Silex Systems Limited
& its subsidiaries
ABN 69 003 372 067

Financial Report
for the year ended 30 June 2015

Company Directory

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

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

People & Remuneration Committee
Dr L M McIntyre – Chair
Mr R A R Lee
Mr C D Wilks

Company Secretary
Ms J E Ducie

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Share Registry
Computershare Registry Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide, South Australia 5000, Australia
GPO Box 1903 Adelaide SA 5001, Australia

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

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

Auditors
PricewaterhouseCoopers

Solicitors
Baker & McKenzie

Bankers
Australia and New Zealand Banking Group Limited

American Depository Receipts (ADR) Information
Silex Systems Limited’s ADRs may be purchased on the US OTCQX market.
Details are as follows:
Ratio: 1 ADR = 5 ordinary shares
Symbol: SILXY
CUSIP: 827046 10 3 9414F102
Exchange: OTCQX
Country: Australia

IMPORTANT NOTICE:

Forward Looking Statements and Business Risks:

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

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

DIRECTORS' REPORT

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

1. Directors and Company secretary

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

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

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

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

2. Principal activities

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

i) Solar Systems: Following a rigorous but unsuccessful global process to attract new investment for Solar Systems, the Silex Board announced the cessation of business operations on 30 July 2015. The pursuit of opportunities to realise value for the sale of assets and intellectual property surrounding the unique 'Dense Array' concentrated photovoltaic (CPV) system for utility-scale solar power stations was continuing at the time of writing. Solar Systems Pty Ltd is a wholly owned subsidiary of Silex.

ii) Translucent: The pursuit of business development options for Translucent's novel semiconductor materials for application to the manufacturing of next generation devices in the semiconductor and power electronics industries accelerated during the year with technical due diligence undertaken by several third parties. This process culminated in the signing of an exclusive License and Assignment Agreement with UK-based IQE Plc on 15 September 2015. As a result of the Agreement, the Translucent technology will be transferred to IQE Plc for the completion of product development and commercialisation activities during the 30-month license period. Meanwhile, the Translucent facility in Palo Alto, California will be closed down by the end of December 2015. Translucent Inc will remain a Californian-based company (in which Silex has a 99% fully diluted interest) in order to service the abovementioned Agreement.

3. Dividend

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

4. Review of operations and activities

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

Trading Results

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

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

Key information about the consolidated operations, results and financial position

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

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

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

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

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

Financial review

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

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

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

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

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

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

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

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

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

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

Balance sheet

A summary of our balance sheet is set out below:

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

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

5. Earnings per share

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

6. Significant changes in state of affairs

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

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

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

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

7. Matters subsequent to the end of the financial year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Silex Systems Restructure

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

9. Information on Directors

a) *Directors' profiles*

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

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

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

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

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

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

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

10. Meetings

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

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

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

11. Remuneration Report

Dear Shareholders,

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

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

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

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

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

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

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

Lisa McIntyre

Dr Lisa McIntyre
Chair, People & Remuneration Committee

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

The report contains the following sections:

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

a) Directors and KMP disclosed in this report

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

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

b) Remuneration governance

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

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

Members of the People & Remuneration Committee were as follows:

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

The role of the People & Remuneration Committee is to:

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

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

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

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

c) Linking remuneration structure to company performance

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

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

The executive KMP remuneration framework has two components:

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

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

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

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

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

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

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

e) Executive KMP remuneration structure

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

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

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

Short-term Incentives (STI)

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

**For commercially sensitive reasons, short-term incentive targets for executive KMP are not published within this Remuneration Report, however the People & Remuneration Committee believe that all targets are set appropriately and align with shareholder expectations. At all times the Board has the discretion to make a final determination based on share price performance or other factors.*
*** Total Maximum STI Opportunity reduced from $400,000 to $200,000 from 1 July 2014.*

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

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

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

f) Link between FY 2015 remuneration and performance

FY 2015 performance and impact on remuneration
Throughout FY2015, the Company continued to implement the outcomes of the major strategic review. The Company underwent significant strategic changes, with a full operational restructure and significant reduction in headcount as the business looked to focus on the development of the Company's foundation technology and core asset - the SILEX laser uranium enrichment technology.

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

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

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

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

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

Contractual arrangements with executive KMPs

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

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

g) Non-executive directors' remuneration

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

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

The current fee structure is outlined below:

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

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

h) Directors' and KMP remuneration

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

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

** Inclusive of movement in annual leave accruals.*
*** Retainer based bonus with eligibility criteria expiring 30 September 2015. This bonus, if awarded, will be payable in FY 2016.*

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

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

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

i) Details of share-based compensation and bonuses

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

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

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

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

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

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

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

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

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

Bonuses and rights to deferred shares

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

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

Equity instruments held by KMP

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

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

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

2015 Name	Balance at the start of the year	Granted during the year as compensation	Lapsed during the year	Forfeited during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
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
40,000	$5.28	15th October 2010	14th October 2015
100,000	$2.92	5th July 2011	4th July 2016
1,469,242	$2.04	8th December 2011	7th December 2016
1,609,242			

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

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

12. Indemnification and insurance of directors

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

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

13. Environmental regulation

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

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

14. Non-audit services

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

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

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

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

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

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

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

16. Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

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

Dr M P Goldsworthy
CEO/MD
Sydney, 25 September 2015

Mr C D Wilks
Director

Auditor's Independence Declaration

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

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

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

S. Hump

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
25 September 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

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

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

Silex Systems Limited
ABN 69 003 372 067

Annual financial report – 30 June 2015

Contents

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

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

Silex Systems Limited
Suite 8.03, Level 8
56 Clarence St
Sydney NSW 2000
Australia

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

The financial report was authorised for issue by the Directors on 25 September 2015. The Directors have the power to amend and reissue the financial report.

	Note	**2015**	2014
		$	$
Revenue from continuing operations	3	**3,674,860**	7,113,672
Other income	4	**42,475**	569
Research and development materials		**(154,296)**	(560,854)
Finance costs	5	**(349)**	(529)
Depreciation and amortisation expense	5	**(59,821)**	(81,287)
Employee benefits expense		**(4,017,953)**	(5,552,858)
Consultants and professional fees		**(642,304)**	(817,515)
Printing, postage, freight and stationery		**(55,462)**	(80,911)
Rent, utilities and property outgoings		**(474,107)**	(473,459)
Net foreign exchange losses		**-**	(37,665)
Other expenses from continuing activities		**(598,036)**	(762,300)
(Loss) before income tax expense		**(2,284,993)**	(1,253,137)
Income tax expense	6	**-**	-
Net (loss) from continuing operations		**(2,284,993)**	(1,253,137)
Net (loss) from discontinued operations	13	**(33,659,803)**	(28,378,323)
Net (loss) for the year		**(35,944,796)**	(29,631,460)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		**(35,944,796)**	(29,488,786)
Non-controlling interests		**-**	(142,674)
		(35,944,796)	(29,631,460)

		2015	2014
		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	21	**(1.3)**	(0.7)
Diluted earnings per share	21	**(1.3)**	(0.7)
Earnings per share for (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	21	**(21.1)**	(17.3)
Diluted earnings per share	21	**(21.1)**	(17.3)

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

	2015 $	2014 $
Net (loss) for the year	**(35,944,796)**	(29,631,460)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**275,747**	(295,336)
Other comprehensive income for the year, net of tax	**275,747**	(295,336)
Total comprehensive income for the year	**(35,669,049)**	(29,926,796)
Attributable to:		
Owners of Silex Systems Limited	**(35,669,049)**	(29,784,122)
Non-controlling interest	**-**	(142,674)
Total comprehensive income for the year	**(35,669,049)**	(29,926,796)

Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	**(2,284,993)**	(1,253,137)
Discontinued operations	**(33,384,056)**	(28,530,985)
	(35,669,049)	(29,784,122)

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

	Note	**30 June 2015**	30 June 2014
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**987,777**	3,178,811
Held to maturity investments - term deposits	7(b)	**54,173,451**	60,756,039
Trade and other receivables	7(c)	**5,214,694**	2,571,418
Inventories	7(d)	**-**	18,498
		60,375,922	66,524,766
Assets classified as held for sale	14	**1,575,487**	30,819,183
Total current assets		**61,951,409**	97,343,949
Non-current assets			
Property, plant and equipment	7(e)	**64,061**	110,226
Deferred tax assets	7(f)	**2,702**	2,491
Intangible assets	7(g)	**688**	6,594
Total non-current assets		**67,451**	119,311
Total assets		**62,018,860**	97,463,260
LIABILITIES			
Current liabilities			
Trade and other payables	8(a)	**968,673**	1,469,740
Provisions	8(b)	**425,919**	1,237,149
		1,394,592	2,706,889
Liabilities associated with discontinued operations	13	**3,057,022**	2,559,317
Total current liabilities		**4,451,614**	5,266,206
Non-current liabilities			
Provisions	8(c)	**113,110**	111,971
Total non-current liabilities		**113,110**	111,971
Total liabilities		**4,564,724**	5,378,177
Net assets		**57,454,136**	92,085,083
EQUITY			
Contributed equity	9(a)	**231,753,076**	231,671,231
Reserves	9(b)	**10,296,433**	9,882,811
Accumulated losses	9(c)	**(184,595,373)**	(148,650,577)
Capital and reserves attributable to owners of:			
Silex Systems Limited		**57,454,136**	92,903,465
Non-controlling interest		**-**	(818,382)
Total equity		**57,454,136**	92,085,083

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

	Attributable to owners of Silex Systems Limited					
	Contributed equity	Reserves	Accumulated losses	Total	Non-controlling interests	Total
	$	$	$	$	$	$
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						
Transaction costs from the issue of shares	(4,966)	-	-	(4,966)	-	(4,966)
Employee shares and options - value of employee services	-	696,178	-	696,178	-	696,178
Transfer from share-based payments reserve	262,560	(262,560)	-	-	-	-
Deferred tax recognised directly in equity	(3,589)	-	-	(3,589)	-	(3,589)
	254,005	433,618	-	687,623	-	687,623
Balance at 30 June 2014	**231,671,231**	**9,882,811**	**(148,650,577)**	**92,903,465**	**(818,382)**	**92,085,083**
Net (loss) for the year	-	-	(35,944,796)	(35,944,796)	-	(35,944,796)
Exchange differences on translation of foreign operations	-	275,747	-	275,747	-	275,747
Total comprehensive income for the year	**-**	**275,747**	**(35,944,796)**	**(35,669,049)**	**-**	**(35,669,049)**
Transactions with owners in their capacity as owners						
Transfer of non-controlling interest on derecognition	-	-	-	-	818,382	818,382
Transaction costs from the issue of shares	(3,228)	-	-	(3,228)	-	(3,228)
Employee shares and options - value of employee services	-	222,737	-	222,737	-	222,737
Transfer from share-based payments reserve	84,862	(84,862)	-	-	-	-
Deferred tax recognised directly in equity	211	-	-	211	-	211
	81,845	137,875	-	219,720	818,382	1,038,102
Balance at 30 June 2015	**231,753,076**	**10,296,433**	**(184,595,373)**	**57,454,136**	**-**	**57,454,136**

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

	Note	**2015**	2014
		$	$
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		**14,506,671**	30,060,966
Payments to suppliers and employees (inclusive of GST)		**(24,718,382)**	(28,773,788)
Interest received		**2,284,445**	1,971,167
Interest paid		**(1,805)**	(529)
Net cash (outflows)/inflows from operating activities	10	**(7,929,071)**	3,257,816
Cash flows from investing activities			
Payments for held to maturity investments - term deposits		**-**	(5,092,196)
Proceeds from held to maturity investments - term deposits		**6,582,588**	-
Payments for property, plant and equipment		**(215,990)**	(708,533)
Payments for intangibles		**(651,570)**	(2,935,502)
Proceeds from sale of property, plant and equipment		**14,636**	6,773
Net cash inflows/(outflows) from investing activities		**5,729,664**	(8,729,458)
Cash flows from financing activities			
Transaction costs from issue of shares		**(3,228)**	(4,966)
Net cash (outflows) from financing activities		**(3,228)**	(4,966)
Net (decrease) in cash held		**(2,202,635)**	(5,476,608)
Cash and cash equivalents at the beginning of the financial year		**3,178,811**	8,720,156
Effects of exchange rate changes on cash		**11,601**	(64,737)
Cash and cash equivalents at end of year *		**987,777**	3,178,811
Non-cash financing and investing activities		**-**	-
*Held to maturity investments excluded from Cash and cash equivalents		**54,173,451**	60,756,039

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

Note 1 Significant changes in the current accounting period
The financial position and performance of the Company was particularly affected by the implementation of the outcomes of the strategic review announced by the Board on 30 June 2014 that will result in the return of the Company's focus to the development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology. The resulting restructure has seen a number of significant changes completed, including a full operational review with a significant reduction in headcount, the closure of the ChronoLogic business, and in parallel, a rigorous search for business development options to accelerate the transition to market for subsidiaries Solar Systems and Translucent. The implementation of the restructure is nearing completion.

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

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

Note 2 Segment information
(a) Description of segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

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

Solar Systems, Translucent, ChronoLogic and Silex Solar have been disclosed as discontinued operations in note 13 and not as reportable segments.

(b) Segment information provided to Management and the Board of Directors
The segment information provided to Management and the Board of Directors for the reportable segment is as follows:

	Silex Systems 2015 $	Total 2015 $	Silex Systems 2014 $	Total 2014 $
Total segment revenue	3,674,860	3,674,860	7,113,672	7,113,672
Revenue from external customers	**3,674,860**	**3,674,860**	**7,113,672**	**7,113,672**
Segment result	**(2,284,993)**	**(2,284,993)**	**(1,253,137)**	**(1,253,137)**
Depreciation and amortisation	59,821	59,821	81,287	81,287
Interest income	2,181,094	2,181,094	2,572,911	2,572,911
Interest expense	349	349	529	529
Income tax expense	-	-	-	-
Total segment assets	59,794,515	59,794,515	64,764,354	64,764,354
Total assets includes:				
Additions to non-current assets (other than deferred tax)	7,750	7,750	8,372	8,372
Total segment liabilities	1,507,702	1,507,702	2,064,813	2,064,813

(c) Other segment information

(i) Segment revenue
Sales between Silex entities are carried out at arm's length and are eliminated on consolidation.

The entity is domiciled in Australia. The amount of the Company's revenue from external customers in Australia including the discontinued operations is $3,835,115 (2014: $7,410,103) and the total segment revenue from external customers in the United States is $22,758 (2014: $1,625). Segment revenues are allocated based on the country in which the supplier is located.

Revenues of $1,493,766 (2014: $4,540,761) are derived from a single external customer. These revenues are attributable to the Silex segment.

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

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

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

	2015	2014
	$	$
Segment assets	**59,794,515**	64,764,354
Assets held for sale	**1,575,487**	30,819,183
Unallocated assets	**648,858**	1,879,723
Total assets as per the balance sheet	**62,018,860**	97,463,260

The total of non-current assets other than deferred tax assets located in Australia is $64,749 (2014: $116,820) and the total of these non-current assets located in other countries is $nil (2014: $nil).

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

	2015	2014
	$	$
Segment liabilities	**1,507,702**	2,064,813
Discontinued operations	**3,057,022**	2,559,317
Unallocated liabilities	**-**	754,047
Total liabilities as per the balance sheet	**4,564,724**	5,378,177

	2015 $	2014 $
Note 3 Revenue		
From continuing operations		
Recoverable project costs from GLE	**1,493,766**	4,540,761
Interest income	**2,181,094**	2,572,911
	3,674,860	7,113,672
From discontinued operations (note 13)		
Sale of goods	**132,924**	233,608
Services	**35,168**	1,582
Interest income	**14,921**	62,866
	183,013	298,056

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

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

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

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

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

	2015 $	2014 $
Note 4 Other income		
From continuing operations		
Foreign currency exchange gains (net)	**42,475**	-
Profit on sale of property, plant and equipment	**-**	455
Other	**-**	114
	42,475	569
From discontinued operations (note 13)		
Research and development tax incentive	**4,508,336**	16,000,440
Government grants	**668,276**	9,080,315
Profit on sale of property, plant and equipment	**14,636**	6,318
	5,191,248	25,087,073

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

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

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

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

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

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

	2015	2014
	$	$
Note 5 Expenses		
Net (loss) from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	**53,915**	74,297
Amortisation of software	**5,906**	6,990
Total depreciation and amortisation	**59,821**	81,287
Finance costs		
Interest and finance charges paid/payable	**349**	529
Finance costs expensed	**349**	529
Rental expenses relating to operating leases - minimum lease payments	**386,568**	398,891
Provision for employee entitlements	**(46,581)**	77,561
Provision for restructuring	**-**	93,000
Defined contribution superannuation expense	**220,730**	307,131
Research and development costs	**3,140,446**	5,725,540
Foreign exchange losses (net)	**-**	37,665

	2015	2014
	$	$
Net (loss) from discontinued operations before income tax includes the following expenses:		
Impairment of plant and equipment	**8,012,803**	-
Impairment of land and buildings	**837,002**	-
Impairment of leasehold improvements	**57,601**	-
Impairment of goodwill on consolidation – Translucent	**-**	8,477,619
Impairment of intellectual property	**10,266,947**	3,902,147
Impairment of software	**142,230**	-
Loss on derecognition of non-controlling interest in discontinued activities	**818,382**	-

	2015 $	2014 $
Note 6 Income tax		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	**(2,284,993)**	(1,253,137)
(Loss) from discontinued operations before income tax expense	**(33,659,803)**	(28,378,323)
	(35,944,796)	(29,631,460)
Income tax calculated @ 30%	**(10,783,439)**	(8,889,438)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	**-**	13,165
Share based payments	**66,821**	208,853
Unrealised exchange differences on loan balances	**3,338,830**	(408,522)
Transfer of derecognition of non-controlling interests	**245,515**	-
Goodwill impairment	**-**	2,543,286
Research and development tax incentive	**1,148,181**	3,493,201
Sundry items	**41,952**	34,306
	(5,942,140)	(3,005,149)
Net deferred tax asset not recognised	**7,201,047**	3,699,722
Effect of higher rates on overseas income	**(1,258,907)**	(694,573)
Income tax expense	**-**	-

	2015 $	2014 $
(b) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - (credited)/debited directly to equity	**(211)**	3,589

	2015 $	2014 $
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**113,018,273**	85,960,817
Potential tax benefit at tax rate	**39,210,886**	28,259,038

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

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

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

	2015 $	2014 $
(e) Franking account balance		
Franking credits available for the subsequent financial year at 30%	**8,154,151**	8,154,151

The above amount represents the balance of the franking accounts at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Note 7 Assets
This note provides information about the Company's assets.

	2015 $	2014 $
Note 7(a) Current assets - Cash and cash equivalents		
Cash at bank and on hand	**987,777**	2,178,811
Short-term bank deposits	**-**	1,000,000
	987,777	3,178,811

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

(i) Cash at bank and on hand
These bear interest between 0% and 2.90% (2014: between 0% and 2.45%).

(ii) Short-term bank deposits
The interest rate on the deposits in the prior year was 3.00%.

Additional information on the Company's exposure to interest rate risk is discussed in note 12.

	2015 $	2014 $
Note 7(b) Current assets - Held to maturity investments - Term deposits		
Bank deposits	**54,173,451**	60,756,039

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

The bank deposits earn interest at between 2.85% and 3.7% (2014: between 3.45% and 4.0%). The deposits have an average maturity of 344 days (2014: 295 days).

	2015 $	2014 $
Note 7(c) Current assets - Trade and other receivables		
Trade debtors	**1,790**	349,176
Other receivables	**3,822**	23,990
Accrued income	**5,149,322**	2,117,752
Prepayments	**59,760**	80,500
	5,214,694	2,571,418

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

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

As at 30 June 2015, trade receivables of the Company with a nominal value of $nil were impaired (2014: $nil). As at 30 June 2015, the provision for doubtful debts was $nil (2014: $nil).

Movement in the provision for doubtful debts is as follows:

	2015	2014
	$	$
At 1 July	**-**	72,953
Provision for impairment recognised during the year	**-**	194,691
Receivables written off during the year as uncollectable	**-**	(267,644)
At 30 June	**-**	-

Amounts charged to the provision for doubtful debts account are generally written off when there is no expectation of recovering additional cash. The provision for doubtful debts and unused amount reversed was included in Net loss from discontinued operations in the prior year. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(ii) Past due but not impaired trade receivables
As at 30 June 2015, trade receivables of $nil (2014: $nil) were past due but not impaired.

(iii) Other receivables
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained. As at 30 June 2015, other receivables of the Company with a nominal value of $nil were impaired (2014: $nil). As at 30 June 2015, the provision for doubtful debts for other receivables was $nil (2014: $nil).

(iv) Accrued income
Accrued income includes accrued research and development tax incentive and accrued interest.

(v) Foreign exchange and interest rate risk
Information concerning the Company's exposure to foreign currency in relation to trade and other receivables is provided in note 12.

(vi) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer note 12 for further information.

	2015	2014
	$	$
Note 7(d) Current assets – Inventories		
Finished goods - at net realisable value	-	18,498
	-	18,498

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Inventory expense
Inventories recognised as an expense (including write-down to net realisable value) during the year ended 30 June 2015 amounted to $2,244,418 (2014: $5,189,274). This consists of $2,244,418 (2014: $5,189,274) included in net (loss) from discontinued operations in the consolidated income statement. Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $746,203 (2014: $600,000). $746,203 (2014: $600,000) has been included in net (loss) from discontinued operations.

Note 7(e) Non-current assets - Property, plant and equipment

	Plant and equipment	Land and Buildings	Leasehold improvements	Motor vehicles	Total
	$	$	$	$	$
At 30 June 2013					
Cost	34,907,739	2,679,340	931,011	267,520	38,785,610
Accumulated depreciation	(10,037,564)	(251,598)	(867,381)	(201,518)	(11,358,061)
Net book amount	24,870,175	2,427,742	63,630	66,002	27,427,549
Year ended 30 June 2014					
Opening net book amount	24,870,175	2,427,742	63,630	66,002	27,427,549
Exchange differences	(91,480)	-	(2,257)	-	(93,737)
Additions	634,301	-	74,232	-	708,533
Transfers to inventory	(713,329)	-	-	-	(713,329)
Depreciation charge *	(17,271,183)	(354,139)	(86,363)	(31,175)	(17,742,860)
Transfers to assets held for sale	(7,353,085)	(2,073,603)	(49,242)	-	(9,475,930)
Closing net book value	75,399	-	-	34,827	110,226
At 30 June 2014					
Cost	841,284	-	-	180,826	1,022,110
Accumulated depreciation	(765,885)	-	-	(145,999)	(911,884)
Net book amount	75,399	-	-	34,827	110,226
Year ended 30 June 2015					
Opening net book amount	75,399	-	-	34,827	110,226
Additions	7,750	-	-	-	7,750
Depreciation charge	(28,442)	-	-	(25,473)	(53,915)
Closing net book value	54,707	-	-	9,354	64,061
At 30 June 2015					
Cost	825,752	-	-	180,826	1,006,578
Accumulated depreciation	(771,045)	-	-	(171,472)	(942,517)
Net book amount	54,707	-	-	9,354	64,061

** Included within the prior year charge is accelerated depreciation of $15,858,165 resulting from a reassessment of the useful life of plant and equipment in respect of Solar Systems.*

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

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

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 1-25 years
- Leasehold improvements 2 years
- Plant and Machinery 1-10 years
- Vehicles 3-7 years
- Furniture, fittings and equipment 3-10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 23(f)).

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

Note 7(f) Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	2015 $	2014 $
Amounts recognised in profit or loss		
Provision for employee entitlements, warranties, restructuring and decommissioning	**901,925**	602,226
Provisions for stock obsolescence	**455,255**	261,833
Depreciation and amortisation	**6,500,446**	1,379,372
Payables not deductible	**1,147,412**	5,395,218
Deferred revenue	**-**	30,781
Foreign currency cash balances and loans	**-**	832,617
Amortisation of share issue expenses	**2,702**	2,491
Tax losses	**39,210,886**	28,259,038
	48,218,626	36,763,576
Amounts recognised directly in equity		
Share issue expenses	**211**	(3,589)
	48,218,837	36,759,987
Set-off deferred tax liabilities pursuant to set-off provisions	**(2,823,720)**	(348,826)
Net deferred tax assets not recognised	**(45,392,415)**	(36,408,670)
Net deferred tax assets	**2,702**	2,491

	2015 $	2014 $
Movements:		
Opening at 1 July	**2,491**	6,080
Credited/(charged) to the income statement	**-**	-
Credited/(charged) to equity	**211**	(3,589)
Closing balance at 30 June	**2,702**	2,491

	2015 $	2014 $
Deferred tax assets to be recovered after more than 12 months	**1,796**	1,872
Deferred tax assets to be recovered within 12 months	**906**	619
	2,702	2,491

Note 7(g) Non-current assets - Intangible assets

	Intellectual property on consolidation $	Intellectual Property $	Software $	Goodwill $	Total $
At 30 June 2013					
Cost	1,980,573	16,674,388	490,240	9,346,115	28,491,316
Accumulated amortisation and impairment	(1,980,573)	(4,709,170)	(314,636)	(868,496)	(7,872,875)
Net book amount	-	11,965,218	175,604	8,477,619	20,618,441
Year ended 30 June 2014					
Opening net book value	-	11,965,218	175,604	8,477,619	20,618,441
Exchange differences	-	-	(512)	-	(512)
Additions	-	2,898,874	36,628	-	2,935,502
Amortisation charge *	-	(1,300,468)	(108,996)	-	(1,409,464)
Impairment loss	-	(3,902,147)	-	(8,477,619)	(12,379,766)
Transfers to assets held for sale	-	(9,661,477)	(96,130)	-	(9,757,607)
Closing net book value	-	-	6,594	-	6,594
At 30 June 2014					
Cost	1,980,573	-	24,682	9,346,115	11,351,370
Accumulated amortisation and impairment	(1,980,573)	-	(18,088)	(9,346,115)	(11,344,776)
Net book amount	-	-	6,594	-	6,594
Year ended 30 June 2015					
Opening net book value	-	-	6,594	-	6,594
Additions	-	-	-	-	-
Amortisation charge *	-	-	(5,906)	-	(5,906)
Closing net book value	-	-	688	-	688
At 30 June 2015					
Cost	-	-	24,682	-	24,682
Accumulated amortisation and impairment	-	-	(23,994)	-	(23,994)
Net book amount	-	-	688	-	688

** Amortisation of $5,906 (2014: $6,990) is included in depreciation and amortisation expense in the income statement and $1,402,474 is included in loss from discontinued operations in the income statement in the prior year.*

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the Company's cash-generating units (CGU's) identified according to business segment and country of operation.

Following the major strategic review in the prior year, impairment of the goodwill on consolidation in relation to Translucent of $8,477,619 was considered prudent and was recorded in the prior year ($nil in current year).

(ii) Intellectual property

Prior to being disclosed as held for sale (refer note 14), the Intellectual property acquired from the Solar Systems Group was amortised on a straight-line basis over 4 years for domain names and copyright, and over the remaining life of each individual patent which ranged up to 20 years.

(iii) Software

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

(iv) Research and development

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

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

Note 8 Liabilities
This note provides information about the Company's liabilities.

	2015	2014
	$	$
Note 8(a) Current Liabilities - Trade and other payables		
Trade creditors	**464,041**	711,685
Other payables	**504,632**	758,055
	968,673	1,469,740

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

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

	2015	2014
	$	$
Annual leave obligations expected to be settled after 12 months	**20,124**	125,516

(ii) Risk exposure
Information about the Company's exposure to foreign exchange risk is provided in note 12.

	2015	2014
	$	$
Note 8(b) Current liabilities – Provisions		
Employee benefits - long service leave and anniversary leave	**425,919**	714,938
Restructuring obligations	**-**	371,000
Warranties	**-**	151,211
	425,919	1,237,149

(i) Restructuring obligations and warranties
Provisions for restructuring obligations and product service warranties are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. These claims may be settled in the next financial year but this may be extended into future years.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

	2015	2014
	$	$
Long service leave and anniversary leave obligations expected to be settled after 12 months	**381,844**	401,478

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

	Warranties	Restructuring	Total
	$	$	$
Carrying amount at start of the year	151,211	371,000	522,211
(Credited) to profit or loss			
- unused amounts reversed	-	(34,449)	(34,449)
Amounts used during the year	(270)	(336,551)	(336,821)
Transfers to liabilities associated with discontinued operations	(150,941)	-	(150,941)
Carrying amount at end of the year	-	-	-

	2015	2014
	$	$
Note 8(c) Non-current liabilities – Provisions		
Employee benefits - long service leave and anniversary leave	**88,110**	111,971
Make good provision	**25,000**	-
	113,110	111,971

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

	Make good
	$
Carrying amount at start of the year	-
Charged to profit or loss	25,000
Carrying amount at end of the year	25,000

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

	2015	2014
	$	$
Note 8(d) Non-current liabilities - Deferred tax liabilities		
The balance comprising temporary differences attributable to:		
Amounts recognised in profit or loss		
Foreign currency cash balances and loans	**2,501,423**	-
Accrued income	**322,297**	348,826
	2,823,720	348,826
Set off deferred tax liabilities pursuant to set-off provisions	**(2,823,720)**	(348,826)
Net deferred tax liabilities	**-**	-

Note 9 Equity
The note provides information about the Company's equity.

	Parent entity		Parent entity	
	2015	2014	**2015**	2014
	Shares	Shares	**$**	$
Note 9(a) Contributed equity				
(i) Share capital				
Ordinary shares				
Fully paid	**170,467,339**	170,367,734	**231,753,076**	231,671,231

(ii) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price $	$
30 June 2013	Balance	**170,249,150**		**231,417,226**
Various	Issue of shares	118,584	Various	262,560
				231,679,786
	Less transaction costs arising on share issue			(4,966)
	Deferred tax recognised directly in equity			(3,589)
30 June 2014	Balance	**170,367,734**		**231,671,231**
Various	Issue of shares	99,605	Various	84,862
				231,756,093
	Less transaction costs arising on share issue			(3,228)
	Deferred tax recognised directly in equity			211
30 June 2015	Balance	**170,467,339**		**231,753,076**

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

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

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

(iv) Options
Information relating to the Silex Systems Limited Employee Share Option Plan (No. 1), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 19.

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

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

	2015	2014
	$	$
Note 9(b) Reserves		
Foreign currency translation reserve	**(1,411,230)**	(1,686,977)
Transactions with non-controlling interests	**(2,891,856)**	(2,891,856)
Share based payments reserve	**14,599,519**	14,461,644
	10,296,433	9,882,811

	2015	2014
	$	$
Movements		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**(1,686,977)**	(1,391,641)
Net exchange differences on translation of foreign controlled entity	**275,747**	(295,336)
Balance at the end of the financial year	**(1,411,230)**	(1,686,977)

	2015	2014
	$	$
Transactions with non-controlling interests		
Balance at the beginning of the financial year	**(2,891,856)**	(2,891,856)
Balance at the end of the financial year	**(2,891,856)**	(2,891,856)

	2015	2014
	$	$
Share based payments reserve		
Balance at the beginning of the financial year	**14,461,644**	14,028,026
Share based payment expense	**222,737**	696,178
Transfer to share capital (shares issued)	**(84,862)**	(262,560)
Balance at the end of the financial year	**14,599,519**	14,461,644

Nature and purpose of reserves

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

(ii) Transactions with non-controlling interests
This reserve is used to record the differences described in note 23(b)(iii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 23(c). The reserve is recognised in profit and loss when the net investment is disposed of.

	2015	2014
	$	$
Note 9(c) Accumulated losses		
Accumulated losses at the beginning of the financial year	**(148,650,577)**	(119,161,791)
Net (loss) attributable to members of Silex Systems Limited	**(35,944,796)**	(29,488,786)
Accumulated losses at the end of the financial year	**(184,595,373)**	(148,650,577)

Note 10 Cash flow information

(a) Reconciliation of net (loss) after income tax to net cash (outflows)/inflows from operating activities

	2015	2014
	$	$
Net (loss) after income tax	**(35,944,796)**	(29,631,460)
Depreciation and amortisation	**59,821**	19,152,324
Impairment of property, plant and equipment	**8,907,406**	-
Impairment of intangibles	**10,409,177**	12,379,766
(Profit) on sale of plant and equipment	**(14,636)**	(6,773)
Non cash employee benefits expense - share based payments	**222,737**	696,178
Share of loss of associate and write-down	**-**	103,131
Loss on derecognition of non-controlling interest in discontinued operations	**818,382**	-
Net exchange differences	**(195,691)**	(136,350)
Decrease in prepayments and other current assets	**282**	183,477
Decrease in trade and other debtors	**267,076**	19,276,193
Decrease/(increase) in accrued income	**7,468,430**	(11,682,610)
Decrease in inventories net of transfers from plant & equipment	**886,194**	3,451,579
(Decrease) in trade and other creditors	**(1,469,290)**	(11,276,256)
Increase in provisions	**655,837**	748,617
Net cash (outflows)/inflows from operating activities	**(7,929,071)**	3,257,816

Note 11 Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 23(p). During the prior year, as part of its annual impairment assessment the Company reviewed the status of its technology projects in Translucent. As a result of this review and in light of the Board's decision to return its primary focus to development of the Company's foundation SILEX laser uranium enrichment technology, the Board determined to fully impair the goodwill on consolidation in relation to Translucent at 30 June 2014 of $8,477,619.

(ii) Income taxes

The Company is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iii) Intellectual property

The Company's intellectual property portfolio is assessed on an annual basis to determine its ongoing use to the business. The intellectual property is subject to technical risks dependent upon changes to technology and the ongoing use in future commercial activities. In FY 2015, the Board reviewed the intellectual property asset and determined to fully impair the carrying value of the Solar Systems' patent portfolio and development expenditure associated with intellectual property totalling $10,266,947 at 30 June 2015 (2014: $3,902,147). The carrying value of intellectual property was $nil at 30 June 2015. At 30 June 2014, the carrying value was $9,661,477 and was disclosed as part of Assets held for sale.

(iv) Reassessment of useful life of property, plant and equipment
The Company regularly reviews the useful lives of its items of Property, plant and equipment. In FY 2014, the Company reduced the useful life of some of the property, plant and equipment owned by Solar Systems Pty Ltd. This was the major contributing factor for the high depreciation and amortisation in Solar Systems in the prior year.

Note 12 Financial risk management
The Company's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk.

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

(a) Market risk
(i) Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

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

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

	2015	2014
	AUD	AUD
Cash and cash equivalents	**245,553**	481,355
Receivables	**-**	349,176
Trade payables	**-**	37,035

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

The Company's policy is to hedge a proportion of its anticipated cash flows in USD. At year end, no forward exchange contracts were held. The Board monitors the Company's hedging strategy on a continuing basis. The fair value of derivative contracts outstanding at year end totals $nil (2014: $nil).

The Company may enter into foreign exchange option contracts which are an economic hedge for foreign currencies to be potentially traded at a future date but do not satisfy the requirements for hedge accounting. These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to the income statement immediately. At year end, no option contracts were in place. (2014: none in place)

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

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

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

	30 June 2015		30 June 2014	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Cash and cash equivalents	**1.88%**	**938,818**	1.73%	1,998,817

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

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

	2015	2014
	$	$
Trade receivables *		
Group 1	**15,924**	-
Group 2	**46,193**	349,176
Group 3	**-**	-
Total trade receivables	**62,117**	349,176

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

Trade receivables includes trade receivables from continuing operations $1,790 (2014: $349,176) plus trade receivables from discontinued operations $60,327 (2014: $nil).

	2015	2014
	$	$
Cash and cash equivalents and held to maturity investments		
ANZ Banking Group Limited	**17,538,134**	26,418,515
National Australia Bank	**29,050,000**	22,750,000
Bendigo and Adelaide Bank Limited	**-**	8,200,000
St George Bank	**-**	5,500,935
Bankwest	**1,500,000**	1,000,000
Suncorp Bank	**2,000,000**	-
Bank of Queensland	**5,000,000**	-
Bank of America	**73,092**	63,601
Other	**2**	1,799
	55,161,228	63,934,850

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

Financing arrangements

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

	2015	2014
	$	$
Floating rate		
- Expiring within one year (documentary credit facility and visa facility)	**300,000**	580,000
	300,000	580,000

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

Maturities of financial liabilities

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

At 30 June 2015	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amounts (assets)/ liabilities
	$	$	**$**	$	$	**$**	$
Non-derivatives:							
Non-interest bearing	1,905,478	-	-	-	-	1,905,478	1,905,478
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	1,905,478	-	-	-	-	1,905,478	1,905,478

At 30 June 2014	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amounts (assets)/ liabilities
	$	$	**$**	$	$	**$**	$
Non-derivatives:							
Non-interest bearing	3,272,165	-	-	-	-	3,272,165	3,272,165
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	3,272,165	-	-	-	-	3,272,165	3,272,165

(d) Fair value estimation

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

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

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

	Impact on post-tax profit		Impact on other components of equity	
	2015	2014	**2015**	2014
	$	$	**$**	$
Interest rates - increase by 1.00%	**21,758**	40,787	**21,758**	40,787
Interest rates - decrease by 1.00%	**(21,758)**	(40,787)	**(21,758)**	(40,787)

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

	Impact on post-tax profit		Impact on other components of equity	
	2015	2014	**2015**	2014
	$	$	**$**	$
AUD/USD - increase by 15%	**(32,029)**	(103,497)	**(32,029)**	(103,497)
AUD/USD - decrease by 15%	**43,333**	140,024	**43,333**	140,024

Note 13 Discontinued operations
In accordance with the continued implementation of the outcome of the Company's strategic review throughout FY 2015, the Solar Systems and Translucent businesses have been disclosed as discontinued operations as at 30 June 2015, with restatement of the comparative consolidated income statement and consolidated statement of comprehensive income to reflect this change. The Silex Solar and ChronoLogic operations have continued to be reported as discontinued with their activities ceasing in October 2012 and September 2014 respectively.

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

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

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

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

Note 14 Assets held for sale

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

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

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

Note 15 Interests in other entities

(a) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 23(b).

			Equity holding	
	Country of	Class of	**2015**	2014
Name of entity	incorporation	shares	**%**	%
Solar Systems Pty Ltd	Australia	Ordinary	**100.0%**	100.0%
		Total	**100.0%**	100.0%
Solar Systems (Mildura) Pty Ltd	Australia	Ordinary	**100.0%**	100.0%
		Total	**100.0%**	100.0%
Translucent Inc *	United States of America	Ordinary	**99.7%**	99.7%
		Preference	**100.0%**	100.0%
		Total	**99.9%**	99.9%
ChronoLogic Pty Ltd	Australia	Ordinary	**79.6%**	79.6%
		Preference	**100.0%**	100.0%
		Total	**90.0%**	90.0%
Silex Solar Pty Ltd	Australia	Ordinary	**100.0%**	100.0%
		Total	**100.0%**	100.0%

** Option holders have options over ordinary shares in Translucent Inc. On a fully-diluted basis, in total, Silex Systems Limited owns 98.8% of Translucent (2014: 98.8%).*

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

(ii) Derecognition of non-controlling interests
Following the closure of the ChronoLogic business in September 2014, the non-controlling interest in ChronoLogic was derecognised for accounting purposes and an adjustment of $0.8m has been processed on consolidation to eliminate the accumulated losses attributable to the minority shareholding.

	2015	2014
	$	$
(b) Associates		
(i) Movement in carrying amounts		
Carrying amount at the beginning of the financial year	**-**	103,131
Adjustment on disposal of interest in associate	**-**	(103,131)
Carrying amount at the end of the financial year	**-**	-

(ii) Summarised financial information of associate
The Company's share of the results of its associate and its aggregated assets (including goodwill) and liabilities are as follows:

		Company's share of:			
	Ownership interest	Assets	Liabilities	Revenues	Profit(loss)
	%	$	$	**$**	$
2015					
Meehan Greene Technologies Ltd	-	-	-	-	-
2014					
Meehan Greene Technologies Ltd	-	-	-	-	-

(iii) Contingent liabilities of associates

	2015	2014
	$	$
Share of contingent liabilities incurred jointly with other investors	**-**	-
Contingent liabilities relating to liabilities of the associate for which the Company is severally liable	**-**	-

	2015	2014
	$	$
Note 16 Commitments for expenditure and guarantees		
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment	**-**	99,925
(b) Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	**1,398,890**	1,296,398
Later than one year but not later than five years	**2,856,080**	3,630,905
	4,254,970	4,927,303

Guarantees entered into by the Company
The Company has provided guarantees totalling $320,804 (2014: $356,804) for rent for various premises.

Note 17 Events occurring after reporting date

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

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

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

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

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

Note 18 Related party transactions

(a) Subsidiaries
Interests in subsidiaries are set out in note 15(a).

(b) Key management personnel

	2015	2014
	$	$
Short-term employee benefits	**1,943,056**	1,861,621
Post-employment benefits	**134,337**	128,447
Long-term benefits	**3,854**	9,167
Share-based payments	**263,306**	426,951
	2,344,553	2,426,186

(c) Transactions with related parties
The following transactions occurred with related parties:

	2015	2014
	$	$
Contributions to superannuation funds on behalf of employees	**690,185**	837,264

Note 19 Share-based payments

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

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

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

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

Grant date	Expiry date	Exercise price cents	Balance at start of year Number	Issued during the year Number	Lapsed/ forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at the end of the year Number
Consolidated and parent entity – 2015								
11/01/2010	10/01/2015	613	130,000	-	(130,000)	-	-	-
27/05/2010	26/05/2015	524	565,000	-	(565,000)	-	-	-
30/07/2010	29/07/2015	465	540,000	-	(400,000)	-	140,000	-
15/10/2010	14/10/2015	528	165,000	-	-	-	165,000	-
5/07/2011	4/07/2016	292	325,000	-	(80,000)	-	245,000	245,000
16/03/2012	15/03/2017	361	25,000	-	(25,000)	-	-	-
			1,750,000	-	(1,200,000)	-	550,000	245,000
Weighted average exercise price			$4.67	-	$4.95	-	$4.07	$2.92

Grant date	Expiry date	Exercise price cents	Balance at start of year Number	Issued during the year Number	Lapsed/ forfeited during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at the end of the year Number
Consolidated and parent entity – 2014								
15/07/2008	14/07/2013	706	140,000	-	(140,000)	-	-	-
7/10/2008	6/10/2013	363	25,000	-	(25,000)	-	-	-
28/11/2008	27/11/2013	354	50,000	-	(50,000)	-	-	-
5/12/2008	4/12/2013	351	50,000	-	(50,000)	-	-	-
31/03/2009	30/03/2014	419	50,000	-	(50,000)	-	-	-
29/06/2009	28/06/2014	588	100,000	-	(100,000)	-	-	-
11/01/2010	10/01/2015	613	130,000	-	-	-	130,000	130,000
27/05/2010	26/05/2015	524	580,000	-	(15,000)	-	565,000	-
30/07/2010	29/07/2015	465	540,000	-	-	-	540,000	-
15/10/2010	14/10/2015	528	165,000	-	-	-	165,000	-
5/07/2011	4/07/2016	292	325,000	-	-	-	325,000	325,000
16/03/2012	15/03/2017	361	25,000	-	-	-	25,000	-
			2,180,000	-	(430,000)	-	1,750,000	455,000
Weighted average exercise price			$4.81	-	$5.37	-	$4.67	$3.84

The market price of shares under option at 30 June 2015 was $0.46 (2014: $1.16).

No options were exercised during the year ended 30 June 2015 or during the year ended 30 June 2014.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.6 years (2014: 1.2 years).

Fair value of options granted
No options were granted during the year ended 30 June 2015 or during the year ended 30 June 2014.

(b) Options to directors
No options were issued to directors during the year ended 30 June 2015 or during the year ended 30 June 2014.

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

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

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

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

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ forfeited during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc - 2015								
13/04/2006	13/04/2016	6.4	644,404	-	-	-	644,404	644,404
4/10/2006	4/10/2016	6.4	644,404	-	-	-	644,404	644,404
15/05/2008	15/05/2018	10.8	15,000	-	-	-	15,000	15,000
			1,308,808	-	-	-	1,303,808	1,303,808
Weighted average exercise price - US cents			6.451	-	-	-	6.451	6.451

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ forfeited during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc - 2014								
13/04/2006	13/04/2016	6.4	644,404	-	-	-	644,404	644,404
4/10/2006	4/10/2016	6.4	644,404	-	-	-	644,404	644,404
15/05/2008	15/05/2018	10.8	15,000	-	-	-	15,000	15,000
			1,308,808	-	-	-	1,303,808	1,303,808
Weighted average exercise price - US cents			6.451	-	-	-	6.451	6.451

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

(d) Shares to employees
Silex issued 73,037 shares at $0.90 to employees in July 2014 and 26,568 shares at $0.72 to employees in August 2014. In the prior year, Silex issued 69,982 shares at $2.18 to employees in January 2014.

(e) Short-term incentive shares/rights to executives
At the 2012 Annual General Meeting, shareholders approved a short-term incentive for Dr M P Goldsworthy in the form of forfeitable restricted Silex ordinary shares up to a maximum of 50% of his FY 2013 total fixed remuneration package. The actual STI payable was subject to a mix of performance criteria. In November 2013, 44,843 shares at $2.23 were issued and on the 30 June 2015, the voluntary escrow was released on the shares.

In October 2013, 3,759 shares at $2.66 were issued to the CFO/Company Secretary as a short-term incentive for the year ended 30 June 2013. On the 30 June 2015, the voluntary escrow was released on the shares

(f) Long-term incentive shares/rights to Managing Director
At the 2013 Annual General Meeting, shareholders approved a long-term incentive for Dr M P Goldsworthy in the form of restricted Silex ordinary shares up to a maximum of 62.5% of his FY 2014 total fixed remuneration package. The actual LTI payable is subject to performance criteria comprising Total Shareholder Return over a three year performance period ending 30 June 2016, and a share price hurdle of $5.40 with the shares to be issued in November 2016.

At the 2012 Annual General Meeting, shareholders approved a long-term incentive for Dr M P Goldsworthy in the form of restricted Silex ordinary shares up to a maximum of 125% of his FY 2013 total fixed remuneration package. The actual LTI payable was subject to performance criteria comprising Total Shareholder Return (TSR) over a three year performance period ending 30 June 2015 and a share price hurdle of $5.40 with the shares to be issued in November 2015. As the TSR performance criteria was not met as at the end of the three year performance period, no amount is payable under the FY 2013 long-term incentive.

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

	2015	2014
	$	$
Options issued	**96,371**	338,057
Shares to be issued	**128,943**	205,560
Shares issued	**(2,577)**	152,561
	222,737	696,178

Note 20 Remuneration of auditors
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:

	2015	2014
	$	$
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**145,500**	165,000
Total remuneration for audit services	**145,500**	165,000
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of government grants	**5,000**	10,000
Total remuneration for other assurance services	**5,000**	10,000
Total remuneration for assurance services	**150,500**	175,000
(b) Other services		
Corporate Services	**20,400**	75,400
Total remuneration for other services	**20,400**	75,400
Total remuneration	**170,900**	250,400

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

	2015	2014
	Cents	Cents
Note 21 Earnings per share		
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(1.34)**	(0.73)
From discontinued operations	**(19.75)**	(16.58)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(21.09)**	(17.31)

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

(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**(1.34)**	(0.73)
From discontinued operations	**(19.75)**	(16.58)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(21.09)**	(17.31)

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

	2015	2014
	$	$
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	**(2,284,993)**	(1,253,137)
From discontinued operations	**(33,659,803)**	(28,235,649)
	(35,944,796)	(29,488,786)
Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share		
From continuing operations	**(2,284,993)**	(1,253,137)
From discontinued operations	**(33,659,803)**	(28,235,649)
	(35,944,796)	(29,488,786)

	2015	2014
	Shares	Shares
(d) Weighted average number of shares used in the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**170,461,553**	170,308,813
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**170,461,553**	170,308,813

(e) Information concerning the classification of securities
In the current year and prior year, options were not included in the calculation of diluted earnings per share because they were antidilutive.

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

Further information about options and shares is included in note 19.

Note 22 Parent entity financial information
(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2015	2014
	$	$
Balance Sheet		
Current assets	**55,680,058**	64,647,942
Total assets	**60,158,104**	91,591,566
Current liabilities	**1,394,592**	1,952,842
Total liabilities	**1,507,702**	2,064,813
Net assets	**58,650,402**	89,526,753
Shareholders' equity		
Issued capital	**231,753,076**	231,671,231
Reserves		
Share based payments	**14,404,645**	14,266,770
Accumulated losses	**(187,507,319)**	(156,411,248)
Total equity	**58,650,402**	89,526,753
Net (loss) for the period	**(31,096,071)**	(33,922,441)
Total comprehensive income	**(31,096,071)**	(33,922,441)

The Net (loss) for the period above differs from the segment result disclosed in note 2 as the segment result excludes exchange gains and losses on intercompany loans (which eliminate on consolidation), write-downs of intercompany loans (which eliminate on consolidation) and impairment charges for investments in subsidiaries (which eliminate on consolidation).

(b) Guarantees entered into by the parent company
The parent has provided a $96,289 (2014: $96,289) bank guarantee for the rent of its corporate office premises.

(c) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

(d) Contractual commitments for the acquisition of property, plant or equipment
As at the 30 June 2015 (and 30 June 2014), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

(e) Basis of preparation

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

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

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

(ii) Tax consolidation legislation

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

Note 23 Summary of significant accounting policies

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 11.

New and amended standards adopted by the Company

Silex Systems Limited has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the Australian Accounting Standards Board (AASB) made further changes to the classification and measurement rules and also introduced a new impairment model. The Company expects no impact from the new classification, measurement and derecognition rules on the Company's financial assets and liabilities. The new hedge rules, as a general rule, will make it easier to apply hedge accounting going forward as the standard applies a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Company has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. The new rules must be applied for financial years commencing on or after 1 January 2018.

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

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

(i) Principles of consolidation – subsidiaries and joint arrangements
AASB 10 *Consolidated Financial Statements* 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 Company 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 Company'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.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silex Systems Limited ('parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Silex Systems Limited and its subsidiaries together are referred to in this financial report as the Company or the consolidated entity.

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

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

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

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

(ii) Associates
Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 15).

The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

(iii) Changes in ownership interests

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(d) Income tax

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

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

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

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

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

(e) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) Impairment of assets

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

(g) Investments and other financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 7(c)). Loans and receivables are carried at amortised cost using the effective interest method.

(ii) Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The subsidiaries have continued their activities, mostly research and development and start-up activities and as such remain in loss making positions. Hence, due to the nature of these businesses, a provision against the value of the investment in the subsidiaries has been raised.

(h) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

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

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

(i) Employee benefits

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

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

(ii) Long service leave/anniversary leave

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

(iii) Retirement benefit obligations

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

(iv) Share-based payments

Share-based compensation benefits have been provided to employees via the Silex Systems Limited Employee Share Option Plan (No. 1) and the Silex Systems Limited Performance Rights Plan. Ownership-based remuneration has also provided to employees via the Translucent Inc Employee Option Plan. Information relating to these schemes is set out in note 19.

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

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

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

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

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

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

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

(v) Termination benefits

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

(j) Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 28 to 69 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

Note 23(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Dr M P Goldsworthy
CEO/MD

Mr C D Wilks
Director

Sydney

25 September 2015

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

Report on the financial report

We have audited the accompanying financial report of Silex Systems Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Silex Systems Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 23, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Silex Systems Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 23.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 23 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Hump

Stephen Humphries
Partner

Sydney
25 September 2015

Shareholders' information

1. Information relating to shareholders as at 15 September 2015
(a) Distribution schedule

1-1,000	2,141
1,001-5,000	2,769
5,001-10,000	952
10,001-100,000	1,178
100,001 and over	124
Total number of holders of each class of security	7,164

Voting rights - on a show of hands	
- on a poll	
Percentage of total holding held by the largest 20 holders	57.53%
Number of total holding less than a marketable parcel of shares	2,345

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
Global X Management Company	12,086,216

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

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

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

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

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

4. Unquoted equity securities as at 15 September 2015

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan (No. 1) to take up ordinary shares	140,000	3
Other options issued to take up ordinary shares *	1,469,242	2

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