hurdle)	Share price hurdle
30th July 2010	29th July 2015	\$4.65	\$1.97	100% after 30th July 2012*	\$4.86
5th July 2011	4th July 2016	\$2.92	\$1.18	100% after 5th July 2013	\$3.05
8th December 2011	7th December 2016	\$2.04	\$0.63	100% after 8th December 2014	\$2.13

* 40,000 options to Ms J E Ducie vested during the year, however as the share price hurdle has not been met, these options remain unable to be exercised.

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 days immediately preceding the date options are granted, plus five cents.

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

There were no options granted to any individual during FY2013.

Shares provided on exercise of remuneration options

There were no ordinary shares issued in the Company provided as a result of the exercise of remuneration options to each director of Silex Systems Limited and other KMP of the Group for FY2012 and FY2013.

Directors' Report

8.0 Company performance and consequences on shareholder wealth

8.1 Relationship between remuneration and company performance

The overall level of KMP reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year.

8.2 Details of remuneration: cash bonuses, rights, options and restricted shares

For each cash bonus, grant of options, rights or issue of restricted shares included in the tables on pages 48-49, the percentage of the available bonus or grant that was paid, or that vested, is set out below. The maximum value of options to vest is based on the value determined using the binomial model taking the value calculated as at grant date.

Details of options included in the tables on pages 48-49 are:

Name	Year of grant	Years in which options may vest	Number of options granted	Vested %	Number of options forfeited during the year	Maximum total value of grant to vest
Dr M P Goldsworthy	Y/E 30/06/2012	Y/E 30/06/2015	1,102,207	-	-	694,170
Mr C D Wilks	Y/E 30/06/2012	Y/E 30/06/2015	367,035	-	-	231,159
Ms J E Ducie	Y/E 30/06/2011	Y/E 30/06/2013*	40,000	100	-	N/A
Ms J E Ducie	Y/E 30/06/2012	Y/E 30/06/2014	60,000	-	-	70,716

* The options issued to Ms J E Ducie are subject to a share price hurdle of \$4.86 which had not been achieved between the period between two years after grant date and 30 June 2013.

Details of STI restricted shares included in the tables on pages 48-49 are:

Name	Awarded %	Forfeited %	Year granted	Number granted	Value per share \$	Maximum value of shares to grant \$
Dr M P Goldsworthy	76%	24%	Y/E 30/6/2013	84,679	3.59	-
Dr M P Goldsworthy	25%	75%	Y/E 30/6/2014	*	*	100,000
Ms J E Ducie	80%	20%	Y/E 30/6/2014	**	**	10,000

* These shares will be issued following the 2013 AGM at the volume weighted average price (VWAP) of ordinary shares over the five trading days immediately preceding the 2013 AGM.

** These shares will be issued in October 2013 at the volume weighted average price (VWAP) of ordinary shares over the five trading days immediately preceding 30 September 2013.

Directors' Report

At the 2012 AGM, shareholders approved a short term incentive scheme for CEO/MD Dr Michael Goldsworthy in the form of restricted Silex Systems Limited ordinary shares. The maximum total value was set at \$400,000 (50% of his 2013 fixed remuneration package) subject to the accomplishment of performance objectives. For the 2013 financial year, the Board, in its discretion and in recognition of the successful completion of the Phase I Test Loop Milestone for the SILEX uranium enrichment project that triggered a US\$15m payment to Silex, awarded the CEO/MD a \$100,000 allotment of restricted shares.

At the 2012 AGM, shareholders approved a long term incentive scheme for Dr Michael Goldsworthy in the form of restricted Silex Systems Limited ordinary shares. The maximum total value was set at \$1,000,000 (125% of his 2013 fixed remuneration package) subject to the accomplishment of performance objectives over a three year performance period commencing 1 July 2012. The actual LTI payable is subject to agreed performance criteria comprising Total Shareholder Return (TSR) over a three year period and is subject to a Share Price Hurdle of \$5.40.

If conditions are met, the allotment of LTI restricted shares will be issued following the 2015 AGM at the volume weighted average price (VWAP) of ordinary shares over the five days immediately preceding the 2015 AGM.

For the 2013 financial year, the actual STI award for other KMP (Group CFO/Company Secretary) was determined having regard to the Group's cash flow targets and the Board's assessment of performance and progress in achieving the agreed commercially sensitive strategic objectives for each of the businesses within the Group as at 1 July 2012.

Due to the challenging nature of the targets set, it was deemed that 80% achievement was made for the 2013 financial year. This will result in an award of 80% of the maximum short term incentive opportunity of \$50,000. The award of \$40,000 (80% x \$50,000) will be paid by 75% cash and 25% escrow shares. The allotment of STI escrowed shares (maximum value \$10,000) will be issued in October 2013 (prior to 31 October 2013) using a volume weighted average (VWAP) calculation for the five trading days immediately preceding 30 September 2013.

8.3 Restrictions on limiting risk

Where a part of the directors' or KMP's remuneration consists of securities, the director or executive is not allowed to limit their exposure to risk in relation to the securities. Directors and KMP with remuneration consisting of securities are required to provide an annual declaration of compliance with this policy.

8.4 Other executives of the consolidated entity

There are no officers, other than executive directors and KMP noted above, involved in, concerned in, or taking part in the management of the commercial affairs of Silex Systems Limited.

Directors' Report

8.5 Performance of Silex Systems Limited

Year ended 30 June	EPS cents	STI \$	Share price at 30 June
2009	(2.6)	-	6.00
2010	(12.3)	85,000	4.60
2011	(19.6)	13,761	2.92
2012	(21.6)	304,000	3.20
2013	(0.1)	140,000	2.20

The decrease in the negative earnings per share in the current year was mainly due to the US\$15.0m (AU\$15.4m) revenue from GE-Hitachi Global Laser Enrichment ('GLE') for the successful completion of the Test Loop Program Phase I Milestone. The discontinuation of the Silex Solar operation also contributed to the improved result with a loss of \$1.1m, compared to \$19.0m in the previous year. In addition, Silex has continued to focus on lowering its operating cost structure whilst maintaining technical and commercialisation progress for each of its business segments.

Silex's share price has suffered as a result of events in Fukushima which have had a negative impact on uranium-based stocks, including a significant fall in the Silex share price in the weeks following the initial event. Progress in the Group's various technology projects has not directly been reflected in Earnings Per Share (EPS) as some of the projects remain in the research and development phase and, with the exception of the Uranium Enrichment Project, are yet to generate substantial revenue.

The Silex Board is mindful of general shareholder concern that long-term equity-based remuneration be linked to growth in shareholder value. The LTI that was issued to the CEO/MD for FY2013 addresses this with a Total Shareholder Return (TSR) metric and minimum share price hurdle applied. These performance conditions will be reviewed to determine the appropriateness to the business prior to any further equity issues.

Directors' Report

12. Company secretary

Ms Julie Ducie, B. Bus, CA, MAICD was appointed to the position of Company Secretary in October 2010. Before joining Silix, Ms Ducie spent 4 years in the Construction industry in the Middle East as Finance Manager of a Facade Engineering company with projects in Dubai, Bahrain and Qatar. Prior to this, Julie was a Senior Associate with a Chartered Accounting Practice.

13. Meetings

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

Director's name	Directors' Meetings		Audit Committee Meetings		People & Remuneration Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Prof S W R Burdon	12	12	3	3	4	4
Mr R P Campbell	12	12	3	3	4	4
Dr C S Goldschmidt	12	11	3	3	*	*
Dr M P Goldsworthy	12	12	*	*	*	*
Dr L M McIntyre	12	12	3	3	4	4
Mr C D Wilks	12	12	*	*	*	*

* Not a member of the relevant committee

14. 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' and 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.

Directors' Report

15. 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 are a licensee under the Act. Solar Systems is subject to a number of regulations including VIC Occupational Health and Safety Act 2004, VIC Occupational Health and Safety Regulations 2007, VIC Dangerous Goods Act 1985, VIC Dangerous Goods (Storage and Handling) Interim Regulations 2011.

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

16. 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 audit and non-audit services provided during the year are set out overleaf.

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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' Report

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

	2013	2012
	\$	\$
Remuneration of auditors		
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	181,000	163,000
Total remuneration for audit services	181,000	163,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of government grants	10,000	5,000
Total remuneration for other assurance services	10,000	5,000
Total remuneration for assurance services	191,000	168,000
(b) Other services		
Review of option valuation methodology for Long Term Incentive Plan for directors	-	11,000
Total remuneration for other services	-	11,000
Total remuneration	191,000	179,000

17. Auditors

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

18. 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 57.

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



Dr M P Goldsworthy
CEO/Managing Director



Mr C D Wilks
Director

Sydney, 25 September 2013

Directors' Report



Auditors' Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
25 September 2013

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX Corporate Governance Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

The directors are responsible to shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer/Managing Director (CEO/MD) and senior executives.

The Board of Directors is accountable to shareholders for the performance of the Group and is responsible for the corporate governance practices of the Group.

The Board's principal objective is to maintain and increase shareholder value while ensuring that the Group's overall activities are properly managed.

Silex's corporate governance practices provide the structure which enables the Board's principal objective to be achieved, whilst ensuring that the business and affairs of the group are conducted ethically and in accordance with the law.

The Board's overall responsibilities include:

- providing strategic direction and approving corporate strategies;
- appointing and removing the CEO/MD;
- reviewing and approving business plans, annual budgets and financial plans;
- monitoring management and financial performance and reporting;
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms; and
- ensuring the business is conducted ethically and transparently.

The Board delegates responsibility for day-to-day management of the business to the CEO/MD as set out in the Group's delegations policy. These delegations are reviewed on an annual basis. The CEO/MD also oversees the implementation of strategies approved by the Board. The Board uses committees to support it in matters that require more intensive review and involvement. Details of the Board committees are provided below.

As part of its commitment to good corporate governance, the Board undertakes regular reviews of the practices and standards governing the Board's composition, independence and effectiveness, the accountability and compensation of directors and the Board's responsibility for the stewardship of the Group.

The Chairman undertakes an annual assessment of the performance of the CEO/MD and the non-executive directors and meets privately with each director to discuss this assessment. The CEO/MD meets annually with senior management to discuss their performance. Feedback is also sought from other directors. These assessments and meetings took place during the year.

Corporate Governance Statement

Principle 2: Structure the Board to add value

The Board is comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a balanced perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

The Chairman is an independent non-executive director, the majority of the Board are independent of management and all directors are required to bring independent judgement to bear in their Board decision making. The Chairman is elected by the full Board.

The Company maintains a mix of directors on the Board from different backgrounds with complementary skills and experience. When a new director is to be appointed, the Board prepares a list of the requisite range of skills, experience and expertise. From this, the Board prepares a short-list of candidates with appropriate skills and experience. A number of channels are used to source candidates to ensure the company benefits from a diverse range of individuals in the selection process.

The Directors of the Company in office at the date of this statement are:

Name	Age	Position	Expertise	Year Appointed Director
Prof S W R Burdon	70	Non-executive director/ Chairman	Telecommunications industry and Company Management	2011
Mr R P Campbell	68	Non-executive director	Finance and Accounting, Computing and Company Management	1996
Dr C S Goldschmidt	59	Non-executive director	Company Management	1992
Dr M P Goldsworthy	55	CEO/Managing Director	Physicist and Co-inventor of the SILEX Technology	1992
Dr L M McIntyre	48	Non-executive director	Strategy, Commercialisation and Company Management	2012
Mr A M Stock	61	Non-executive director	Energy industry and Company Management	2013
Mr C D Wilks	55	Non-executive director	Investment Banking, Finance and Company Management	1988

Prof S W R Burdon, Mr R P Campbell, Dr C S Goldschmidt, Dr L M McIntyre and Mr A M Stock are considered independent. An independent director cannot be a substantial shareholder (as defined in section 9 of the *Corporations Act 2001*). The size and composition of the Board is determined by the full Board. Additional information on the skills and experience of the directors is included in Section 10 of the Directors' Report.

Corporate Governance Statement

Directors' independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other group member, or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the Board. The Board will continue to monitor developments on this issue and further consider and review the independence status of long serving directors.

Non-executive directors

The non-executive directors met during the year, in scheduled sessions without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the full Board.

Term of office

The Company's Articles of Association specifies that all directors other than the CEO/MD must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election. Prior to appointment or being submitted for re-election each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Chairman and Chief Executive Officer/Managing Director (CEO/MD)

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, and facilitating Board discussions.

The CEO/MD is responsible for the day-to-day management of the Company's affairs, and for implementing Group strategies and policies as determined by the Board of Directors.

Corporate Governance Statement

Induction

The induction provided to new directors and senior executives enables them to actively participate in decision-making as soon as possible. It ensures that they have a full understanding of the company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Board meetings

The Board meets formally at least 9 times a year to consider a broad range of matters, including progress with respect to the Company's various development programs, strategy, financial reviews, acquisitions and investments. Details of meetings and attendances are set out in the Directors' Report. Various meetings during the year were held at operational sites of the Company and a full tour of the facilities was included as part of the visit.

Conflicts of interest of directors

The Board has guidelines dealing with disclosure of interests by directors and participation and voting at board meetings where any such interests are discussed. In accordance with the *Corporations Act 2001*, any director with a material personal interest in a matter being considered by the Board does not receive the relevant board papers, must not be present when the matter is being considered, and may not vote on the matter.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

All directors have access to Company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

Performance assessment and remuneration

The Board meets to undertake an annual self-assessment of its collective performance, the performance of the Chairman and of its committees. This was performed in June 2013 and all deemed satisfactory. The Board discusses a broad range of issues including the progress of the various research, development and commercialisation projects, the financial results, major deals negotiated and the share price. The Board considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Chairman undertakes an annual assessment of the performance of individual directors and holds discussions with each director to discuss this assessment. The CEO/MD meets annually with non-director senior executives to discuss their performance. Feedback is also sought from other directors.

The Directors' Report contains details of remuneration paid to directors and Key Management Personnel (KMP). Executive and non-executive directors' fees are clearly separated in the Directors' Report.

Where bonuses are paid, details of the reason for the bonus are described. Equity awards issued to executive directors are approved by shareholders at the Annual General Meeting.

Additional information on performance evaluation and remuneration is provided in the Directors' Report.

Corporate Governance Statement

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the People & Remuneration (formerly called the Remuneration Committee) and Audit Committees. Each is comprised solely off non-executive directors. The committee structure and membership is reviewed on an annual basis.

Nomination committee

The Board has decided that it is in the Company's best interests that the full Board deals with nomination issues. As a result, a Nomination Committee has not been established. From time to time, the Board may establish a temporary sub-committee to assist the Board in fulfilling its nomination responsibilities.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees.

In summary, the Code requires that at all times Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

A copy of the Code is available on the Company's website at: www.silex.com.au/about/corporate-governance.

Diversity policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy, a copy of which can be found on the Company's website. This policy outlines the Company's position on all forms of diversity, in particular diversity as it relates to gender. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 2 to 3 years as director, senior executive positions and management become vacant and appropriately skilled candidates are available:

	Objective (%)	Actual (%)
Number of women employees in the whole organisation	35.0	25.0
Number of women in senior executive and management positions	35.0	44.0
Number of women on the Board	33.0*	16.6

* Target to be achieved by 2016

Responsibility for diversity has been included in the board charter and the people and remuneration committee charter (diversity at all levels of the company).

Corporate Governance Statement

Share trading policy

The Company has in place a formal share trading policy which places certain prohibitions on the trading of the Company's shares. The policy is on the Company's website at: www.silex.com.au/about/corporate-governance. All Silex share dealings by directors are promptly notified to the Australian Stock Exchange (ASX). All directors and employees are prohibited from buying and selling Silex shares at any time if they are aware of any material price sensitive information that has not been made available to the public. This however does not restrict directors and employees from exercising options over unissued Silex shares. Trading of the subsequently issued shares is however subject to the prohibitions above.

Principle 4: Safeguarding integrity in financial reporting

Audit Committee

The Audit Committee consists of 4 non-executive independent directors as follows:

Mr R P Campbell – Chairman
Prof S W R Burdon
Dr C S Goldschmidt
Dr L M McIntyre (member from 2 July 2012)

Details of these directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.

The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The Audit Committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter is reviewed on an annual basis and is available on the Company's website at: www.silex.com.au/about/corporate-governance.

Minutes of committee meetings are tabled at the subsequent Board meeting.

The main responsibilities of the committee are to:

- review, assess and approve the financial reports and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations;
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the committee's role and responsibilities.

Corporate Governance Statement

In fulfilling its responsibilities, the Audit Committee receives regular reports from Management and the external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary, and reviews any significant disagreements between the auditors and Management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report. It is the policy of the external auditors to provide annual declarations of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its subsidiaries that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote effective communication with shareholders and encourage participation at general meetings. The Company's Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Corporate Governance Statement

The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- The Annual Report is distributed to all shareholders who have elected to receive it and is posted on the Company's website. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of likely future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of directors.

Principle 7: Recognise and manage risk

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies, detailed in the Audit Committee charter, are available on the Company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

The Board requires management to design and implement the risk management and internal control system to manage the Company's material business risks. The Board discusses these policies at regular intervals. For example, management provides details of cash deposits, intellectual property patenting, significant commercial exposures and various other business risks on a regular basis for review. The risks are managed in accordance with the risk management system in place and periodically reviewed. Management has reported to the Board on the effectiveness of the Company's management of its material business risks.

The Board requires that each major proposal submitted to the Board for decision is accompanied by sufficient due diligence and risk review.

Occupational Health and Safety (OH&S)

The Company recognises the importance of Occupational Health and Safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective, OH&S Committees have been established to facilitate the systematic identification of OH&S issues and to ensure they are managed in a structured and rigorous manner. This system has been operating for a number of years and allows the Company to:

- monitor its compliance with all relevant OH&S legislation and regulations;
- continually assess and improve the effectiveness of the Company's OH&S program;
- encourage employees to actively participate in the management of all OH&S issues; and
- reinforce the importance of safe work practices throughout the Company, as mandated by management.

Corporate Governance Statement

Environmental regulation

As noted in the Directors' Report, 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 are a licensee under that Act. Solar Systems is also subject to a number of regulations including VIC Occupational Health and Safety Act 2004, VIC Occupational Health and Safety Regulations 2007, VIC Dangerous Goods Act 1985 and VIC Dangerous Goods (Storage and Handling) Interim Regulations 2011. To the best of the Directors' knowledge, all environmental regulatory requirements have been met.

Corporate reporting

In complying with recommendation 7.3, the CEO/MD and CFO/Company Secretary have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

People & Remuneration Committee

The People & Remuneration Committee consists of the following non-executive independent directors:

Dr L M McIntyre (member from 2 July 2012, Chairperson from 5 February 2013)

Prof S W R Burdon (member for full year, Chairman from 30 September 2011 to 4 February 2013)

Mr R P Campbell

Details of these directors' attendance at People and Remuneration Committee meetings are set out in the Directors' Report.

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

The People & Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Further information on directors' and KMP's remuneration is set out in the Directors' Report, which distinguishes non-executive directors' remuneration from that of executive directors and KMP.

The People & Remuneration Committee adopts policies that attract and maintain talented and motivated directors and employees so as to encourage enhanced performance.



SILEX SYSTEMS LIMITED

ABN 69 003 372 067

Concise Financial Report – 30 June 2013

- 68** Consolidated income statement
- 69** Consolidated statement of comprehensive income
- 70** Consolidated balance sheet
- 71** Consolidated statement of changes in equity
- 73** Consolidated statement of cash flows
- 74** Notes to the financial statements
- 77** Directors' declaration
- 78** Independent auditor's report to the members

Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2013. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

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

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

Consolidated income statement

for the year ended 30 June 2013

	Note	2013	2012
		\$	\$
Revenue from continuing operations	2	23,654,025	9,438,691
Other income	3	8,191,314	1,504,310
Cost of sales		(3,660,488)	(298,422)
Research and development materials		(2,362,108)	(1,739,738)
Finance costs		(1,793)	(3,127)
Depreciation and amortisation expense		(2,959,264)	(2,788,685)
Employee benefits expense		(15,663,647)	(16,658,397)
Consultants and professional fees		(2,892,539)	(2,761,833)
Printing, postage, freight and stationery		(270,878)	(260,735)
Rent, utilities and property outgoings		(1,483,977)	(1,748,757)
Travelling expenses		(649,816)	(1,147,798)
Share of net profit/(loss) of associate accounted for using the equity method		4,895	(31,320)
Other expenses from continuing activities		(1,055,180)	(1,486,966)
Profit/(loss) before income tax expense		850,544	(17,982,777)
Income tax expense		-	-
Net profit/(loss) from continuing operations		850,544	(17,982,777)
Net (loss) from discontinued operation	5	(1,080,995)	(18,987,847)
Net (loss) for the year		(230,451)	(36,970,624)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		(93,119)	(36,792,005)
Non-controlling interests		(137,332)	(178,619)
		(230,451)	(36,970,624)

	2013	2012
	cents	cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	0.6	(10.5)
Diluted earnings per share	0.6	(10.5)
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(0.1)	(21.6)
Diluted earnings per share	(0.1)	(21.6)

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

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	2013	2012
	\$	\$
Net (loss) for the year	(230,451)	(36,970,624)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	212,435	(121,503)
Other comprehensive income for the year, net of tax	212,435	(121,503)
Total comprehensive income for the year	(18,016)	(37,092,127)
Attributable to:		
Owners of Silex Systems Limited	119,316	(36,913,508)
Non-controlling interest	(137,332)	(178,619)
Total comprehensive income for the year	(18,016)	(37,092,127)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	1,200,311	(17,925,661)
Discontinued operation	(1,080,995)	(18,987,847)
	119,316	(36,913,508)

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

Consolidated balance sheet

as at 30 June 2013

	30 June 2013	30 June 2012
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	8,720,156	3,682,254
Held to maturity investments – term deposits	55,663,843	83,912,921
Trade and other receivables	21,048,200	6,633,569
Inventories	3,642,672	1,887,567
Total current assets	89,074,871	96,116,311
Non-current assets		
Property, plant and equipment	27,427,549	15,687,753
Deferred tax assets	6,080	11,337
Intangible assets	20,618,441	20,555,407
Investments accounted for using the equity method	103,131	98,236
Total non-current assets	48,155,201	36,352,733
Total assets	137,230,072	132,469,044
LIABILITIES		
Current liabilities		
Trade and other payables	7,440,541	5,070,084
Provisions	1,062,291	1,814,642
Total current liabilities	8,502,832	6,884,726
Non-current liabilities		
Trade and other payables	7,210,483	4,779,164
Provisions	192,501	163,789
Total non-current liabilities	7,402,984	4,942,953
Total liabilities	15,905,816	11,827,679
Net assets	121,324,256	120,641,365
EQUITY		
Contributed equity	231,417,226	231,068,369
Reserves	9,744,529	9,180,044
Accumulated losses	(119,161,791)	(119,068,672)
Capital and reserves attributable to owners of:		
Silex Systems Limited	121,999,964	121,179,741
Non-controlling interests	(675,708)	(538,376)
Total equity	121,324,256	120,641,365

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

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Attributable to owners of Silex Systems Limited				Non-controlling interests	
	Contributed equity	Reserves	Accumulated losses	Total		Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2011	231,040,738	6,930,760	(82,276,667)	155,694,831	(359,757)	155,335,074
Net (loss) for the year	-	-	(36,792,005)	(36,792,005)	(178,619)	(36,970,624)
Exchange differences on translation of foreign operations	-	(121,503)	-	(121,503)	-	(121,503)
Total comprehensive income for the year	-	(121,503)	(36,792,005)	(36,913,508)	(178,619)	(37,092,127)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	36,462	-	-	36,462	-	36,462
Employee share options – value of employee services	-	2,364,665	-	2,364,665	-	2,364,665
Transactions with non-controlling interests	-	6,122	-	6,122	-	6,122
Deferred tax credit recognised directly in equity	(8,831)	-	-	(8,831)	-	(8,831)
	27,631	2,370,787	-	2,398,418	-	2,398,418
Balance at 30 June 2012	231,068,369	9,180,044	(119,068,672)	121,179,741	(538,376)	120,641,365

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

Consolidated statement of changes in equity

for the year ended 30 June 2013 (continued)

	Attributable to owners of Silex Systems Limited				Non-controlling interests	
	Contributed equity	Reserves	Accumulated losses	Total		Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2012	231,068,369	9,180,044	(119,068,672)	121,179,741	(538,376)	120,641,365
Net (loss) for the year	-	-	(93,119)	(93,119)	(137,332)	(230,451)
Exchange differences on translation of foreign operations	-	212,435	-	212,435	-	212,435
Total comprehensive income for the year	-	212,435	(93,119)	119,316	(137,332)	(18,016)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(5,367)	-	-	(5,367)	-	(5,367)
Employee shares and options – value of employee services	-	711,531	-	711,531	-	711,531
Transfer from share based payments reserve	359,481	(359,481)	-	-	-	-
Deferred tax credit recognised directly in equity	(5,257)	-	-	(5,257)	-	(5,257)
	348,857	352,050	-	700,907	-	700,907
Balance at 30 June 2013	231,417,226	9,744,529	(119,161,791)	121,999,964	(675,708)	121,324,256

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

Consolidated statement of cash flows

for the year ended 30 June 2013

	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	19,625,906	16,794,963
Payments to suppliers and employees (inclusive of GST)	(31,567,717)	(38,846,105)
Interest received	3,719,524	5,897,855
Interest paid	(1,793)	(3,127)
Net cash (outflows) from operating activities	(8,224,080)	(16,156,414)
Cash flows from investing activities		
Proceeds from held to maturity investments – term deposits	28,249,078	10,024,579
Payments for property, plant and equipment	(13,818,509)	(6,100,818)
Payments for intangibles	(1,598,172)	(126,375)
Proceeds from sale of property, plant and equipment	343,335	233,911
Net cash inflows from investing activities	13,175,732	4,031,297
Cash flows from financing activities		
Proceeds from issue of shares	(5,367)	(1,538)
Proceeds from issue of shares to non-controlling interest	-	6,122
Net cash (outflows)/inflows from financing activities	(5,367)	4,584
Net increase/(decrease) in cash held	4,946,285	(12,120,533)
Cash and cash equivalents at the beginning of the financial year	3,682,254	15,470,436
Effects of exchange rate changes on cash	91,617	332,351
Cash and cash equivalents at end of year*	8,720,156	3,682,254
* Held to maturity investments excluded from cash and cash equivalents	55,663,843	83,912,921

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

Notes to the financial statements

30 June 2013

This concise financial report relates to the consolidated entity consisting of Silex Systems Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013. The accounting policies have been consistently applied to all years presented, unless otherwise stated otherwise.

Note 1 Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

Note 2 Revenue

	2013	2012
	\$	\$
From continuing operations		
Milestone revenue	15,406,738	-
Recoverable project costs from GLE	4,099,109	3,865,756
Sale of goods	135,823	61,472
Services	606,341	-
Interest income	3,406,014	5,500,081
Other	-	11,382
	23,654,025	9,438,691
From discontinued operation (note 5)		
Sale of goods	834,325	8,063,520
Rent	42,606	-
Interest income	9,952	128,831
	886,883	8,192,351

(i) Milestone revenue

GLE milestone revenue of \$15,406,738 (2012: nil) was recognised as revenue during the financial year. The performance criteria under the Agreement have been met.

Note 3 Other income

	2013	2012
	\$	\$
From continuing operations		
Government grants	3,917,365	1,245,381
Research and development tax incentive	3,286,116	-
Foreign currency exchange gains (net)	987,833	250,397
Profit on sale of property, plant and equipment	-	5,266
Other	-	3,266
	8,191,314	1,504,310
From discontinued operation (note 5)		
Foreign currency exchange gains (net)	100,442	79,456
Profit on sale of property, plant and equipment	171,662	190,201
	272,104	269,657

Notes to the financial statements

30 June 2013 (continued)

(i) Government grants

Federal and state government solar project grants of \$3,768,178 (2012: \$1,245,381) were recognised as other income by Solar Systems during the financial year. The Company has met the conditions of the grants and the income has been recognised. Export Market Development Grant income of \$149,187 (2012: nil) was recognised as income during the financial year by Solar Systems. There are no unfulfilled conditions attached to these grants.

(ii) Research and development tax incentive

Research and development tax incentive income of \$3,286,116 (2012: nil) was recognised as other income by the Group during the year. This relates to expenditure in the previous financial year. The Group has met the conditions of the tax incentive.

Note 4 Segment information

2013	Silex Systems	Solar Systems	Translucent	ChronoLogic	Total
	\$	\$	\$	\$	\$
Total segment revenue	24,102,506	747,405	3,005,182	11,243	27,866,336
Inter-segment revenue	(1,207,141)	-	(3,005,170)	-	(4,212,311)
Revenue from external customers	22,895,365	747,405	12	11,243	23,654,025
Segment result	15,853,031	(9,047,205)	(4,614,789)	(1,340,493)	850,544
Total segment assets	80,888,426	43,761,286	3,497,389	324,494	128,471,595
Total segment liabilities	1,915,117	9,970,906	521,515	302,461	12,709,999

2012	Silex Systems	Solar Systems	Translucent	ChronoLogic	Total
	\$	\$	\$	\$	\$
Total segment revenue	10,327,364	62,839	2,082,430	19,015	12,491,648
Inter-segment revenue	(982,048)	-	(2,070,909)	-	(3,052,957)
Revenue from external customers	9,345,316	62,839	11,521	19,015	9,438,691
Segment result	1,484,055	(11,570,290)	(6,153,323)	(1,742,422)	(17,981,980)
Total segment assets	88,113,766	29,565,459	2,987,328	305,912	120,972,465
Total segment liabilities	1,715,089	4,007,021	330,330	243,832	6,296,272

The Board of Directors assesses the performance of the operating segments based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation and amortisation of intellectual property on consolidation. In previous reporting periods, share based payments expense was also excluded from the segment result. This expense is now included, and as such the previous year comparative has been restated. A reconciliation of segment result to net profit/(loss) from continuing operations is provided as follows:

	2013	2012
	\$	\$
Segment result	850,544	(17,981,980)
Amortisation of intellectual property on consolidation	-	(797)
Profit/(loss) before income tax from continuing operations	850,544	(17,982,777)

Notes to the financial statements

30 June 2013 (continued)

Note 5 Discontinued operation

As previously reported, all Silex Solar activities have ceased and the plant was decommissioned and closed in October 2012.

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

	2013	2012
	\$	\$
Revenue (note 2)	886,883	8,192,351
Other income (note 3)	272,104	269,657
Expenses	(2,239,982)	(27,449,855)
(Loss) before income tax	(1,080,995)	(18,987,847)
Income tax expense	-	-
(Loss) after income tax of the discontinued operation	(1,080,995)	(18,987,847)

	2013	2012
	\$	\$
Net cash (outflows) from operating activities	(1,353,350)	(3,411,963)
Net cash inflows from investing activities	221,662	180,912
Net cash (outflows) from financing activities	-	-
Net cash (outflows) from the discontinued operation	(1,131,688)	(3,231,051)

Note 6 Dividends

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

Note 7 Events occurring after reporting date

The directors are not aware of any 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.

Directors' declaration

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2013 as set out on pages 67 to 76 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The concise financial report is an extract from the full financial report for the year ended 30 June 2013. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

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

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



Dr M P Goldsworthy
Managing Director



Mr C D Wilks
Director

25 September 2013

Independent auditor's report to the members of Silex Systems Limited



Report on the concise financial report

We have audited the accompanying concise financial report of Silex Systems Limited (the company) which comprises the balance sheet as at 30 June 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of the company for the year ended 30 June 2013 for Silex Systems Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the consolidated entity for the year ended 30 June 2013. We expressed an unmodified audit opinion on that financial report in our report dated 25 September 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Independent auditor's report to the members of Silex Systems Limited (continued)



Independence

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

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

Auditor's opinion

In our opinion, the concise financial report of the company for the year ended 30 June 2013 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Report on the remuneration report

The following paragraphs are copied from our report on the remuneration report for the year ended 30 June 2013.

We have audited the remuneration report included in pages 35-53 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Silex Systems Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

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

This auditor's report relates to the concise financial report and remuneration report of Silex Systems Limited (the company) for the year ended 30 June 2013 included on Silex Systems Limited web site. The company's directors are responsible for the integrity of the Silex Systems Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the concise financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Humphries

Stephen Humphries
Partner

Sydney
25 September 2013

Shareholders' information

30 June 2013

1. Information relating to shareholders as at 12 September 2013

(a) Distribution schedule

1-1,000	2,360
1,001-5,000	2,638
5,001-10,000	809
10,001-100,000	780
100,001 and over	91
Total number of holders of each class of security	6,678
Voting rights – on a show of hands	
– on a poll	
Percentage of total holding held by the largest 20 holders	71.98%
Number of total holding less than a marketable parcel of shares	616

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	29,801,030
M&G Investment (including M&G Investment Funds (3) & (12), M&G Investment Management Limited, M&G Limited, M&G Group Limited and Prudential plc)	17,050,000
The Bank of New York Mellon Corporation	14,268,822

Shareholders' information

30 June 2013 (continued)

(b) Names of Twenty Largest Holders as at 12 September 2013

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.50%
HSBC Custody Nominees (Australia) Limited	29,674,380	17.43%
National Nominees Limited	15,281,812	8.98%
J P Morgan Nominees Australia Limited	12,935,524	7.60%
J P Morgan Nominees Australia Limited (Cash Income A/c)	6,461,139	3.80%
Majenta Holdings Pty Ltd	5,703,923	3.35%
Polly Pty Ltd	4,073,863	2.39%
Citicorp Nominees Pty Limited	3,190,309	1.87%
Throvena Pty Ltd	2,978,203	1.75%
Hamlac Pty Ltd	2,525,937	1.48%
Mr Christopher David Wilks	2,405,070	1.41%
Quintal Pty Ltd	2,002,952	1.18%
Quadrangle Nominees Limited (No 3 A/c)	1,280,971	0.75%
Mithena Holdings Pty Ltd	817,139	0.48%
UBS Wealth Management Australia Nominees Pty Ltd	701,825	0.41%
Merrill Lynch (Australia) Nominees Pty Limited	690,480	0.41%
BNP Paribas Noms Pty Ltd (DRP)	520,332	0.31%
Matrix Investments Pty Limited (Matrix Holdings Account)	511,452	0.30%
Mr Hayden Harvey Prior	510,000	0.30%
Snowside Pty Ltd (Snowside A/c)	477,559	0.28%
	122,543,900	71.98%

2. Vendor securities as at 12 September 2013

There are no vendor securities.

Shareholders' information

30 June 2013 (continued)

3. Interest of directors in shares as at 12 September 2013

	Ordinary shares	Interest held
Prof S W R Burdon	35,000	Beneficially
Mr R P Campbell	1,354,823	Beneficially
Dr C S Goldschmidt	2,525,937	Beneficially
Dr M P Goldsworthy	5,934,212	Personally/Beneficially
Dr L M McIntyre	8,230	Beneficially
Mr A M Stock	-	N/A
Mr C D Wilks	2,814,021	Personally/Beneficially

4. Securities subject to voluntary escrow as at 12 September 2013

	Number on issue	Date escrow period ends
As at 12 September 2013 the following securities were subject to voluntary escrow:		
Ordinary shares	84,679	30 June 2014

5. Unquoted equity securities as at 12 September 2013

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan to take up ordinary shares	2,025,000	38
Other options issued to take up ordinary shares*	1,469,242	2

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

»»» Company Directory

Directors

Prof S W R Burdon – Chair
Dr M P Goldsworthy – CEO/Managing Director
Dr C S Goldschmidt
Dr L M McIntyre
Mr A M Stock
Mr C D Wilks

Audit Committee

Mr A M Stock – Chair
Prof S W R Burdon
Dr C S Goldschmidt
Dr L M McIntyre

People & Remuneration Committee

Dr L M McIntyre – Chair
Prof S W R Burdon
Mr A M Stock

Company Secretary

Ms J E Ducie

Corporate Office

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

Registered Office and Principal Place of Business

Lucas Heights Science & Technology Centre
Building 64, New Illawarra Road
Lucas Heights NSW 2234, Australia

Ph: +61 2 9704 8888
Fax: +61 2 9279 1051

Postal Address
PO Box 364
Sydney NSW 2001

Email: Investor.relations@silex.com.au
Website: www.silex.com.au
ABN: 69 003 372 067

Share Registry

Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000, Australia

GPO Box 1903
Adelaide SA 5001, Australia

Enquiries within Australia: 1300 556 161
Enquiries outside Australia: +61 3 9415 4000
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

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

Auditors

PricewaterhouseCoopers

Solicitors

Baker & McKenzie

Bankers

Australia and New Zealand Banking Group Limited

