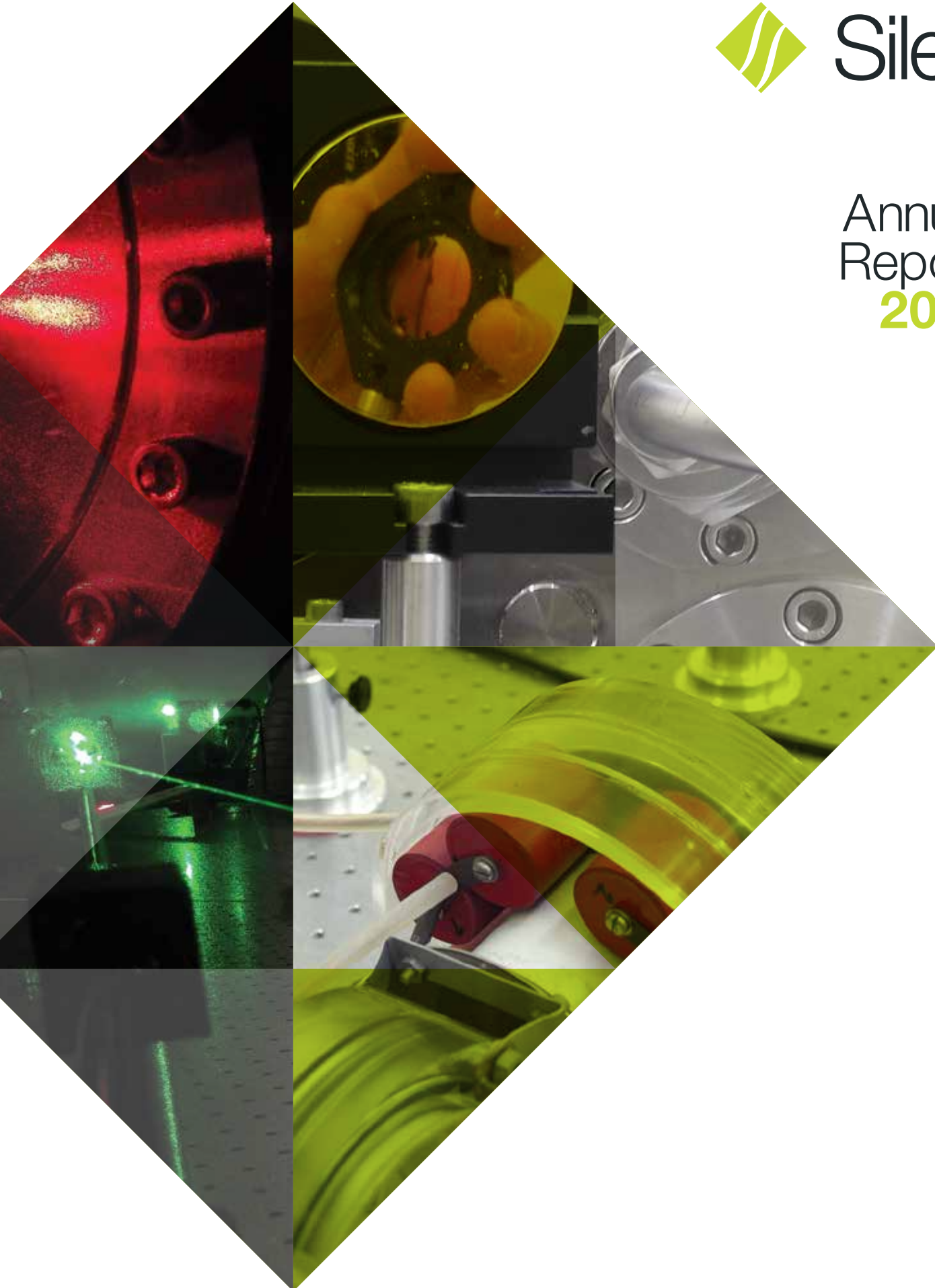




Silex

Annual
Report
2014



»»» 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.

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Dr Lisa McIntyre
Chair

»» Chair's Report

Dear Fellow Shareholders

It is a privilege to be appointed as Chair of the Silex Board and I look forward to working further with my fellow Board members and Management, building on our core strengths and achievements to date. Silex Systems and the SILEX uranium enrichment technology are unique and I am excited by the potential that this innovative and disruptive Australian technology holds.

The year ended 30 June 2014 marked a period of significant change for Silex. While progress was made in the development of our technologies, including aligning our programs and efforts to target key strategic partners, the adverse market conditions in the uranium and enrichment markets and Australian renewable energy market led the Board to conduct a major strategic review of all activities. This resulted in a significant restructure of the Company announced on 30 June, which continues to be implemented by our Management team.

The strategic review announcement was followed by an announcement on 24 July 2014 that the Licensee for the SILEX uranium enrichment technology, GE-Hitachi Global Laser Enrichment LLC (GLE), had announced changes to the funding and pace of the commercialisation program to align with adverse trading conditions in the global nuclear markets. While this announcement does slow the development of the SILEX Technology, it is important to note that the key commercial terms of our license agreement, in particular the royalty structure, has not changed. In addition, GLE continue to negotiate with the US Department of Energy regarding the strategically important opportunity in Paducah, Kentucky.

The strategic review will see the Company turn its primary focus to development of our foundation technology and core asset, the SILEX laser-based uranium enrichment technology, and to continuing to support our Licensee, GLE. The restructure also sees an accelerated transition to market for our subsidiaries Solar Systems and Translucent and the cessation of operations at ChronoLogic. I am eager to ensure that the excellent innovation and hard work by our teams in Solar Systems and Translucent reach their commercial potential through external transactions anticipated for this coming year.

We maintain a strong focus on delivering the operational and financial priorities resulting from our major strategic review, a full update of which is provided by Dr Michael Goldsworthy, our CEO/MD, in the CEO's report.

Financial Performance

Our net loss for the year was \$29.5 million which was in line with expectations, following the major strategic review, the resulting judicious review of asset carrying values and the reassessment of the useful life of our various development assets.

We were pleased to maintain our cash balance during the year with only a minimal net decrease of \$0.4 million – largely as a result of the milestone payment of US\$15 million from GLE received in July 2013. All business units operated according to approved budgets. At the time of writing, Silex maintains a solid cash reserve position of \$57 million.

Corporate Governance

We continued efforts with regard to Board renewal during the year, including aligning the structure and experience of our Board in accordance with our major strategic review. During the period, Professor Stephen Burdon and Dr Colin Goldschmidt resigned from the Board. On behalf of the Board, I would like to thank Professor Burdon and Dr Goldschmidt for their outstanding service, commitment and counsel. We were also pleased to welcome Mr Andrew Stock to the Board on 1 August 2013, who was formally elected by shareholders at our 2013 Annual General Meeting. Andrew brings considerable energy industry experience and business acumen to the Board.

“Silex Systems and the SILEX uranium enrichment technology are unique and I am excited by the potential that this innovative and disruptive Australian technology holds”

We believe that we have an appropriate mix of skills, experience and industry knowledge on the Board for our current opportunities and challenges, particularly as we navigate the company through this important restructure.

The implementation of our strategic restructure has also resulted in a Board review of Key Management Personnel remuneration structures to align with the anticipated reduction in the activities of the Company. This review is ongoing.

Outlook

We are working hard to position Silex for the inevitable turnaround in the nuclear industry over the coming years and to deliver long-term value for our shareholders. We are also presently focused on fast-tracking the path to market for our Solar Systems and Translucent technologies, and have made progress with both businesses, having recently appointed a corporate advisor to seek commercial opportunities for Solar Systems and continuing discussions with potential partners for Translucent.

On behalf of the Silex Board and management team, I would like to thank our employees for their hard work and our shareholders for their support as we continue to navigate our company through this very challenging period. I look forward to updating you again at our Annual General Meeting in November.



Dr Lisa McIntyre

Chair

2 October 2014





Dr Michael Goldsworthy
CEO/Managing Director

»» CEO's Report

“The SILEX Technology ... remains our key asset and the best path forward to deliver value to our shareholders....”

The financial year ended 30 June 2014 saw progress in key activities achieved despite the adverse market conditions experienced which led the Silex Board to conduct a major strategic review of all activities, resulting in a significant restructure of the Company. The Board advised investors on 30 June that it would return its primary focus to development of the Company's foundation technology and core asset – the SILEX laser-based uranium enrichment technology. On 24 July, GE-Hitachi Global Laser Enrichment LLC ('GLE'), our Licensee of the SILEX Technology, also announced its own restructure, in response to adverse trading conditions in global nuclear fuel markets, initially triggered by the events in Fukushima, Japan in March 2011.

The major strategic review and resulting restructure is expected to deliver a number of financial and operational benefits. It has resulted in the cessation of operations at ChronoLogic, and implementation of strategies designed to accelerate transition to market for subsidiaries Translucent and Solar Systems, with the aim of minimising operational cash burn across the Company in FY 2015. A significant number of cost reduction measures have been implemented across our businesses, including the reduction in corporate head count by 45%.

With our restructure now well underway, we remain positive about the commercial prospects for Solar Systems and Translucent and are committed to finding the right partners for our unique technologies. Solar Systems is well positioned to participate in the emerging Concentrated Photovoltaic (CPV) market, as it establishes itself as a key source of renewable

energy in regions such as the Middle East and the US. In the case of Translucent, the semiconductor industry's focus on new materials, particularly in the power electronics and photovoltaic sectors, has created an exciting path forward as it prepares its products for market.

Despite GLE's restructure, our focus in the coming years will be on our core SILEX uranium enrichment technology. We were pleased to see recent positive news from Japan including the approval of a new energy policy that confirmed that nuclear will remain a key source of electricity generation. In addition, two Japanese nuclear power plants (Sendai 1 and 2) recently passed the safety inspection by the Nuclear Regulatory Authority (NRA) – an important milestone that may see these two reactors become the first to be restarted in the next few months. The news from Japan, together with the continued growth in nuclear around the world, supports our medium to long-term outlook for uranium and enrichment services returning to strong growth.

It is our mission to deliver the unique and disruptive SILEX Technology, as the next generation technology for the global uranium enrichment industry. This remains our key asset and best path forward to deliver value to our shareholders.

At the time of writing, Silex is in a strong financial position with cash reserves of ~\$57 million. We are committed to accelerating the route to market for our unique technologies and will continue to build on the milestone achievements of the past 12 months. An overview of each of our businesses and an operational update is detailed in the following sections.

SILEX Uranium Enrichment

Business Facts

Platform	Nuclear Energy
Location	Lucas Heights, NSW, Australia GLE: Wilmington, North Carolina, USA
Corporate Office	Sydney, NSW, Australia

Business Description

Silex has licensed its 'SILEX' laser-based uranium enrichment technology to 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

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

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

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

Uranium Enrichment

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

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

The two methods of uranium enrichment used to date have been the now obsolete Gas Diffusion (first generation) and Centrifuge (second generation). Silex's third generation laser-based process provides much higher enrichment 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. It has a number of advantages over other uranium enrichment processes including:

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

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

GLE Agreement

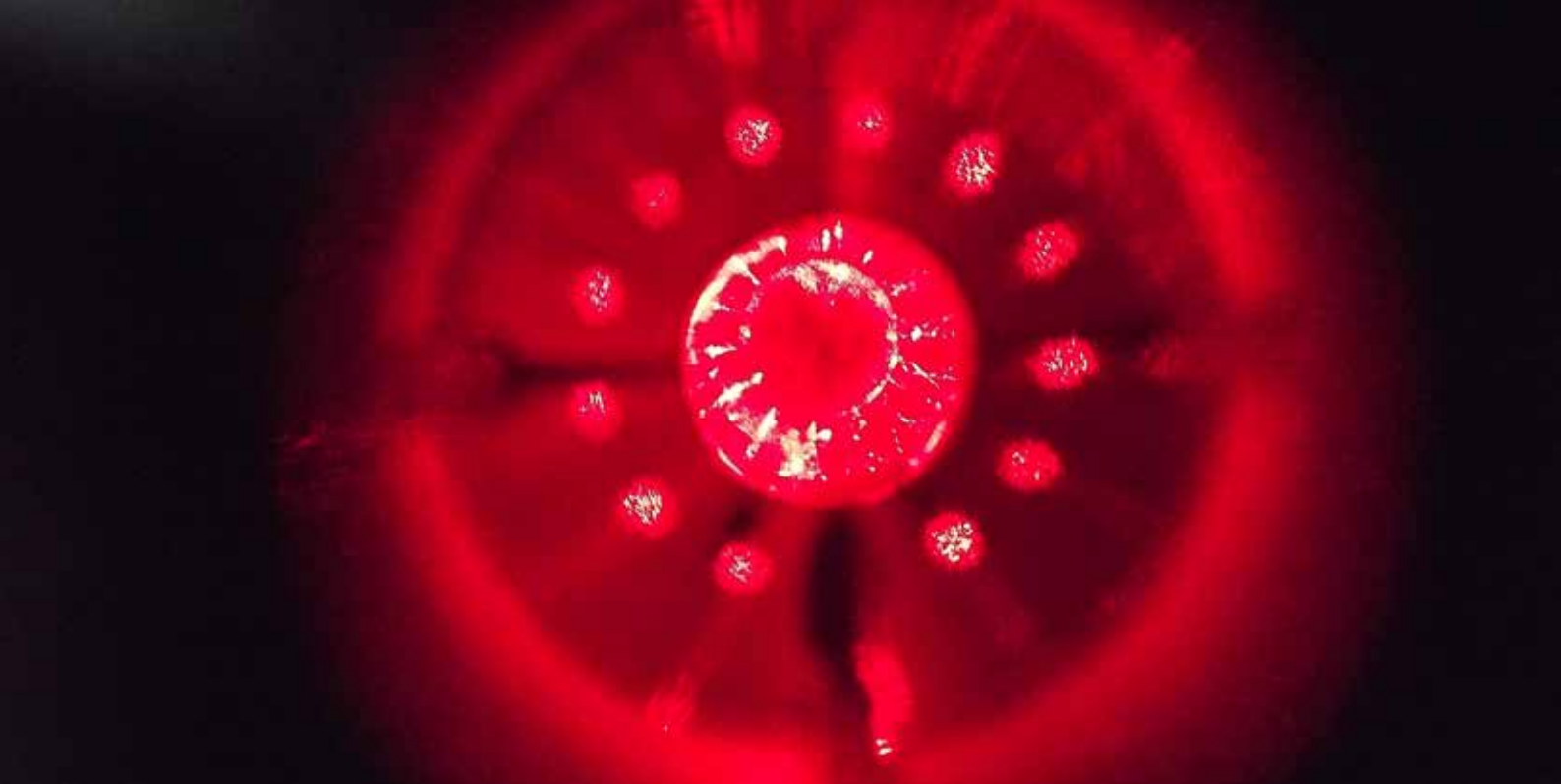
Silex's agreement with GLE is an exclusive worldwide commercialisation and licensing agreement for the SILEX laser-based uranium enrichment technology. The underlying value in the agreement with GLE is a perpetual royalty of up to 12 percent payable to Silex, comprising:

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

Additionally, the commercialisation and license agreement has two further milestone payments potentially payable:

- US\$5 million – on commencement of construction for the initial commercial plant; and
- US\$15 million – following the Nuclear Regulatory Commission's (NRC) verification of construction compliance of the initial commercial plant.

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



Highlights of the Year in Review

- GLE and Silex successfully completed the Test Loop Program Phase I Milestone at GLE's facility in the US, triggering a US\$15 million milestone payment which was received in July 2013.
- In November 2013, the US Department of Energy (DOE) selected GLE for future operations at its Paducah, Kentucky Site. The DOE and GLE continue to negotiate a 40-year commercial contract to detail the terms of an agreement which may see the SILEX Technology commercially deployed for the re-enrichment of significant inventories of depleted uranium tails owned by the DOE.
- In July 2014, GLE announced its own restructure in response to worsening trading conditions in the global nuclear fuel markets, initially triggered by the events in Fukushima, Japan in March 2011. The changes have resulted in the consolidation of some GLE operations, although the Paducah opportunity continues to be negotiated with the US DOE. Importantly, the key commercial terms of Silex's license agreement with GLE have not changed.

The GLE Restructure

On 24 July, GLE announced it would be slowing the commercialisation pace of the SILEX laser-based uranium enrichment technology to align with adverse market conditions experienced in the uranium and enrichment services markets.

GLE's restructure is now largely complete following a consolidation and streamlining of GLE operations.

Paducah, Kentucky Opportunity Update

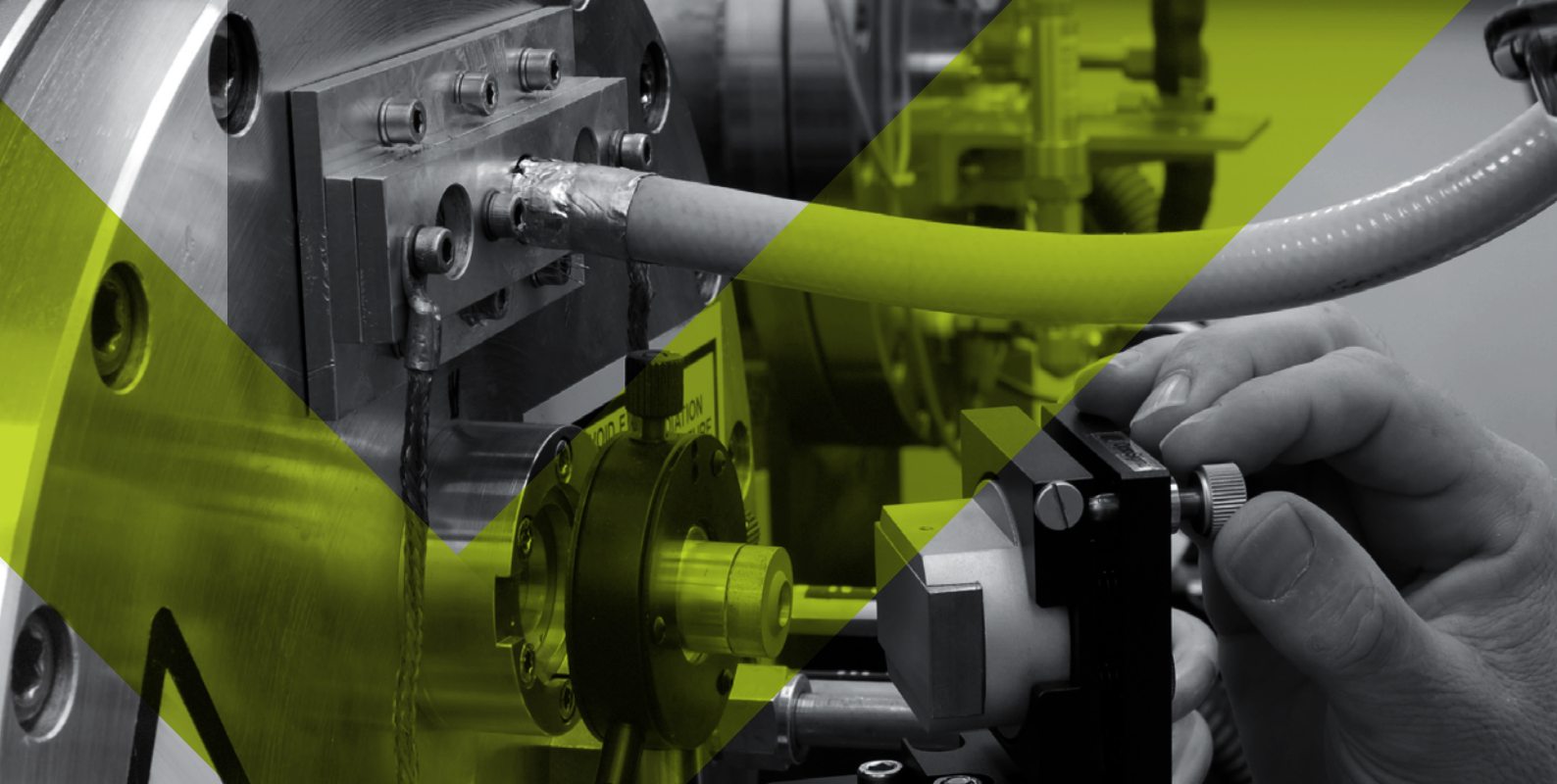
Negotiations for the establishment of the Paducah Laser Enrichment Facility (PLEF) continue to proceed constructively, albeit slower than hoped. Whilst Silex awaits an outcome from these negotiations, it is important to understand that this proposal involves the potential disposition of hundreds of thousands of tons of depleted tails inventories owned by the DOE over a 40-year period.

Subject to prevailing market conditions and regulatory requirements being met, including obtaining a combined construction and operating license from the NRC, a positive outcome from these negotiations would potentially provide a clear path to market for our disruptive laser enrichment technology.

Phase II: Full-Scale Engineering and Economic Validation

The reduced GLE project team remains focussed on Phase II of the Commercialisation Program, which includes economic and engineering validation of the technology. GLE is conducting a phased approach to commercialisation of the SILEX Technology, as follows:

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



The Nuclear Industry Outlook

The global nuclear industry is still suffering the impacts of the Fukushima event in 2011 and the shutdown of the entire Japanese nuclear power plant fleet. Following the tragic events in Japan, the demand for uranium has been slower to recover than expected and enrichment services remain in significant oversupply. Downward pricing pressure continues in both the uranium and enrichment markets.

However, the long-term fundamentals remain positive for the nuclear industry. 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 world.

Globally, there are 435 operable nuclear power plants (including 48 plants in Japan that remain offline). There are currently 72 nuclear reactors under construction world-wide, 174 reactors planned with funding or major commitments in place, and expected to be in operation within 8 to 10 years and a further 299 reactors proposed with specific program or site proposals and expected to be in operation within 15 years.¹ This significant expansion in nuclear capacity is planned, most notably by China, India and the Middle East.

Uranium and enrichment pricing has been significantly affected since the events of Fukushima, with prices currently down ~60% and ~45%, respectively. Pricing is expected to remain depressed in the short-term due to the continuing impact of excess supply of uranium and enrichment services in the global market. It was pleasing to see a small improvement to the Uranium spot price in late August and we hope this trend will continue to be witnessed in both the uranium and enrichment markets.

The medium-term outlook is highly dependent on several macro factors including the pace of the restart of the operable Japanese nuclear reactor fleet, the potential for trade sanctions against Russia which may impact the world's largest enrichment player, Tenex, the pace of global nuclear build and the strong influence of environmental drivers.

We believe the long-term market outlook remains very positive. The recent positive news from Japan together with the continued growth in nuclear around the world supports our view that the markets for uranium and enrichment services will return to strong growth in the coming years. In the longer term, the approximate doubling of existing global nuclear power capacity by 2030 will see a significant increase in the demand for uranium enrichment services. In our view the long-term market fundamentals remain very strong and therefore the uncertainty primarily lies around the likely timing of market recovery.

1. www.world-nuclear.org (1 August 2014)

Solar Systems

Business Facts

Platform	Solar Energy
Ownership	100 percent
Head office	Melbourne, Victoria, Australia
Installations	Bridgewater, Victoria, Australia (16 dishes, 0.6MW) Mildura, Victoria, Australia (40 dishes, 1.5MW) Tibrak, Saudi Arabia (28 dishes, 1MW)
Acquired	2010

Business Description

Solar Systems has developed ultra-high efficiency 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.

Accelerated business development efforts are underway to secure a strategic partner or equity investor during FY 2015 with an aim to minimise need for parent company investment.

Commercialisation and Project Deployment

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

Phase	Objectives	Status
Phase I	Product Commercialisation Program: <ul style="list-style-type: none"> Product release milestone including upgrade of the 'Dense Array' receiver 16 Dish 0.6MW test facility installed at Bridgewater, Victoria 	Completed – June 2012
Phase II	Pilot Demonstration Facilities: <ul style="list-style-type: none"> Mildura Stage 1: 40 Dish dish demonstration (1.5MW peak power output) Nofa, Saudi Arabia: 28 dish facility (1MW) 	Completed – June 2013 Completed – April 2014
Phase III	Product development pathway to achieve competitive LCOE and exploring domestic and global project opportunities at the 10 to 100MW scale	Planning underway

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 dishes concentrate 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 the 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 highly reliable parabolic Dish Concentrators which are programmed to accurately track the sun from sunrise to sunset every day to maximise the total energy yield produced.

Highlights of the Year in Review

- 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.
- Completion of a 1MW facility at the Nofa Equestrian Resort near Riyadh, Saudi Arabia – Solar Systems first overseas deployment of its CPV dish concentrator system.
- Acceleration of business development activities primarily focused on securing a strategic partnership or equity transaction.



Commercial and Product Development Activities

Solar Systems' business development activities are primarily focused on securing a strategic partnership or equity transaction during FY 2015 which will take our technology to the next stage, with the aim of achieving a value-creating outcome and minimising further parent company investment. Several positive leads with interested third parties are currently being pursued and we have engaged a corporate adviser to assist with the process.

Over the past few months, Solar Systems has seen continued uncertainty surrounding the renewable energy sector in Australia with the review of the Renewable Energy Target (RET) and particularly since the release of the Federal Budget in May 2014. Taking into account these and other factors, Silex announced the mutual termination of the Federal and Victorian government funding arrangements for Solar Systems' proposed 100MW Mildura Power Station and the suspension of plans for this project on 18 August. Whilst we continue to analyse other alternatives to further develop the Mildura site and other Australian-based projects, our focus is increasingly on overseas markets.

The Company continues to work on its product development pathway to reduce the Levelised Cost of Energy (LCOE) of its CPV 'Dense Array' dish technology to improve its competitive positioning. These initiatives encompass both increasing the efficiency and lowering component costs of the CPV dish systems and targeting project opportunities in areas where energy yield can be maximised (i.e. areas of high Direct Normal Irradiance (DNI) or sunlight quality). The current focus on the reduction of LCOE includes adoption of more efficient dish designs which will result in lower manufacturing and construction costs. The completion of the two solar facilities in separate markets: Mildura, Victoria and at the Nofa Equestrian Resort near Riyadh, Saudi Arabia has resulted in a great deal of useful data being obtained from the operation of these facilities and is assisting with further cost and product efficiency improvement projects.



Translucent

Business Facts

Platform	Advanced Semiconductor Materials
Ownership	99 percent
Location	Palo Alto, California, USA
Founded	2001

Business Description

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

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.

Commercial and Product Development Activities

Translucent is now on an accelerated path to commercialisation with industry validation of epiwafer products underway. Translucent's technology could lower costs and transform manufacturing for companies in the Power Electronics and photovoltaics industries:

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 production costs and enhance device performance for the Power Electronics industry. Commercial grade vGaN™ substrates are currently being validated by various potential customers and industry partners with encouraging results being obtained to date.

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 and photonics devices has advanced with wafers being processed by industry partners.

Discussions with several third parties are underway as Silex accelerates efforts towards achieving a value-creating transaction with an industry/strategic partner. We remain committed to the aim of minimising the need for further parent investment by the end of FY 2015.

“We remain firmly committed to execution of our strategic initiatives and accelerating the path to market of our technologies.”

ChronoLogic

Business Facts

Platform	Advanced Materials & Instrumentation
Ownership	90 percent
Location	Adelaide, South Australia, Australia
Acquired	2002 (51 percent) 2006 (90 percent)

Business Description

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.

Update

ChronoLogic has developed a range of instruments for the test and measurement industry called 'Distributed Virtual Instrumentation' (DVI), incorporating its 'USB-inSync™' technology. While ChronoLogic's instrumentation technology is considered by many to be disruptive, following a comprehensive search to find investors or buyers for the business, the Silex Board made the decision to cease operations as announced on 30 June.

This decision has resulted in a number of redundancies and the closure and make-good of the facility in Adelaide, South Australia. Silex will maintain a skeleton staff as it pursues IP licensing and sale opportunities with several interested parties.

Outlook

We remain firmly committed to execution of our Board's strategic initiatives and accelerating the path to market of our technologies. 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

Mission

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

Silex Corporate Structure

Silex Systems Limited

ASX: SLX

OTCQX: SILXY

HQ: Sydney, Australia

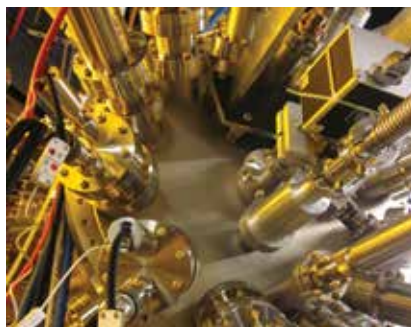
(The SILEX Uranium Enrichment Technology)

www.silex.com.au



Solar Systems Pty Ltd

Melbourne, Australia (100% ownership)
Utility-Scale PV (Solar Power Stations)
www.solarsystems.com.au



Translucent Inc.

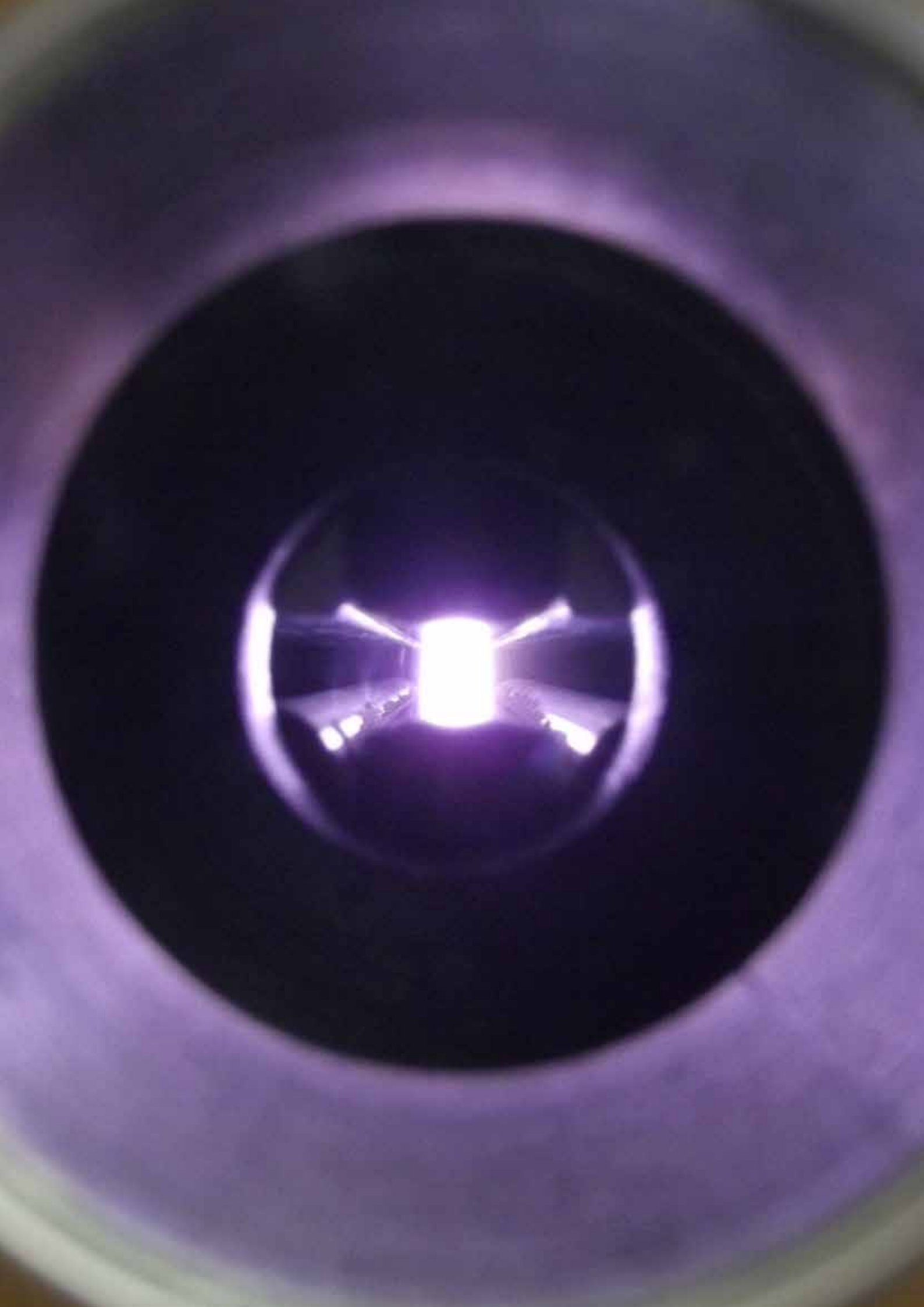
Palo Alto, USA (99% ownership)
Advanced Materials
(Semiconductors & Solar)
www.translucentinc.com



ChronoLogic Pty Ltd

Adelaide, Australia (90% ownership)
Instrumentation (Test & Measurement)
www.chronologic.com.au

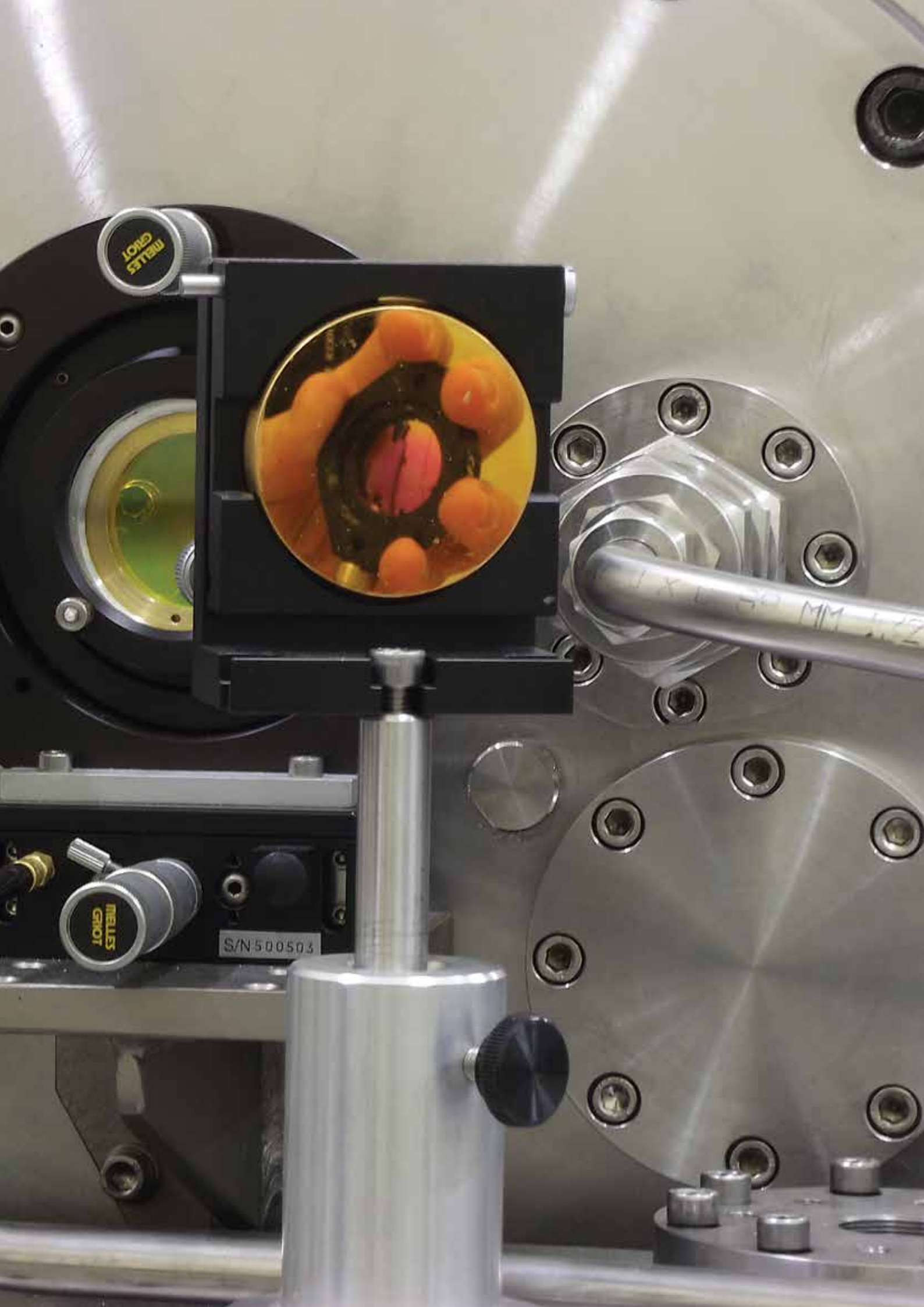




»»» Historical Background

- 1988** Silex is established by founder Dr Michael Goldsworthy as a technology research and development subsidiary of Sonic Healthcare Limited, an Australian publicly listed company.
- 1990** Silex begins researching the isotope separation concepts of co-inventors Dr Michael Goldsworthy and Dr Horst Struve.
- 1993** The unique principles of the SILEX (Separation of Isotopes by Laser EXcitation) Process are formulated.
- 1995** 'Proof of Principle' demonstration of the SILEX Process is achieved at the Company's laboratories in Lucas Heights, Sydney. Uranium enrichment, the largest market for isotope separation, becomes Silex's primary focus.
- 1996** Silex is divested from Sonic Healthcare Limited and sets about establishing the commercial viability of the SILEX Technology.
- 1998** Silex lists on the Australian Stock Exchange (ASX) under the symbol 'SLX'.
- 2000** An Agreement for Cooperation between the US and Australian Governments is signed, paving the way for continued development of the SILEX Technology for uranium enrichment, and facilitating its future transfer to the US.
- The first macroscopic demonstration of the SILEX uranium process is successfully achieved.
- Silex wins the 2000 Australian Technology Award for Excellence in the Manufacturing and Engineering sector.
- Silex raises \$36 million through a share issue to assist in funding the development of its technology portfolio.
- 2001** Silex enters the semiconductor materials field with the founding investment for Translucent Inc., a Silicon Valley start-up developing silicon photonics technology.
- The SILEX Technology is officially Classified by the US and Australian Governments. The implications of classification relate mainly to security protocols.
- 2002** Silex acquires 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 achieves a key milestone with the first full demonstration on practical uranium enrichment using the SILEX 'Direct Measurement Facility' at Lucas Heights, Sydney.
- 2003** Silex takes a majority ownership in Translucent Inc., moving to ~70% interest (from 30%).
- 2004** Silex successfully commissions the world's first silicon laser enrichment pilot plant.
- Translucent secures 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 increases its stake in ChronoLogic to 90%.
- 2007** Transfer of the SILEX Uranium Enrichment Project to GE's Wilmington, North Carolina (USA) nuclear fuel plant is completed in the first half. Hitachi joins GE as project partner.
- GE-Hitachi signs Letters of Intent for uranium enrichment services and support using the SILEX Technology with Exelon and Entergy – the two largest nuclear power utilities in the US.
- Silex successfully completes a \$50 million capital raising in October.

- 2008** Global Laser Enrichment (GLE), formed as a subsidiary of GE-Hitachi Nuclear Energy (GEH) to commercialise the SILEX Technology, announces it has selected its Wilmington, North Carolina, headquarters site for the first potential commercial SILEX uranium enrichment facility.
- GLE is notified that the US Nuclear Regulatory Commission (NRC) has approved a license to operate the Test Loop for the demonstration of the next generation SILEX laser enrichment technology.
- GEH and Cameco Corp. announce that Cameco Corporation, the world's largest uranium producer, has joined the GLE venture. Cameco paid US\$123.8 million for a 24% stake in GLE. GE retains 51% ownership with Hitachi at 25%.
- 2009** In August, the US NRC announces it has accepted GLE's license application to construct and operate a commercial SILEX uranium enrichment facility in Wilmington, triggering a ~30 month review process.
- In July, GLE announces the on-schedule start-up of the Test Loop to evaluate the next-generation SILEX laser-based uranium enrichment technology.
- 2010** In March, Silex acquires the business assets of Melbourne-based Solar Systems Group. Solar Systems' concentrating photovoltaic (CPV) technology is applicable to large utility-scale solar power generation, using its unique ultra-high efficiency 'Dense Array' dish technology.
- In April, GLE and Silex announce the successful completion of the Test Loop initial measurement program.
- 2011** Silex successfully completes an \$89 million capital raising and a share purchase plan which raises a further \$20 million.
- 2012** Solar Systems is awarded a funding grant from the Australian Solar Institute. The business also secures a site for a facility at the Nofa Equestrian Resort near Riyadh, Saudi Arabia with construction of a 1MW facility commencing during the year. Solar Systems open its 0.6MW Test and Demonstration Facility at Bridgewater, Victoria.
- In September, the US NRC approves the world's first Construction and Operating License for a commercial laser enrichment plant utilising the SILEX Technology at Wilmington, North Carolina.
- 2013** In May, GLE and Silex achieve the successful completion of the Test Loop Program Phase I Milestone: Technology Demonstration and Validation in Wilmington, North Carolina – triggering a US\$15 million milestone payment from GLE to Silex (which is received in July).
- In June, Solar Systems complete construction of Australia's largest CPV Solar Plant – a 1.5MW Solar Demonstration Facility at Mildura, Victoria.
- Silex lists on the OTCQX exchange in the US under the symbol 'SILXY' in June.
- 2014** The US Department of Energy (DOE) selects GLE for future operations at its Paducah, Kentucky Site. The DOE and GLE continue negotiations for a 40-year contract to have the SILEX Technology commercially deployed for the re-enrichment of depleted uranium tails.
- Solar Systems completes the first off-shore deployment of its unique 'Dense Array' dish concentrator solar technology, a 1MW solar power plant at the Nofa Equestrian Resort, near Riyadh, Kingdom of Saudi Arabia.
- In June, Silex announces completion of a strategic review of the entire business, determining to refocus efforts on its primary economic asset, the SILEX laser-based uranium enrichment technology. The strategic review also involves an accelerated transition to market for Solar Systems and Translucent and results in the cessation of operations at ChronoLogic.
- In July, GLE announces its own restructure in response to worsening trading conditions in the global nuclear fuel markets, initially triggered by the events in Fukushima, Japan in March 2011. The changes result in the consolidation of GLE's operations. Importantly, the key commercial terms of Silex's license agreement with GLE do not change.



»» Concise Financial Report

for the year ended 30 June 2014



**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 2014.

1. Directors

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

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

Mr A M Stock was appointed as a director on 1 August 2013 and continues in office at the date of this report. Mr R P Campbell, Dr C S Goldschmidt and Prof S W R Burdon were directors from the beginning of the financial year until their resignations on 30 September 2013, 2 May 2014 and 25 June 2014 respectively.

2. Principal activities

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

a) Silex: 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 were being undertaken by ChronoLogic Pty Ltd, in which Silex has a 90% interest. As part of a major strategic review, the Silex Board announced on 30 June 2014 that operations at ChronoLogic would cease. Several licence and intellectual property sale opportunities are continuing to be pursued.

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:

	2014 \$	2013 \$
Revenue from continuing operations	7,398,554	23,642,782
(Loss)/profit before income tax expense	(29,246,377)	2,191,037
Income tax expense	-	-
Net (loss)/profit from continuing operations	(29,246,377)	2,191,037
Net (loss) from discontinued operations	(385,083)	(2,421,488)
Net (loss) for the year	(29,631,460)	(230,451)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	(29,488,786)	(93,119)
Non-controlling interests	(142,674)	(137,332)
	(29,631,460)	(230,451)

Key information about the consolidated operations, results and financial position

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

Whilst progress in key activities was achieved during the year ended 30 June 2014, adverse market conditions led the Silex Board to conduct a major strategic review of all activities, resulting in a significant restructure of the Company, which was announced on 30 June 2014. The Board advised that it would return its primary focus to development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology and to continue to support Licensee, GE-Hitachi Global Laser Enrichment LLC ('GLE').

The restructure, which is expected to deliver a number of financial and operational benefits to Silex, has resulted in a cessation of operations at ChronoLogic, and the implementation of strategies designed to accelerate transition to market for subsidiaries Translucent and Solar Systems, reported as held for sale in these accounts, with the aim of minimising operational cash burn for the Company in FY 2015. We are pleased to report the cash position of the Company as at 30 June 2014 was \$63.9m.

Our focus in the coming years will be on our core SILEX laser uranium enrichment technology. We continue to see the medium to long-term outlook for uranium and enrichment services returning to strong growth, and therefore firmly believe the SILEX Technology, the only third generation laser enrichment technology being commercialised in the world, remains our key asset and the best path forward to deliver value to our shareholders.

» Directors' Report

Financial review

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

	2014 \$	2013 \$
Revenue from continuing operations	7,398,554	23,642,782
Other income	24,010,247	7,708,938
Cost of sales	(5,185,474)	(3,620,804)
Research and development materials	(4,618,244)	(2,355,960)
Depreciation and amortisation expense	(18,887,138)	(2,945,893)
Impairment of intangibles	(12,379,766)	-
Employee benefits expense	(13,016,744)	(14,431,523)
Other expenses	(6,567,812)	(5,806,503)
Income tax expense	-	-
Net (loss)/profit from continuing operations	(29,246,377)	2,191,037
Net (loss) from discontinued operations	(385,083)	(2,421,488)
Net (loss) for the year	(29,631,460)	(230,451)

The Net (loss) for the year was impacted by the major strategic review completed by the Silex Board announced on 30 June 2014, resulting in impairment of the carrying value of development expenditure associated with intellectual property held by Solar Systems of \$3.9m and impairment of the carrying value of the goodwill on consolidation in relation to Translucent of \$8.5m (deemed necessary to comply with Australian Accounting Standards). These impairments are an accounting charge only and do not have any impact on the Company's cash position, which reduced by only \$0.4m during the year to \$63.9m at 30 June 2014.

Depreciation and amortisation expense from continuing operations of \$18.9m (\$2.9m in the prior year) increased primarily due to the reassessment of the useful life of Solar Systems plant and equipment. As a result of the reassessment, previously deferred Solar Systems Government grant income included in Other income was higher in the current year at \$9.1m (\$3.9m in the prior year). R&D tax incentive income from continuing operations of \$14.9m was also included in Other income in the current year (\$2.8m in the prior year).

The above noted factors and the milestone revenue of US\$15.0m (AU\$15.4m) awarded in the previous year (\$nil in the current year) are the key drivers of the increased net loss from ordinary activities after tax attributable to members. Further commentary on our business segments is provided below.

»» Directors' Report

Silex

The Silex segment result was \$0.2m profit in the current year compared to \$15.9m profit in the previous year. The reduction in profit was largely due to the US\$15.0m (AU\$15.4m) revenue from GLE for the successful completion of the Test Loop Program Phase I Milestone in the prior year (\$nil in the current year). Bank interest income also decreased to \$2.6m in the current year compared to \$3.4m in the previous year as a result of lower interest rates and lower average cash / term deposit holdings in the current year.

Solar Systems

The Solar Systems segment loss was \$16.0m, up from \$9.0m in the previous year. The increased loss was driven by depreciation and amortisation expense of \$18.2m (\$2.2m in the prior year) primarily relating to the reassessment of the useful life of plant and equipment and the impairment of development expenditure associated with intellectual property of \$3.9m (\$nil in the prior year). Whilst these conservative accounting adjustments have been made to the Solar Systems segment, we remain positive about the commercial prospects for Solar Systems and are committed to finding the right partner for this business.

Cost of goods sold of \$5.2m in the current year was due to completion of the CPV solar power station at the Nofa Resort near Riyadh, Saudi Arabia (\$3.6m in the prior year). R&D materials used were \$3.9m in the current year (\$2.2m in the prior year).

These unfavourable factors were partly offset by R&D Tax Incentive income of \$14.9m in the current year (\$2.8m in the prior year). Furthermore, Government grant income was higher in the current year at \$9.1m (\$3.9m in the prior year).

Translucent

As the business accelerates on its path to commercialisation, Translucent's segment loss was \$5.0m, marginally up from \$4.6m in the previous year due to additional R&D materials used in manufacturing prototype substrates.

Discontinued Operations

ChronoLogic and Silex Solar discontinued operations loss was \$0.4m, down from \$2.4m in the previous year. This was favourably impacted by the collection of a receivable of \$0.9m in Silex Solar which had been previously fully provided for. In addition, the ChronoLogic R&D Tax Incentive income was \$1.1m in the current year (\$0.5m in the prior year).

» Directors' Report

Balance sheet

A summary of our balance sheet is set out below:

	30 June 2014 \$	30 June 2013 \$
ASSETS		
Total current assets	97,343,949	89,074,871
Total non-current assets	119,311	48,155,201
Total assets	97,463,260	137,230,072
LIABILITIES		
Total current liabilities	5,266,206	8,502,832
Total non-current liabilities	111,971	7,402,984
Total liabilities	5,378,177	15,905,816
Net assets	92,085,083	121,324,256
EQUITY		
Total equity	92,085,083	121,324,256

As at 30 June 2014, total assets were \$97.5m. Significant assets are cash holdings of \$63.9m (cash and term deposits) and assets held for sale of \$30.8m. Intangible assets of \$12.4m were impaired during the year. Total liabilities were \$5.4m 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 Company does not have any borrowings (e.g. bank debt).

5. Earnings per share

	2014 Cents	2013 Cents
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	(17.2)	1.3
Diluted earnings per share	(17.2)	1.3
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(17.3)	(0.1)
Diluted earnings per share	(17.3)	(0.1)

»» Directors' Report

6. Significant changes in state of affairs

On 30 June 2014, as part of the completion of a major strategic review of the entire Silex group, the Board advised that it would return its primary focus to development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology and to continue to support Licensee, GLE.

The restructure, which is expected to deliver a number of financial and operational benefits to Silex, has resulted in a cessation of operations at ChronoLogic, and the implementation of strategies designed to accelerate transition to market for subsidiaries Translucent and Solar Systems, reported as held for sale in these accounts, with the aim of minimising operational cash burn for the Company in FY 2015.

Additionally, as reported previously, all Silex Solar activities have ceased with the plant decommissioned and closed in October 2012. There were no other significant changes in the state of affairs of the Company during the financial year not otherwise dealt with in this report.

7. Matters subsequent to the end of the financial year

Silex

On 24 July 2014, the Licensee for the SILEX Uranium Enrichment Technology, GLE, announced changes to the funding and pace of the commercialisation program to align with current adverse market conditions. GLE confirmed their intention to consolidate efforts on the technology development activities to its Wilmington facility in North Carolina, USA.

The financial effect of this decision is not expected to have a material impact on the results of the Company.

Solar Systems

On 18 August 2014, Silex announced that the Australian Renewable Energy Agency (ARENA) and Solar Systems have agreed to suspend plans for the 100MW Mildura Solar Power Station and terminate the conditional funding deed for \$75 million. The decision was based on a number of factors, including low wholesale electricity prices and the uncertainty surrounding the Renewable Energy Target. Due to these circumstances, the \$35 million in conditional funding from the Victorian Government has also been terminated. Alternatives to further develop the Mildura site and other Australian-based projects are currently being explored.

There is no direct financial cost anticipated to Solar Systems as a consequence of the decision to suspend plans for the 100MW Mildura Solar Power Station. Management continue efforts towards securing a strategic partnership or equity transaction for Solar Systems during FY 2015, aiming to achieve a value-creating outcome and potentially reducing the quantum of parent company investment.

Other

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

8. Likely developments and expected results of operations

Silex is a technology company with interests in a number of technology development projects both in Australia and overseas. Silex also has research, development and 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 Company's segments are summarised below:

Silex

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 LLC ('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 in July 2013.

On 24 July 2014, GLE announced that they would be slowing the commercialisation pace of the SILEX laser uranium enrichment technology to align with adverse market conditions currently being experienced in the uranium and enrichment services markets. While these changes have resulted in the consolidation of some GLE operations, importantly, Phase II work is still continuing at the facility in Wilmington, North Carolina. Silex has been informed that negotiations with the US Department of Energy (DOE) concerning the establishment of the Paducah Laser Enrichment Facility (PLEF) continue to proceed constructively, albeit slower than hoped. The key commercial terms of Silex's license agreement with GLE have not changed.

GLE is conducting a phased approach to commercialisation of the SILEX laser enrichment technology, as follows:

Phase	Objectives	Status
Phase I	Test Loop technology demonstration and NRC commercial plant license approval	Completed in FY 2013
Phase II	Economic and engineering validation for the initial commercial production module	Commenced in 2012
Phase III	Construction of the first full-scale commercial production facility	Yet to commence

The global nuclear industry is still suffering the impacts of the Fukushima event in 2011 and the shutdown of the entire Japanese nuclear power plant fleet. Following the tragic events in Japan, the demand for uranium has been slower to recover than expected and enrichment services remain in significant oversupply. Downward pricing pressure continues to be witnessed in both the uranium and enrichment markets.

»» Directors' Report

Uranium and enrichment pricing has been significantly affected since the events of Fukushima, with prices currently down ~60% and ~45%, respectively. Pricing is expected to remain depressed in the short-term due to the continuing impact of excess supply of uranium and enrichment services in the global market place. It was pleasing to see a small improvement to the Uranium spot price in late August and we hope this trend will continue to be witnessed in both the uranium and enrichment markets.

The long-term fundamentals remain positive for the nuclear industry. Significant expansion in nuclear capacity is planned in many countries, with many governments around the world recognising that nuclear power is an important source of clean base-load energy in a carbon-constrained world. 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

In the past year, Solar Systems opened two facilities in separate markets: in Mildura, Victoria and at the Nofa Equestrian Resort near Riyadh, Saudi Arabia. A great deal of useful data has been obtained from the operation of these facilities. This is assisting with further cost down and product efficiency improvement projects for Solar Systems' unique concentrating photovoltaic (CPV) 'Dense Array' technology.

Solar Systems' business development activities are primarily focused on securing a strategic partnership or equity transaction during FY 2015 with the aim of achieving a value-creating outcome and minimising further parent company investment. Several positive leads with interested third parties are currently being pursued and we have engaged a corporate adviser to assist with the process.

In parallel, the Company continues to work on its product development pathway to reduce the Levelised Cost of Energy (LCOE) of its concentrated photovoltaic (CPV) 'Dense Array' dish technology to improve its competitive positioning. These initiatives encompass both increasing the efficiency and lowering component costs of the CPV dish systems and targeting project opportunities in areas where energy yield can be maximised [i.e. areas of high Direct Normal Irradiance (DNI) or sunlight quality]. The current focus on the reduction of LCOE includes adoption of more efficient dish designs which will result in lower manufacturing and construction costs.

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.

Translucent is now on an accelerated path to commercialisation. With industries currently forced to use high-cost non-silicon substrates such as germanium, sapphire and silicon carbide for high-end semiconductor devices, Translucent's technology could transform manufacturing, enabling the power electronics and photovoltaics industries to instead use high performing low-cost silicon-wafer based substrates.

Discussions with several third parties are underway as Silex accelerates efforts towards achieving a value-creating transaction with an industry/strategic partner. We remain committed to the aim of minimising the need for further parent investment following the end of FY 2015.

»» Directors' Report

9. Information on Directors

a) Directors' profiles

The following directors are currently serving on the Silex Systems Limited Board:

Dr Lisa McIntyre

BSc (Hons), PhD, GAICD

Chair – Non-executive (director since 2012)

Experience and expertise

Dr McIntyre is a company director for various companies including HCF, Cover-More Group Limited, and Tutoring Australasia Pty Ltd. Prior to 2011, Lisa was a senior partner in global strategy firm L.E.K. Consulting for 19 years. She spent the first half of her career in the US and returned to Australia in 2002 to lead L.E.K.'s Asia Pacific Life Science and Technologies practice in Sydney where she advised organisations on strategy, commercialisation and performance issues.

Other current directorships

Non-executive director of Cover-More Group Limited since November 2013.

Former directorships in last 3 years

None

Special responsibilities

Member of Audit Committee

Chair of People and Remuneration Committee

Dr Michael Goldsworthy

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

CEO/MD – 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 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

CEO/MD

»» 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

Special responsibilities

Chair of Audit Committee (since 1 October 2013)
Member of People and Remuneration Committee (since 1 October 2013)

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

Finance director of Sonic Healthcare Limited since 1989.

Former directorships in last 3 years

None

Special responsibilities

Business development and corporate strategy
Member of Audit Committee (since 27 June 2014)
Member of People and Remuneration Committee (since 27 June 2014)

»» Directors' Report

The following directors are former directors of the Silex Board:

Professor Stephen Burdon

MBA BSc (Hons) FAICD, FAIM, FIE Aust
Chair – Non-executive (resigned 25 June 2014)

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 (resigned 25 June 2014)
Member of People and Remuneration Committee (resigned 25 June 2014)

Mr Peter Campbell

FCA, CTA, FAICD
Non-executive (resigned 30 September 2013)

Experience and expertise

Mr Campbell was 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 Chair since October 2010 and non-executive director of QRxPharma Limited since 2007.

Former directorships in last 3 years

None

Special responsibilities

Chair of Audit Committee (resigned 30 September 2013)
Member of People and Remuneration Committee (resigned 30 September 2013)

Dr Colin Goldschmidt

MB BCh, FRCPA, FAICD
Non-executive (resigned 2 May 2014)

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.

Former directorships in last 3 years

None

Special responsibilities

Member of Audit Committee (resigned 2 May 2014)

»» Directors' Report

10. Remuneration Report

Dear Shareholder,

I am pleased to present to you the Silex Systems Limited Remuneration Report for the year ended 30 June 2014.

As you are aware, the Board undertook a major strategic review of the Company's operations in June 2014 in response to the deteriorating market conditions and share price. This resulted in a significant restructure of the Company, which continues to be implemented. The major strategic review's implementation has resulted in the Board reviewing the current structure of Key Management Personnel (KMP) remuneration to ensure that a clear link is maintained between business performance, corporate structure and the remuneration of KMP. This review is ongoing. However some difficult decisions have already been made this year, including the Board's determination that no increases will be made to KMP remuneration for FY 2015.

In addition, the Board has reviewed the long-term incentive plan offered to executive KMP and ascertained that the plan, in its current form, is no longer appropriate and will not be offered in FY 2015. I would like to highlight that the current review also includes the fixed remuneration and 'at risk' incentives for our CEO/MD which is anticipated to result in a significant reduction in total remuneration.

As Chair of the People & Remuneration Committee, I remain committed to ensuring our remuneration policies and practices reinforce and align with the Company's strategic performance. Following a comprehensive international search, the Board was pleased to appoint Mr Chris Murray as CEO of our Solar Systems business in January 2014. Mr Murray is integral to the execution of the Board's major strategic review and his remuneration package has been structured accordingly, with the view to realising early shareholder value from this business unit. Details of Mr Murray's remuneration are included in this report.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest. I look forward to answering any questions you may have at our Annual General Meeting in November 2014.



Dr Lisa McIntyre

Chair, People & Remuneration Committee

»» Directors' Report

The Remuneration Report for the year ended 30 June 2014 sets out the remuneration information for the company's non-executive directors, executive directors and other executive key management personnel. The report contains the following sections:

- a) Directors and KMP disclosed in this report
- b) Remuneration governance
- c) Linking remuneration to company performance
- d) Performance of Silex Systems Limited
- e) Executive KMP remuneration structure
- f) Non-executive directors remuneration
- g) Voting and comments made at the Company's 2013 Annual General Meeting
- h) Director's and KMP remuneration
- i) Details of share-based compensation and bonuses
- j) Shares under option

a) Directors and KMP disclosed in this report

The 2014 Remuneration Report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001* and accounting standard requirements and applies to KMP of the Company. KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Company.

Name	Position
Non-executive and executive directors	
Dr L M McIntyre	Chair (from 27 June 2014) and Non-executive director
Dr M P Goldsworthy	CEO/MD – Executive director
Mr A M Stock	Non-executive director (from 1 August 2013)
Mr C D Wilks	Non-executive director
Prof S W R Burdon	Chair and Non-executive director (until 25 June 2014)
Mr R P Campbell	Non-executive director (until 30 September 2013)
Dr C S Goldschmidt	Non-executive director (until 2 May 2014)
Other Executive KMP	
Ms J E Ducie	CFO/Company Secretary
Mr C R Murray	CEO – Solar Systems (from 6 January 2014)

b) Remuneration governance

Board oversight

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

People & Remuneration Committee structure

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

»» Directors' Report

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

Committee members	Dr L M McIntyre – Chair Mr A M Stock (member since 1 October 2013) Mr C D Wilks (member since 27 June 2014)
Committee secretary	Ms A N Scott
Number of meetings in FY 2014	3
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 Company and its specific application to KMP, as well as the general application to all employees;
- Determine remuneration levels of the CEO/MD and other KMP;
- Manage the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles; and
- Review and make recommendations to the Board regarding the remuneration of non-executive directors.

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

Use of remuneration consultants

The People & Remuneration Committee directly engaged Aon Hewitt to provide recommendations on KMP remuneration package structure. Under the terms of the engagement Aon Hewitt provided recommendations as defined in section 9B of the *Corporations Act 2001*. Total fees paid were \$7,800 for these services.

Aon Hewitt has confirmed that the above recommendations have been made free from undue influence by members of the Company's KMP.

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

- 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 our Group Human Resources Manager throughout the arrangement to understand company processes, practices and other business issues. 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 the remuneration decisions.

»» Directors' Report

c) Linking remuneration to company performance

Remuneration strategy, policy and framework

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

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

The executive KMP remuneration framework has two components:

- Total fixed remuneration; and
- At risk incentives.

Total Fixed Remuneration	
Composition	Comprises base salary, superannuation and any other packaged benefits, including motor vehicle 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.

Incentives (STI/LTI) (Success Based)	
Composition	<p>All executives are eligible to participate in the incentive plan.</p> <p>Awards are currently paid in cash or by escrow share awards.</p> <p>Rewards are generally based on a percentage of the executive's Total Fixed Remuneration (TFR) and the ability to influence outcomes for the Company.</p>
Purpose	To reward executives for their contribution to achievement of Company and/or divisional outcomes, as well as divisional Key Performance Indicators (KPIs).
Link to Performance	<p>At all times the Board has the discretion to make a final determination based on share price performance or other factors.</p> <p>Performance may be linked to financial metrics such as operating cash flow and to non-financial measures, such as commercial deliverables, and other specific operational and strategic deliverables for the Company.</p> <p>Incentive awards may be clawed back if the relevant executive acts fraudulently or dishonestly or breaches their obligations to the Company.</p>

The People & Remuneration Committee is responsible for assessing performance against KPIs and determining the incentive awards to be paid. To assist in this assessment, the committee receives detailed reports on performance from management. The committee has the discretion to adjust awards in light of unexpected or unintended circumstances.

The Company'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 KMP the opportunity to earn total remuneration above the market median for outstanding performance against the stretch targets.

» Directors' Report

d) Performance of Silex Systems Limited

Year ended 30 June	EPS Cents	STI \$	Share price at 30 June \$
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
2014	(17.3)	76,000	1.16

The increased Net (loss) for the year (\$29.6m compared to \$0.2m in the prior year) and the resulting increase in the negative earnings per share in the current year was mainly due to the accounting impact of the major strategic review and the milestone revenue of US\$15.0m (AU\$15.4m) which was awarded in the previous year (\$nil in the current year). It is important to note that our cash balance was largely maintained during the year ended 30 June 2014 with only a minimal decrease of \$0.4m.

Silex's share price has suffered over recent years primarily as a result of the Fukushima event in 2011 which has had a negative impact on all uranium-based stocks. Progress in the Company's various technology projects has not directly been reflected in Earnings Per Share (EPS) as the Company's projects remain in the research and development phase and are yet to generate substantial revenue.

e) Executive KMP remuneration structure

Remuneration structure

For FY 2014, all executive KMP remuneration packages included a mix of total fixed remuneration (TFR) and at-risk incentives (short-term and long-term incentives). An outline of each remuneration component and the maximum potential opportunity is shown in the below table:

	CEO/MD	CFO/Company Secretary	CEO – Solar Systems
Total Fixed Remuneration (TFR)			
Composition	Base salary, superannuation and packaged motor vehicle benefits*	Base salary and superannuation	Base salary, superannuation and packaged motor vehicle benefits
Assessment	Based on responsibilities, performance and market data	Based on responsibilities, performance and market data	Based on responsibilities, performance and market data
At Risk	No	No	No
Maximum Short-Term Incentive Plan Opportunity			
Composition	Maximum value of 50%* of TFR. Awards may be delivered in cash or Restricted Silex Systems Limited ordinary shares subject to shareholder approval.	Maximum value of 30% of TFR. Awards are currently paid in cash. A portion of the payment may also be delivered in Restricted Silex Systems Limited ordinary shares.	Maximum value of 40% of TFR. Awards are currently paid in cash. A portion of the payment may also be delivered in Restricted Silex Systems Limited ordinary shares.
Assessment	Award is subject to the achievement of agreed performance criteria comprising financial metrics and specific key strategic/commercial objectives.	Award is subject to the achievement of divisional and Company financial performance, supplemented by strategic and commercial measures specific to business unit deliverables.	Award is subject to the achievement of Solar Systems financial performance, supplemented by strategic and commercial measures specific to the Solar Systems business.
At Risk	Yes	Yes	Yes

»» Directors' Report

	CEO/MD	CFO/Company Secretary	CEO – Solar Systems
Other Incentives			
Composition	A LTI award may be granted annually at the discretion of the Board to a maximum value of 62.5%* of TFR.	A LTI award may be granted annually at the discretion of the Board to a maximum value of 25% of TFR.	A Success fee bonus based on the execution of the Board's stated strategy being to obtain a transaction for the Solar Systems business unit.
Assessment	The LTI award is subject to performance criteria set by the Board at the time of issue and was approved by shareholders at the 2013 AGM. Performance criteria for the FY 2014 award included a Relative Total Shareholder Return and an absolute share price hurdle. The actual LTI determined at the end of the 3 year performance period will be paid via the allotment of restricted Silex Systems Limited ordinary shares subject to a further escrow period of 3 years.	The LTI award is subject to performance criteria set by the Board at the time of issue. Performance criteria for the FY 2014 award included a Relative Total Shareholder Return and an absolute share price hurdle. The actual LTI determined at the end of the 3 year performance period will be paid via the allotment of restricted Silex Systems Limited ordinary shares subject to a further escrow period of 3 years.	The award amount will be assessed on the basis of the value secured for Silex shareholders after taking into account Silex's investment to date. The success fee payment form will be determined at the time of any award and will be commensurate with the form of payment made to Silex. The success fee bonus is not time-bound and will be assessed at the time of financial close of a transaction involving the Solar Systems business or assets.
At Risk	Yes	Yes	Yes

*A review of the CEO/MD's remuneration is underway and a significant reduction is anticipated in line with the planned re-focused activities of the Company.

Short-term incentive – FY 2014 outcome

In considering the appropriate award for executive KMP short-term incentive achievement in FY 2014, the Board considered the Company's reduced share price. In assessing the appropriateness of an award being made to the CEO/MD, the Board at its discretion determined that no award would be made to the CEO/MD for FY 2014.

The Board also considered the Company's reduced share price when assessing whether an award would be appropriate for the CFO/Company Secretary. While it was determined that the majority of stated deliverables had been achieved (75%), the Board discretionally determined that an award of 25% of the maximum short-term incentive opportunity of \$80,000 would be granted. The resulting gross award of \$20,000 will be paid in cash prior to 31 December 2014.

A different approach was adopted by the Board when reviewing the award of an STI for the CEO – Solar Systems. In assessing the achievement of targets set for the STI period (2nd half of FY 2014), it was determined that 70% of deliverables had been achieved. This will result in an award of 70% of the maximum short-term incentive opportunity of \$80,000. The gross award of \$56,000 will be paid in cash prior to 31 December 2014.

For commercially sensitive reasons, short-term incentive targets for executive KMP are not published within this Remuneration Report, however the People & Remuneration Committee believe that all targets are set appropriately and align with shareholder expectations.

»» Directors' Report

Long-term incentive – issued during FY 2014

Long-term incentives were granted to the CEO/MD and CFO/Company Secretary during FY 2014 and vest subject to a share price hurdle of \$5.40 and a Total Shareholder Return (TSR) hurdle measured over a three (3) year performance period relative to the ASX300 Index:

- 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

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.

The CEO/MD award was approved by shareholder at the 2013 AGM. The share price hurdle of \$5.40 is required to be met as at the close of market on the date of the 2016 Annual General Meeting and is equal to the Offer Price from the December 2010 Placement.

Long-term incentive – FY2015

The People & Remuneration Committee and Silex Board are mindful of general shareholder concern that long-term equity-based remuneration be linked to growth in shareholder value. The terms and quantum of future long-term incentives for the CEO/MD and CFO/Company Secretary remain subject to review with no long-term incentives to be offered for FY 2015.

The LTI/Success Fee Bonus for the CEO – Solar Systems is not time-bound and remains an ongoing incentive. The maximum incentive opportunity will be determined in accordance with the quantum of the transaction and value secured for Silex shareholders, with the form of payment to be commensurate with that made to Silex.

Share Trading Policy

The Silex share trading policy applies to all staff including KMP. It only permits the purchase or sale of Company securities during certain open periods and applies other restrictions with regard to hedging arrangements. KMP must not enter into any hedging arrangements.

f) Non-executive directors' remuneration

Aggregate directors' fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration consultant. The director's fees remain well within the limits of the shareholder approved aggregate directors fee pool maximum of \$750,000, as approved by shareholders at the 2011 AGM. During the period, a process of Board renewal occurred with 2 directors resigning from the Board. The Silex Board will now comprise of 3 non-executive directors and 1 executive director, a permanent reduction of 2 non-executive directors. The reduction in Board size is deemed appropriate in light of the planned re-focused activities of the Company.

The current fee structure is outlined below:

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

In addition to these fees, statutory entitlements such as superannuation contributions will be paid. Additional fees may be payable to Non-executive directors should they undertake specific consulting projects for the Company in the areas of their expertise.

» Directors' Report

g) Voting and comments made at the Company's 2013 Annual General Meeting

Silex Systems Limited received more than 92% of "yes" votes on its remuneration report for the 2013 financial year.

h) Directors' and KMP remuneration

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

2014	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	789,754	-	19,035	24,975	4,561	231,390	116,320	1,186,035
Non-executive directors								
Dr L M McIntyre	94,159	-	-	8,710	-	-	-	102,869
Mr A M Stock (from 1 August 2013)	83,833	-	-	7,755	-	-	-	91,588
Mr C D Wilks	145,095	-	-	13,422	-	77,053	-	235,570
Prof S W R Burdon (until 25 June 2014)	112,000	-	-	10,360	-	-	-	122,360
Mr R P Campbell (until 30 September 2013)	23,500	-	-	2,174	-	-	-	25,674
Dr C S Goldschmidt (until 2 May 2014)	72,318	-	-	6,689	-	-	-	79,007
Other Executive KMP								
Ms J E Ducie	266,400	20,000	-	24,975	4,152	387	1,801	317,715
Mr C R Murray (from 6 January 2014)	179,073	56,000	454	29,387	454	-	-	265,368
Total	1,766,132	76,000	19,489	128,447	9,167	308,830	118,121	2,426,186

*Inclusive of movement in annual leave accruals.

» Directors' Report

2013 Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees* \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Options \$	Deferred rights \$	
Executive directors								
Dr M P Goldsworthy	760,523	-	63,549	16,740	14,623	231,390	161,349	1,248,174
Non-executive directors								
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
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
Other Executive 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.

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*	
	2014	2013	2014	2013	2014	2013
Directors						
Dr L M McIntyre	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr M P Goldsworthy	70.7%	68.5%	0.0%	8.0%	29.3%	23.5%
Mr A M Stock	100.0%	N/A	N/A	N/A	N/A	N/A
Mr C D Wilks	67.3%	64.5%	N/A	N/A	32.7%	35.5%
Prof S W R Burdon	100.0%	100.0%	N/A	N/A	N/A	N/A
Mr R P Campbell	100.0%	100.0%	N/A	N/A	N/A	N/A
Dr C S Goldschmidt	100.0%	100.0%	N/A	N/A	N/A	N/A
Other Executive KMP						
Ms J E Ducie	93.0%	77.2%	6.3%	11.6%	0.7%	11.2%
Mr C R Murray	78.9%	N/A	21.1%	N/A	N/A	N/A

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

» Directors' Report

i) Details of share-based compensation and bonuses

Options

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

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable (subject to share price hurdle)	Share price hurdle
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 ended 30 June 2013. 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.

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

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

Name	Year of grant	Years in which options may vest	Number of options granted	Vested %	Number of options forfeited during the year	Maximum total value of grant to vest (\$)
Dr M P Goldsworthy	Y/E 30/06/2012	Y/E 30/06/2015	1,102,207	-	-	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	100	-	N/A

*These 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 2014.

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

The Employee Share Option Plan (No. 1) under which the above options were issued was terminated by a resolution of the Silex Board in accordance with the plan rules on 24 October 2013. There were no options granted or any options exercised by any individual during FY 2014.

» Directors' Report

Bonuses and rights to deferred shares

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

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

Equity Instruments held by KMP

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

2014	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to shares	Other changes during the year	Balance at the end of the year
Directors					
Dr L M McIntyre	8,230	-	-	-	8,230
Dr M P Goldsworthy	5,934,212	-	44,843	-	5,979,055
Mr A M Stock	-	-	-	-	-
Mr C D Wilks	2,814,021	-	-	-	2,814,021
Former Directors*					
Prof S W R Burdon	35,000	-	-	-	N/A
Mr R P Campbell	1,354,823	-	-	-	N/A
Dr C S Goldschmidt	2,525,937	-	-	-	N/A
Other Executive KMP					
Ms J E Ducie	-	-	3,759	-	3,759
Mr C R Murray	-	-	-	-	-

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

» Directors' Report

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

2014 Name	Balance at the start of the year	Granted during the year as compensation	Lapsed during the year	Forfeited during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors								
Dr M P Goldsworthy	1,102,207	-	-	-	-	1,102,207	-	1,102,207
Mr C D Wilks	367,035	-	-	-	-	367,035	-	367,035
Other Executive KMP								
Ms J E Ducie	100,000	-	-	-	-	100,000	60,000	-

j) Shares under option

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

Number of options	Issue price of shares	Grant date	Expiry date
130,000	\$6.13	11th January 2010	10th January 2015
350,000	\$5.24	27th May 2010	26th May 2015
200,000	\$4.65	30th July 2010	29th July 2015
165,000	\$5.28	15th October 2010	14th October 2015
245,000	\$2.92	5th July 2011	4th July 2016
1,469,242	\$2.04	8th December 2011	7th December 2016
2,559,242			

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

11. Company secretary

Ms Julie Ducie, BBus, CA, GAICD was appointed to the position of Company Secretary in October 2010. Before joining Silex, 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.

»» Directors' Report

12. Meetings

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

Director's name	Directors' Meetings		Audit Committee Meetings		People & Remuneration Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Dr L M McIntyre	16	16	3	3	3	3
Dr M P Goldsworthy	16	16	*	*	*	*
Mr A M Stock	14	14	2	2	1	1
Mr C D Wilks	16	14	*	*	*	*
Prof S W R Burdon**	16	14	3	2	3	3
Mr R P Campbell**	5	5	1	1	2	2
Dr C S Goldschmidt**	11	9	2	2	*	*

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

** Resigned during the year

13. Indemnification and insurance of directors

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

The directors' 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.

14. Environmental regulation

The parent entity is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The parent entity is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and is a licensee under the Act. 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.

» Directors' Report

15. Non-audit services

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

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

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

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in 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.

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.

	2014 \$	2013 \$
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>	165,000	181,000
Total remuneration for audit services	165,000	181,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of government grants	10,000	10,000
Total remuneration for other assurance services	10,000	10,000
Total remuneration for assurance services	175,000	191,000
(b) Other services		
Corporate services	75,400	-
Total remuneration for other services	75,400	-
Total remuneration	250,400	191,000

»» Directors' Report

16. Auditors

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

17. Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44.

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



Dr M P Goldsworthy
CEO/MD

Sydney, 26 September 2014



Mr C D Wilks
Director

»» Directors' Report



Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2014, 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
26 September 2014

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»» Corporate Governance Statement

Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The 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 second edition of the ASX Corporate Governance Principles and Recommendations, noting that the third edition of the ASX Principles was released on 27 March 2014, and takes effect for a listed entity's first full financial year commencing on or after 1 July 2014, the Company will report against the third edition in its 2015 Corporate Governance Statement. Silex has commenced a process of reviewing and updating its corporate governance documentation and practices against the third edition of the ASX Principles.

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 Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO/MD and senior executives.

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

The Board's principal objective is to maintain and increase shareholder value while ensuring that the Company'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 Company 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 CEOs;
- 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 and senior executives as set out in the Company'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 Company.

The Chair undertakes an annual assessment of the performance of the CEO/MD, senior executives 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.

»» 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 Chair is an independent non-executive director and all directors are required to bring independent judgement to bear in their Board decision making. The Chair 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
Dr L M McIntyre	49	Non-executive director	Strategy, Commercialisation and Company Management	2012
Dr M P Goldsworthy	56	CEO/MD	Physicist and Co-inventor of the SILEX Technology and Company Management	1992
Mr A M Stock	62	Non-executive director	Energy industry and Company Management	2013
Mr C D Wilks	56	Non-executive director	Investment Banking, Finance and Company Management	1988

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 9 of the Directors' Report.

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.

»» Corporate Governance Statement

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 Constitution 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, with a minimum of one director retiring from office each year. 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.

Chair, CEO/MD and Senior Executives

The Chair 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 and senior executives are responsible for the day-to-day management of the Company's affairs, and for implementing Company strategies and policies as determined by the Board of Directors.

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.

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.

»» Corporate Governance Statement

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 Chair 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 Chair and of its committees. Due to the appointment of a new Chair, this process was performed in September 2014. 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 Company.

The Chair undertakes an annual assessment of the performance of individual directors and holds discussions with each director to discuss this assessment. The CEO/MD and the Chair meet 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 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.

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 and Audit Committees. Each is comprised solely of 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.

»» Corporate Governance Statement

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%	21.0%
Number of women in senior executive and management positions	35.0%	43.0%
Number of women on the Board	33.0%	25.0%

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

The Company submitted the annual compliance report for the year ended 30 June 2014 to the Workplace Gender Equality Agency and has been deemed compliant with the Workplace Gender Equality Act 2012.

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. Trading of the subsequently issued shares is however subject to the prohibitions above.

»» Corporate Governance Statement

Principle 4: Safeguarding integrity in financial reporting

Audit Committee

The Audit Committee consists of the following non-executive directors:

Mr A M Stock (Chair from 1 October 2013)
Dr L M McIntyre
Mr C D Wilks (member since 27 June 2014)

Mr R P Campbell (Chair until his resignation 30 September 2013)
Prof S W R Burdon (until his resignation 25 June 2014)
Dr C S Goldschmidt (until his resignation 2 May 2014)

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 Company 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.

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 Chair of the Audit Committee or the Chair 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.

»» Corporate Governance Statement

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.

The role of shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company'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 Company during the year, changes in the state of affairs of the Company and details of likely future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- Proposed major changes in the Company 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 Company'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.

»» Corporate Governance Statement

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 Company'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.

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 is 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 Governance Statement

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 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 directors:

Dr L M McIntyre – Chair

Mr A M Stock (member from 1 October 2013)

Mr C D Wilks (member since 27 June 2014)

Prof S W R Burdon (until his resignation 25 June 2014)

Mr R P Campbell (until his resignation 30 September 2013)

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.



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»» Concise Financial Report

30 June 2014

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Relationship of the concise financial report to the full financial report

The concise financial report is an extract from the full financial report for the year ended 30 June 2014. 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.



ABN 69 003 372 067

» Consolidated Income Statement

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from continuing operations	2	7,398,554	23,642,782
Other income	3	24,010,247	7,708,938
Cost of sales		(5,185,474)	(3,620,804)
Research and development materials		(4,618,244)	(2,355,960)
Finance costs		(529)	(1,793)
Depreciation and amortisation expense		(18,887,138)	(2,945,893)
Impairment of intangibles		(12,379,766)	-
Employee benefits expense		(13,016,744)	(14,431,523)
Consultants and professional fees		(2,521,051)	(2,602,855)
Printing, postage, freight and stationery		(146,958)	(265,960)
Rent, utilities and property outgoings		(1,840,250)	(1,344,423)
Net foreign exchange losses		(15,847)	-
Other expenses from ordinary activities		(2,043,177)	(1,591,472)
(Loss)/profit before income tax expense		(29,246,377)	2,191,037
Income tax expense		-	-
Net (loss)/profit from continuing operations		(29,246,377)	2,191,037
Net (loss) from discontinued operations	5	(385,083)	(2,421,488)
Net (loss) for the year		(29,631,460)	(230,451)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		(29,488,786)	(93,119)
Non-controlling interests		(142,674)	(137,332)
		(29,631,460)	(230,451)

	2014 Cents	2013 Cents
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	(17.2)	1.3
Diluted earnings per share	(17.2)	1.3
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(17.3)	(0.1)
Diluted earnings per share	(17.3)	(0.1)

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 2014

	2014 \$	2013 \$
Net (loss) for the year	(29,631,460)	(230,451)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(295,336)	212,435
Other comprehensive income for the year, net of tax	(295,336)	212,435
Total comprehensive income for the year	(29,926,796)	(18,016)
Attributable to:		
Owners of Silex Systems Limited	(29,784,122)	119,316
Non-controlling interest	(142,674)	(137,332)
Total comprehensive income for the year	(29,926,796)	(18,016)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(29,538,133)	2,406,755
Discontinued operations	(245,989)	(2,287,439)
	(29,784,122)	119,316

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

» Consolidated Balance Sheet

as at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Assets			
Current assets			
Cash and cash equivalents		3,178,811	8,720,156
Held to maturity investments - term deposits		60,756,039	55,663,843
Trade and other receivables		2,571,418	21,048,200
Inventories		18,498	3,642,672
		66,524,766	89,074,871
Assets held for sale	4	30,819,183	-
Total current assets		97,343,949	89,074,871
Non-current assets			
Property, plant and equipment		110,226	27,427,549
Deferred tax assets		2,491	6,080
Intangible assets		6,594	20,618,441
Investments accounted for using the equity method		-	103,131
Total non-current assets		119,311	48,155,201
Total assets		97,463,260	137,230,072
Liabilities			
Current liabilities			
Trade and other payables		1,469,740	7,440,541
Provisions		1,237,149	1,062,291
		2,706,889	8,502,832
Liabilities directly associated with assets held for sale	4	2,559,317	-
Total current liabilities		5,266,206	8,502,832
Non-current liabilities			
Trade and other payables		-	7,210,483
Provisions		111,971	192,501
Total non-current liabilities		111,971	7,402,984
Total liabilities		5,378,177	15,905,816
Net assets		92,085,083	121,324,256
Equity			
Contributed equity		231,671,231	231,417,226
Reserves		9,882,811	9,744,529
Accumulated losses		(148,650,577)	(119,161,791)
Capital and reserves attributable to owners of:			
Silex Systems Limited		92,903,465	121,999,964
Non-controlling interest		(818,382)	(675,708)
Total equity		92,085,083	121,324,256

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 2014

	Attributable to owners of Silex Systems Limited				Non-controlling interests \$	Total \$
	Contributed equity \$	Reserves \$	Accumulated losses \$	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
Net (loss) for the year	-	-	(29,488,786)	(29,488,786)	(142,674)	(29,631,460)
Exchange differences on translation of foreign operations	-	(295,336)	-	(295,336)	-	(295,336)
Total comprehensive income for the year	-	(295,336)	(29,488,786)	(29,784,122)	(142,674)	(29,926,796)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(4,966)	-	-	(4,966)	-	(4,966)
Employee shares and options - value of employee services	-	696,178	-	696,178	-	696,178
Transfer from share-based payments reserve	262,560	(262,560)	-	-	-	-
Deferred tax credit recognised directly in equity	(3,589)	-	-	(3,589)	-	(3,589)
	254,005	433,618	-	687,623	-	687,623
Balance at 30 June 2014	231,671,231	9,882,811	(148,650,577)	92,903,465	(818,382)	92,085,083

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 2014

	2014 \$	2013 \$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	30,060,966	19,625,906
Payments to suppliers and employees (inclusive of GST)	(28,773,788)	(31,567,717)
Interest received	1,971,167	3,719,524
Interest paid	(529)	(1,793)
Net cash inflows/(outflows) from operating activities	3,257,816	(8,224,080)
Cash flows from investing activities		
Payments for held to maturity investments - term deposits	(5,092,196)	-
Proceeds from held to maturity investments - term deposits	-	28,249,078
Payments for property, plant and equipment	(708,533)	(13,818,509)
Payments for intangibles	(2,935,502)	(1,598,172)
Proceeds from sale of property, plant and equipment	6,773	343,335
Net cash (outflows)/inflows from investing activities	(8,729,458)	13,175,732
Cash flows from financing activities		
Transaction costs from issue of shares	(4,966)	(5,367)
Net cash (outflows) from financing activities	(4,966)	(5,367)
Net (decrease)/increase in cash held	(5,476,608)	4,946,285
Cash and cash equivalents at the beginning of the financial year	8,720,156	3,682,254
Effects of exchange rate changes on cash	(64,737)	91,617
Cash and cash equivalents at end of year*	3,178,811	8,720,156
Non-cash financing and investing activities	-	-
*Held to maturity investments excluded from Cash and cash equivalents	60,756,039	55,663,843

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

»» Notes to the financial statements

30 June 2014

Note 1 Basis of preparation

This concise financial report relates to the consolidated entity consisting of Silex Systems Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014. The accounting policies have been consistently applied to all years presented, unless otherwise stated below.

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

New and amended standards adopted by the Company

Silex Systems Limited has changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*

Other new standards that are applicable for the first time for the 30 June 2014 financial report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards did not affect the Company's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(ii) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now valued and measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period. The provision for annual leave continues to be classified as a current liability in the balance sheet.

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) Limited amendment of impairment disclosures (AASB 2013-3)

The AASB has made amendments to the disclosures required by AASB 136 *Impairment of Assets* which:

- remove the requirements to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment
- requires disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed
- requires detailed disclosures of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

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

»» Notes to the financial statements

30 June 2014 (continued)

Note 2 Revenue

	2014 \$	2013 \$
From continuing operations		
Milestone revenue – GLE	-	15,406,738
Recoverable project costs from GLE	4,540,761	4,099,109
Sale of goods	224,489	126,688
Services	1,582	606,341
Interest income	2,631,722	3,403,906
	7,398,554	23,642,782
From discontinued operations (note 5)		
Sale of goods	9,119	843,460
Rent	-	42,606
Interest income	4,055	12,060
	13,174	898,126

Note 3 Other income

	2014 \$	2013 \$
From continuing operations		
Government grants	9,080,315	3,917,365
Research and development tax incentive	14,923,227	2,805,308
Foreign currency exchange gains (net)	-	986,265
Profit on sale of property, plant and equipment	6,591	-
Other	114	-
	24,010,247	7,708,938
From discontinued operations (note 5)		
Research and development tax incentive	1,077,213	480,808
Foreign currency exchange gains (net)	-	102,010
Profit on sale of property, plant and equipment	182	171,662
	1,077,395	754,480

(i) Government grants

Federal and State Government solar project grants of \$9,030,904 (2013: \$3,768,178), 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 \$49,411 (2013: \$149,187) was recognised as income during the financial year by Solar Systems. There are no unfulfilled conditions attached to these grants.

» Notes to the financial statements

30 June 2014 (continued)

(ii) *Research and development tax incentive*

Research and development tax incentive income of \$16,000,440 (2013: \$3,286,116) was recognised as other income by the Company during the year. This relates to expenditure in the previous and current financial years. The Company has met the conditions of the tax incentive.

Note 4 Assets and liabilities classified as held for sale

On 30 June 2014, as part of the completion of a major strategic review of the entire Silex group, Silex announced an accelerated transition to market for subsidiaries Solar Systems and Translucent. It is expected that an outcome, with the aim of reducing the need for parent company investment beyond FY 2015, is highly probable in the next 12 months. As a result, these two business segments, net of cash and held to maturity investments, are reported as held for sale.

	2014 \$	2013 \$
Revenue	284,882	747,417
Other income	24,009,678	6,722,673
Expenses	(45,284,643)	(21,132,084)
(Loss) before income tax	(20,990,083)	(13,661,994)
Income tax expense	-	-
(Loss) after income tax of held for sale operations	(20,990,083)	(13,661,994)

	2014 \$
Trade and other receivables	10,699,722
Inventories	885,924
Property, plant and equipment	9,475,930
Intangible assets	9,757,607
Total assets of disposal group held for sale	30,819,183
Payables	(1,905,028)
Provisions	(654,289)
Total liabilities of disposal group held for sale	(2,559,317)

»» Notes to the financial statements

30 June 2014 (continued)

Note 5 Discontinued operations

On 30 June 2014, as part of the completion of a major strategic review of the entire Silex group, Silex announced that operations at subsidiary ChronoLogic would cease in order to end any requirement for Silex investment in the business beyond Q1 FY 2015. Several licence opportunities are continuing to be pursued.

Additionally, as reported previously, all Silex Solar activities have ceased with the plant decommissioned and closed in October 2012.

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

	2014 \$	2013 \$
Revenue (note 2)	13,174	898,126
Other income (note 3)	1,077,395	754,480
Expenses	(1,475,652)	(4,074,094)
(Loss) before income tax	(385,083)	(2,421,488)
Income tax expense	-	-
(Loss) after income tax of the discontinued operations	(385,083)	(2,421,488)

Note 6 Segment information

2014	Silex \$	Solar Systems \$	Translucent \$	Total \$
Total segment revenue	8,588,134	283,257	3,920,172	12,791,563
Inter-segment revenue	(1,474,462)	-	(3,918,547)	(5,393,009)
Revenue from external customers	7,113,672	283,257	1,625	7,398,554
Segment result	221,325	(15,958,156)	(5,031,927)	(20,768,758)
Total segment assets	64,764,354	29,133,782	2,784,748	96,682,884
Total segment liabilities	2,064,813	2,307,186	252,131	4,624,130

2013	Silex \$	Solar Systems \$	Translucent \$	Total \$
Total segment revenue	24,102,506	747,405	3,005,182	27,855,093
Inter-segment revenue	(1,207,141)	-	(3,005,170)	(4,212,311)
Revenue from external customers	22,895,365	747,405	12	23,642,782
Segment result	15,853,031	(9,047,205)	(4,614,789)	2,191,037
Total segment assets	80,888,426	43,761,286	3,497,389	128,147,101
Total segment liabilities	1,915,117	9,970,906	521,515	12,407,538

»» Notes to the financial statements

30 June 2014 (continued)

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

	2014 \$	2013 \$
Segment result	(20,768,758)	2,191,037
Impairment of goodwill on consolidation – Translucent	(8,477,619)	-
Net (loss)/profit before income tax from continuing operations	(29,246,377)	2,191,037

Note 7 Dividends

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

Note 8 Events occurring after reporting date

On 24 July 2014, the Licensee for the SILEX Uranium Enrichment Technology, GE-Hitachi Global Laser Enrichment LLC ('GLE'), announced changes to the funding and pace of the commercialisation program to align with current adverse market conditions. GLE confirmed their intention to consolidate efforts on the technology development activities to its Wilmington facility in North Carolina, USA.

The financial effect of this decision is not expected to have a material impact on the results of the Company.

Solar Systems

On 18 August 2014 Silex announced that the Australian Renewable Energy Agency (ARENA) and Solar Systems have agreed to suspend plans for the 100MW Mildura Solar Power Station and terminate the conditional funding deed for \$75 million. The decision was based on a number of factors, including low wholesale electricity prices and the uncertainty surrounding the Renewable Energy Target. Due to these circumstances, the \$35 million in conditional funding from the Victorian Government has also been terminated. Alternatives to further develop the Mildura site and other Australian-based projects are currently being explored.

There is no direct financial cost anticipated to Solar Systems as a consequence of the decision to suspend plans for the 100MW Mildura Solar Power Station. Management continue efforts towards securing a strategic partnership or equity transaction for Solar Systems during FY 2015, aiming to achieve a value-creating outcome and potentially reducing the need for further parent company investment.

Other

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

»» Directors' Declaration

30 June 2014

The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2014 as set out on pages 55 to 65 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 2014. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

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

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



Dr M P Goldsworthy
CEO/MD

Sydney, 26 September 2014



Mr C D Wilks
Director

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



Report on the concise financial report

We have audited the accompanying concise financial report of Silex Systems Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and related notes, derived from the audited financial report of the company for the year ended 30 June 2014 for Silex Systems Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the consolidated entity for the year ended 30 June 2014. We expressed an unmodified audit opinion on that financial report in our report dated 26 September 2014. 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

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»» 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 consolidated entity for the year ended 30 June 2014 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 2014.

We have audited the remuneration report included in pages 29 to 40 of the directors' report for the year ended 30 June 2014. 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 2014 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 2014 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

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

Stephen Humphries
Partner

Sydney
26 September 2014

» Shareholders' Information

30 June 2014

1. Information relating to shareholders as at 15 September 2014

(a) Distribution schedule

1-1,000	2,317
1,001-5,000	2,955
5,001-10,000	1,007
10,001-100,000	1,109
100,001 and over	112
Total number of holders of each class of security	7,500
Voting rights - on a show of hands - on a poll	
Percentage of total holding held by the largest 20 holders	61.68%
Number of total holding less than a marketable parcel of shares	1,516

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	9,971,905
Global X Management Company	9,273,437

» Shareholders' Information

30 June 2014 (continued)

(b) Names of Twenty Largest Holders as at 15 September 2014

Name	Number of securities	Percentage held
HSBC Custody Nominees (Australia) Limited	34,130,534	20.02%
Jardvan Pty Ltd	29,801,030	17.48%
National Nominees Limited	9,701,135	5.69%
Majenta Holdings Pty Ltd	5,703,923	3.35%
Polly Pty Ltd	4,073,863	2.39%
J P Morgan Nominees Australia Limited	3,664,900	2.15%
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%
Citicorp Nominees Pty Limited	2,146,531	1.26%
Quintal Pty Ltd	2,002,952	1.17%
Merrill Lynch (Australia) Nominees Pty Limited	922,167	0.54%
Quadrangle Nominees Limited	847,245	0.50%
Mithena Holdings Pty Ltd	817,139	0.48%
UBS Wealth Management Australia Nominees Pty Ltd	643,671	0.38%
Felson Holdings Pty Ltd	640,000	0.38%
Hillboi Nominees Pty Ltd	605,000	0.35%
Mr Hayden Harvey Prior	513,000	0.30%
Mr John Robinson	511,452	0.30%
Mr Peter James Thomas + Ms Helen Thomas	510,000	0.30%
	105,143,752	61.68%

» Shareholders' Information

30 June 2014 (continued)

2. Interest of directors in shares as at 15 September 2014

	Ordinary shares	Interest held
Dr M P Goldsworthy	5,979,055	Personally/Beneficially
Dr L M McIntyre	8,230	Beneficially
Mr A M Stock	-	N/A
Mr C D Wilks	2,814,021	Personally/Beneficially

3. Securities subject to voluntary escrow as at 15 September 2014

	Number on issue	Date escrow period ends
As at 15 September 2014 the following securities were subject to voluntary escrow:		
Ordinary shares	48,602	30 June 2015

4. Unquoted equity securities as at 15 September 2014

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan to take up ordinary shares	1,090,000	18
Other options issued to take up ordinary shares *	1,469,242	2

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

»» Company Directory

Directors

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

Audit Committee

Mr A M Stock – Chair
Dr L M McIntyre
Mr C D Wilks

People & Remuneration Committee

Dr L M McIntyre – Chair
Mr A M Stock
Mr C D Wilks

Company Secretary

Ms J E Ducie

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Phone: +61 2 9704 8888
Fax: +61 2 9279 1051
Email: investor.relations@silex.com.au
Website: www.silex.com.au

Share Registry

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

GPO Box 1903 Adelaide SA 5001, Australia

Enquiries within Australia: 1300 556 161
Enquiries outside Australia: +61 8 8236 2300
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

Stock Exchange

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

Auditors

PricewaterhouseCoopers

Solicitors

Baker & McKenzie

Bankers

Australia and New Zealand Banking Group Limited

American Depositary 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



Silex