Silex Systems Limited

ABN 69 003 372 067

Appendix 4E*
Financial year ended 30 June 2020

1. Results for announcement to the market

	2020 $	2019 $	Movement $	Movement %	
Cash and cash equivalents & Term deposits	**18,415,034**	24,853,590	(6,438,556)	25.9%	↓
Revenue from ordinary activities	**1,001,206**	1,314,744	(313,538)	23.8%	↓
Other income	**1,238,157**	1,012,006	226,151	22.3%	↑
Earnings before interest, tax, depreciation, and amortisation from continuing operations (EBITDA)	**(7,858,157)**	(5,844,915)	(2,013,242)	34.4%	↑
Net (loss) from ordinary activities after tax attributable to members	**(7,805,182)**	(5,153,108)	(2,652,074)	51.5%	↑
Net(loss) for the period attributable to members	**(7,805,182)**	(5,153,108)	(2,652,074)	51.5%	↑

2. Net tangible assets

	30 June 2020 Cents	30 June 2019 Cents
Net tangible asset backing per ordinary security	**15.90**	21.14

3. Status of audit

An unqualified, signed Audit Opinion is included within the attached Financial Report.

4. Other disclosures

All other information required to be disclosed by Silex Systems Limited in the Appendix 4E is either included in the attached Financial Report or not applicable.

** Lodged with the ASX under Listing Rule 4.3A*
(previous corresponding period: year ended 30 June 2019)

Silex Systems Limited
ABN 69 003 372 067

Financial Report
for the year ended 30 June 2020

COMPANY DIRECTORY

Directors
Mr C A Roy | Chair
Dr M P Goldsworthy | CEO/MD
Ms M K Holzberger
Mr C D Wilks

Audit Committee
Ms M K Holzberger | Chair
Mr C A Roy
Mr C D Wilks

People & Remuneration Committee
Mr C A Roy | Chair
Ms M K Holzberger
Mr C D Wilks

Company Secretary
Ms J E Ducie

Registered Office and Principal Place of Business
Building 64, Lucas Heights Science & Technology Centre
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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

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

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

Auditors
PricewaterhouseCoopers

Solicitors
Dentons Australia Limited

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 Risk Factors:

About Silex Systems Limited (ASX: SLX) (OTCQX: SILXY)

Silex Systems Limited ABN 69 003 372 067 (Silex) is a research and development company whose primary asset is the SILEX laser enrichment technology, originally developed at the Company's technology facility in Sydney, Australia. The SILEX technology was licensed exclusively in 2006 to GE-Hitachi Global Laser Enrichment LLC (GLE) in the USA for application to uranium enrichment. GLE has been undergoing a restructure for a number of years after GE-Hitachi disclosed it was seeking to exit the venture. In view of the time the GLE restructure has taken to date and the dependency of the closing of the restructure on obtaining US Government approvals, combined with the continuing depressed nuclear fuel market conditions, plans for commercial deployment of the SILEX technology have been significantly delayed, and remain at risk.

Silex is also in the early stages of pursuing additional commercial applications of the SILEX technology, including the production of 'Zero-Spin Silicon' for the emerging technology of silicon-based quantum computing. The 'Zero-Spin Silicon' project remains dependent on the outcomes of the project and the viability of silicon quantum computing and is therefore at risk. The future of the SILEX technology is therefore highly uncertain and any plans for commercial deployment are speculative.

Silex also has an interest in a unique semiconductor technology known as 'cREO™' through its ownership of subsidiary Translucent Inc. The cREO™ technology developed by Translucent has been acquired by IQE Plc based in the UK. IQE is progressing the cREO™ technology towards commercial deployment in various advanced semiconductor products. The outcome of IQE's commercialisation program is also highly uncertain and remains subject to various technology and market risks.

Forward Looking Statements

The commercial potential of these technologies is currently unknown. Accordingly, no guarantees as to the future performance of these technologies can be made. The nature of the statements in this Report regarding the future of the SILEX technology, the cREO™ technology and any associated commercial prospects are forward-looking and are subject to a number of variables, including but not limited to, unknown risks, contingencies and assumptions which may be beyond the control of Silex, its directors and management. You should not place reliance on any forward-looking statements as actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors. Further, the forward-looking statements contained in this Report involve subjective judgement and analysis and are subject to change due to management's analysis of Silex's business, changes in industry patterns, and any new or unforeseen circumstances. The Company's management believes that there are reasonable grounds to make such statements as at the date of this Report. Silex does not intend, and is not obligated, to update the forward-looking statements except to the extent required by law or the ASX Listing Rules.

Risk Factors

Risk factors that could affect future results and commercial prospects of Silex include, but are not limited to: ongoing economic uncertainty including concerning the COVID-19 pandemic; the outcome of the GLE restructure including obtaining US Government approvals; the results of the SILEX uranium enrichment engineering development program; the market demand for natural uranium and enriched uranium; the outcome of the project for the production of 'Zero-Spin Silicon' for the emerging technology of silicon-based quantum computing; the potential development of, or competition from alternative technologies; the potential for third party claims against the Company's ownership of Intellectual Property; the potential impact of prevailing laws or government regulations or policies in the USA, Australia or elsewhere; results from IQE's commercialisation program and the market demand for cREO™ products; and the outcomes of various strategies and projects 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 2020.

1. Directors

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

Mr C A Roy
Dr M P Goldsworthy
Ms M K Holzberger
Mr C D Wilks

2. Principal activities

Silex is primarily focused on the development of the SILEX laser enrichment technology for two key global industries:

i) The nuclear fuel industry – with the unique third generation SILEX uranium enrichment technology; and
ii) The emerging quantum computing industry – with the SILEX Zero-Spin Silicon project.

The development and commercialisation program for the SILEX uranium enrichment technology has been undertaken jointly since 2007 by Silex (at its Lucas Heights, Sydney facility) and by GE-Hitachi Global Laser Enrichment LLC (GLE) (in Wilmington, North Carolina). GLE is the exclusive Licensee of the SILEX uranium enrichment technology. The SILEX Zero-Spin Silicon (ZS-Si) project commenced in December 2019 and is being undertaken with project partners Silicon Quantum Computing Pty Ltd (SQC) and UNSW Sydney (UNSW) at Silex's Lucas Heights facility, with the objective of developing a variant of the SILEX technology for the commercial production of ZS-Si, a key enabling material for the emerging silicon quantum computing industry.

3. Dividend

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

4. Review of operations

The review contains the following sections:

a) Operations
b) Financial Results
c) Financial Position
d) Business Strategy and Future Prospects
e) Outlook

a) Operations

Silex's operations are focused on the development and commercialisation of the SILEX laser isotope separation technology for two commercial applications:

i) Uranium enrichment for the production of fuel for the nuclear power industry; and
ii) Silicon enrichment for the production of 'Zero-Spin Silicon' used in the emerging quantum computing industry.

In addition, Silex sold a semiconductor material technology known as cREO™ which was developed by wholly-owned subsidiary Translucent Inc, to UK-based IQE Plc. This technology is currently being commercialised by IQE for application in the 5G communications industry under a license and royalty agreement signed in 2015.

SILEX Uranium Enrichment

The development and commercialisation program for the SILEX uranium enrichment technology has been undertaken jointly since 2007 by Silex (at its Lucas Heights, Sydney facility) and by GLE (in Wilmington, North Carolina), under an agreement executed in 2006 (amended in 2013). GLE is the exclusive Licensee of the SILEX uranium enrichment technology. GLE has been undergoing a restructure for a number of years after GE-Hitachi disclosed it was seeking to exit the GLE venture.

In December 2019, a binding Membership Interest Purchase Agreement (MIPA) between Silex, Cameco Corporation (Cameco) and GE-Hitachi Nuclear Energy (GEH) was executed for the joint purchase of GEH's 76% interest in GLE. Closing of the Agreement, which remains subject to US Government approval and other factors, would result in Silex acquiring a 51% interest in GLE and Cameco increasing its interest from 24% to 49%. The application for US Government approval of the transaction was submitted to the US Nuclear Regulatory Commission (NRC) in February 2020. The process for US Government approval involves a multi-staged, multi-Government agency process and includes several significant filings. US Government approval for the GLE restructure is anticipated to be received by the end of CY2020, however there is the possibility that this timeline may not be met due to minor delays being experienced due to the effects of the COVID-19 pandemic.

The MIPA includes a number of key financial terms and provisions including the Purchasers' obligation to reimburse GEH for their respective share of funding for GLE's Wilmington activities up until closing. Accordingly, Silex has been reimbursing GEH US$170,000 per month from 1 January 2020, representing 51% of GLE's funding, and this obligation continues until closing of the MIPA or termination. During this time, Cameco has been contributing 49% of GLE's funding. After closing of the MIPA, Silex and Cameco will directly contribute the ongoing funding of GLE (in the ratio of 51:49 respectively).

In parallel with the GLE restructure activities, a focused operational effort has continued on the technology commercialisation program at both the Silex, Sydney and GLE, Wilmington project sites. Laser system development activities in Sydney include design upgrades and optimisation for the prototype commercial-scale laser system. Activities in Wilmington include the scaling up of enrichment process equipment and preparation of the Test Loop facility for future deployment of prototype production equipment required for pre-commercial uranium enrichment testing.

Zero-Spin Silicon for Quantum Computing

In December 2019 Silex launched a new R&D project in conjunction with project partners Silicon Quantum Computing Pty Ltd (SQC) and UNSW, to develop a process for the commercial production of high-purity 'Zero-Spin Silicon' (ZS-Si) using a variant of the SILEX laser isotope separation (LIS) technology. ZS-Si is a unique form of isotopically enriched silicon required for the fabrication of next generation processor chips which will power silicon-based quantum computers. Silex's LIS technology has the potential to efficiently produce ZS-Si to provide a secure supply of this material for project partner SQC, in support of its world-leading efforts to commercialise silicon-based quantum computing technology in conjunction with UNSW.

The three-year ZS-Si project, which was awarded a $3 million Federal Government funding grant from the Cooperative Research Centres Projects (CRC-P) in February 2020, is due for completion at the end of CY2022. The first stage of the three-stage project was successfully completed in June 2020, establishing 'proof-of-concept' for the silicon LIS process identified by Silex. The second stage of the project involves the design, construction and operation of scaled-up prototype equipment with the objective of verifying the scalability of the silicon LIS technology and the underlying economic limit of the process (in terms of achievable isotopic purity). The third stage will culminate with the planned production of initial commercial quantities of ZS-Si from a SILEX pilot production facility, leading to a full economic assessment of the ZS-Si business case.

The first commercial quantities of ZS-Si produced from the pilot facility will be purchased by SQC under an Offtake Agreement executed in December 2019, which includes SQC making three annual payments of $300,000 as an offset against future purchases of ZS-Si produced by Silex. The first $300,000 payment was received in December 2019. Furthermore, SQC signed a Subscription Agreement with Silex which resulted in SQC acquiring 2.3 million fully paid ordinary shares in the capital of Silex through a $900,000 private placement completed in January 2020, bringing the total value of the transaction with SQC to $1.8 million.

cREO™ Technology

Silex subsidiary Translucent's cREO™ technology was purchased by UK-based IQE Plc (AIM: IQE) in early 2018 in accordance with a 2015 License and Assignment Agreement between Translucent and IQE. As a result, payment of US$5 million was received by Translucent in September 2018 (in IQE stock). In addition, a perpetual royalty of at least 3% and will be payable to Translucent on the sale of any IQE products that utilise the cREO™ technology. Minimum annual royalties commenced being paid during FY2020, with the first minimum annual royalty payment of US$400,000 for the year ended CY2019 received in March 2020. Minimum annual royalties are anticipated to continue until the earlier of completion of IQE's cREO™ commercialisation program or CY2024.

COVID-19 Implications

The COVID-19 global pandemic has created significant uncertainty and challenges across the world. At Silex, we continue to conduct operations with extreme caution and heightened concern for the safety and wellbeing of our team. In March 2020, the Company announced the implementation of numerous measures in response to a decision to temporarily curtail the Company's operations due to the COVID-19 pandemic in line with Government requirements and recommendations. Additional measures aimed at cash preservation included the reduction of working hours for all employees and the Company's executives volunteering to utilise leave balances whilst continuing to work full-time. Operational cost reductions were also achieved with regard to the Company's lease obligations and other operational overhead costs.

The Company successfully applied for the Federal Government's JobKeeper payment and was assessed as eligible on 27 April 2020 with payment backdated to 30 March 2020. The JobKeeper payment applied to 11 of the Company's employees within Australia and $66,000 was received for the year ended 30 June 2020. In addition, the Company benefited from the Federal Government's Temporary Cash Boost for Employers and received $50,000 for the year ended 30 June 2020.

Full-time operations resumed from 1 July, however the Company is reviewing the evolving COVID-19 situation continuously with a view to making additional changes to operations as needed and/or as advised by the Federal and NSW Governments.

b) Financial Results

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

	2020	2019
	$	$
Revenue from continuing operations	**1,001,206**	1,314,744
Other income	**1,238,157**	1,012,006
(Loss) before tax	**(7,805,182)**	(5,153,108)
Income tax expense	**-**	-
Net (loss) from continuing operations	**(7,805,182)**	(5,153,108)
Net (loss) for the year	**(7,805,182)**	(5,153,108)
Net (loss) is attributable to:		
Owners of Silex Systems Limited	**(7,805,182)**	(5,153,108)

The net loss from ordinary activities was $7.8m compared to $5.2m in the prior year. The increase in net loss from ordinary activities is mainly due to a $2.6m increase in Development expenditure, reflecting Silex's obligation to reimburse GEH for the funding of GLE's Wilmington Test Loop activities. Development expenditure is higher in the current year as it includes a holdback amount of US$1.125m for the reimbursement of costs held over from the previous Term Sheet (which became payable on the signing of the MIPA). In addition, the monthly reimbursement increased from US$153,000 per month to US$170,000 per month from January 2020. Interest revenue reduced from $0.7m to $0.4m in the current period as cash reserves decreased and interest rates declined. Partly offsetting this was the increase in Other income of $0.2m.

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

Silex Systems

The loss of Silex Systems increased from $3.5m in the prior year to $3.8m. The increase in net loss was largely attributable to a reduction in Interest revenue as outlined above.

Translucent

The Translucent segment result was a $0.6m profit in the current year which is consistent with the prior year. The current and prior year result included $0.6m Royalty revenue from the sale of intellectual property which related to the accrual of royalties in accordance with the sale of the cREO™ technology to IQE Plc.

Silex USA
The Silex USA segment result was a loss of \$4.6m compared to a loss of \$2.2m in the prior year. The loss increased as a result of higher Development expenditure as outlined above.

c) Financial Position

A summary of our balance sheet is set out below:

	30 June 2020 $	30 June 2019 $
ASSETS		
Total current assets	**29,066,557**	37,403,440
Total non-current assets	**319,238**	113,924
Total assets	**29,385,795**	37,517,364
LIABILITIES		
Total current liabilities	**1,890,184**	1,464,376
Total non-current liabilities	**29,406**	18,802
Total liabilities	**1,919,590**	1,483,178
Net assets	**27,466,205**	36,034,186
EQUITY		
Total equity	**27,466,205**	36,034,186

As at 30 June 2020, total assets were \$29.4m. Significant assets are cash holdings of \$18.4m (cash and term deposits), and Financial assets at fair value through other comprehensive income of \$8.5m (shares in IQE). Total liabilities were \$1.9m. The reduction in net assets was due to the net loss for the year and the decline in the IQE Plc share price.

d) Business Strategy and Future Prospects

Silex's Strategy
Silex is a platform technology company focused on the commercialisation of our innovative SILEX laser isotope separation technology across multiple markets. Fundamental to the execution of our strategy are the following:

- Leading the SILEX uranium enrichment technology commercialisation program through the acquisition of a 51% interest in exclusive Licensee GLE;
- Strengthening our path to market in the US through the tails agreement with the US Department of Energy (DOE) and the Paducah commercial project opportunity for uranium production; and
- Diversifying the utility of the SILEX technology by developing alternative applications, such as enriched silicon for use as Zero-Spin Silicon – a key material for quantum computer chip fabrication.

SILEX Uranium Enrichment
The SILEX technology, which is the only known third-generation laser-based uranium enrichment technology under commercial development today, could become a major contributor to nuclear fuel production for the world's current and future nuclear reactor fleet, through the production of uranium in three different forms:

- ***natural grade uranium (U_{nat}):*** via re-enrichment of DOE inventories of depleted tails through the Paducah commercial project (producing uranium at natural U^{235} assay of ~0.7%);

- ***low enriched uranium (LEU):*** for use as fuel in today's conventional nuclear power reactors (includes U^{235} assays between 3% to 5%); and

- ***high assay LEU (HALEU):*** a customised fuel for next generation Small Modular Reactors (SMRs) currently under development (includes U^{235} assays up to 19.9%).

Uranium production and enrichment are the two largest value drivers of the nuclear fuel cycle, accounting for up to 70% of the value of a fuel bundle at current market prices. Commercialisation of the SILEX uranium enrichment technology through Licensee GLE may therefore enable the SILEX technology to become a key component of the global nuclear fuel cycle.

Status of Nuclear Fuel Markets
Nuclear power capacity globally is increasing, not only as a result of new reactor construction but also as a result of operating lifetime extensions and capacity increases for existing nuclear reactors. According to the World Nuclear Association (world-nuclear.org) there are currently 439 operable nuclear reactors today, and 56 nuclear reactors under construction. China is the fastest growing nuclear energy market, with 47 reactors in operation, 12 reactors under construction and a pipeline of over 200 proposed reactors for construction. The US is the world's largest producer of nuclear power, with 95 operable reactors accounting for more than 30% of worldwide nuclear electricity generation.

Over the past year, the signs of recovery in the markets for nuclear fuel have become evident, including uranium, conversion and enrichment. Whilst the short-term demand for uranium and enrichment remains soft, market prices continue to trend upwards. As outlined above, the long-term value proposition for nuclear energy and its fuel markets is positive with significant growth forecasted in nuclear power generation around the world.

In addition, there is the potential for commercialisation over the next decade of next-generation SMRs, which may offer significant advantages over large conventional nuclear power reactors. SMRs have the potential to be cheaper and simpler to construct, and as a production platform for base load electricity generation, may compete favourably with intermittent distributed generation such as solar and wind. There are currently numerous SMR development programs advancing around the world, with several designs requiring higher assay fuels (HALEU). With the advantages of lower capital costs and greater flexibility of the SILEX technology, GLE could be well placed to address this emerging nuclear fuel market in the coming years.

The Paducah 'Tier 1' Uranium Production Project
The Paducah commercial project opportunity is an ideal path to market for the SILEX technology. The opportunity would allow for the initial commercial deployment of the technology on a smaller scale and at a lower cost, representing a lower risk path to market for the Company and all stakeholders. Underpinning the opportunity is the 2016 Sales Agreement between GLE and the US DOE which provides GLE access to large stockpiles of depleted uranium tails inventories owned by the DOE. The agreement was amended in 2020 involving changes to certain provisions and timelines which re-align the agreement to current market conditions.

The Paducah commercial project opportunity will involve GLE constructing the proposed 'Paducah Laser Enrichment Facility' (PLEF) utilising the SILEX technology to enrich the DOE tails material which has been stored in the form of depleted uranium hexafluoride (containing U^{235} assays of between 0.25% and 0.4%). Subject to completion of the technology commercialisation project, regulatory approvals and prevailing market conditions, it is anticipated the PLEF will commence commercial operations to produce uranium from the late 2020's.

Tails enrichment at the PLEF would continue over several decades, resulting in the production of natural grade uranium which could then be sold into the global uranium market at a production rate of around 2,000 metric tons of natural uranium per year (in the form of UF_6). This is equivalent to a uranium mine producing an annual output of around 5.2 million pounds of uranium oxide, which would rank in the top ten of today's uranium mines by production volume. In addition, the PLEF uranium output will include the added value of conversion into UF_6. The market value of conversion has increased recently with the spot price currently around US$20 per kg of UF_6 produced. The uranium price has also improved over the last year and is currently around US$32 per pound (UxC, 1 August 2020). Preliminary economic analysis of the project indicates that it may rank as a large 'Tier 1' uranium mine by today's standards with respect to the long-life and low cost of production.

SILEX Technology License Agreement with GLE
Silex's potential acquisition of an interest in GLE does not affect the Amended and Restated Technology Commercialisation and License Agreement (ARTCLA) signed between Silex and GLE in 2013. In accordance with the ARTCLA, Silex will be entitled to a perpetual royalty between 7 – 12% on revenues generated by GLE from any future use of the SILEX technology for uranium enrichment, including the Paducah commercial project opportunity. In addition, further milestone payments of US$20m will also be payable to Silex in the event the SILEX technology is commercialised by GLE. However, in light of the current market conditions and the slowdown of GLE's commercialisation program, the receipt of potential milestone payments and royalties remains uncertain.

The Company continues to take a cautious approach to the SILEX technology commercialisation program in line with current market conditions. Ultimately, the future of the technology and likelihood of success in the remaining commercialisation program is heavily dependent on a recovery in the global markets for natural and enriched uranium and the successful closing the GLE restructure upon receipt of US government approvals. Commercialisation of the SILEX uranium enrichment technology therefore remains subject to these and other risks.

Zero-Spin Silicon for Quantum Computing
Silex's LIS technology has the potential to efficiently produce ZS-Si to provide a secure supply of this material for project partner SQC, in support of its world-leading efforts to commercialise silicon-based quantum computing technology in conjunction with UNSW.

Quantum computers are expected to be thousands of times more powerful than the most advanced of today's conventional computers, opening new frontiers and opportunities in many industries, including medicine, artificial intelligence, cybersecurity and global financial systems. Many countries around the world are investing heavily in the development of quantum computing technology, with governments and key corporates (such as Intel, IBM, Google, Microsoft and others) vying for leadership in this emerging strategic industry.

The three-year, three-stage ZS-Si project is due for completion at the end of CY2022. The third and final stage of the project will culminate with the planned production of initial commercial quantities of ZS-Si from a SILEX pilot production facility, leading to a full economic assessment of the ZS-Si business case. The first commercial quantities of ZS-Si produced from the pilot facility will be purchased by SQC under an Offtake Agreement executed in December 2019, which includes SQC making three annual payments of $300,000 as an offset against future purchases of ZS-Si produced by Silex. We believe our LIS technology has the potential to efficiently produce ZS-Si to provide a secure supply of this material for project partner SQC, in support of its world-leading efforts to commercialise silicon-based quantum computing technology in conjunction with UNSW.

Following pilot production and the full economic assessment of the ZS-Si business case, the Company may proceed with the construction of a SILEX commercial ZS-Si production plant at Silex's Lucas Heights facility. The ZS-Si project remains dependent on the outcomes of the project and the viability of silicon quantum computing and is therefore at risk.

cREO™ Technology
The commercial prospects of the cREO™ technology remain positive with IQE continuing to pursue the development of the technology for their unique high frequency filters for 5G handset applications. IQE is the global leader in the design and manufacture of advanced semiconductor wafer products used in many of today's advanced semiconductor devices, and is a key player in the emerging 5G wireless technologies market.

Minimum annual royalties of US$400,000 per annum are anticipated to continue until the earlier of completion of IQE's cREO™ based high frequency filters commercialisation program or CY2024, and if successfully completed a perpetual royalty of at least 3% will be payable to Translucent on the sale of any IQE products that utilise the cREO™ technology. The outcome of the cREO™ commercialisation program being conducted by IQE remains subject to various technology and market risks.

e) Outlook

The Company's future prospects and results remain uncertain at this time, being largely dependent on the outcomes of the commercialisation programs for the SILEX and cREO™ technologies, the GLE restructure and funding for the remaining commercialisation program, a recovery in the markets for both uranium and enrichment services, and developments in the emerging quantum computing industry and associated supply chain.

5. Earnings per share

	2020 Cents	2019 Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings per share	**(4.5)**	(3.0)
Diluted earnings per share	**(4.5)**	(3.0)
Earnings per share for (loss) attributable to the ordinary equity holders of the Company		
Basic earnings per share	**(4.5)**	(3.0)
Diluted earnings per share	**(4.5)**	(3.0)

6. Significant changes in state of affairs

On 16 December 2019, Silex announced the execution of a binding MIPA between Silex, Cameco Corporation and GEH for the joint purchase, by Silex and Cameco, of GEH's 76% interest in the SILEX technology Licensee GLE. Subject to obtaining US Government approvals and other factors, closing of the MIPA would result in Silex acquiring a 51% interest in GLE and Cameco increasing its interest from 24% to 49%. The MIPA includes a number of key financial terms and provisions including the Purchasers' obligation to reimburse GEH for its share of funding for GLE's Wilmington activities. As noted in Section 4a) above, from 1 January 2020 Silex is required to reimburse GEH US$170,000 per month. In addition, Silex paid GEH US$1.125m on 6 February 2020 for the reimbursement of costs held over from the previous Term Sheet agreed between the parties.

In December 2019, Silex launched a new project for the production of high-purity 'Zero-Spin Silicon' (ZS-Si) for the fabrication of next generation processor chips which will power silicon-based quantum computers. The launch of the project was marked by the signing of an Offtake Agreement between Silex and SQC, which includes SQC making three annual payments of $300,000 as an offset against future purchases of ZS-Si produced by Silex, the first of which was received in December 2019. Furthermore, SQC signed a Subscription Agreement with Silex which resulted in SQC acquiring, through a private placement for $900,000, 2.3 million fully paid ordinary shares in the capital of Silex bringing the total value of the transaction to $1.8m. The Silex shares were issued to SQC in January 2020. The three-year ZS-Si project was also awarded a $3m Federal Government funding grant from the CRC-P in February 2020 and is due for completion at the end of CY2022.

The COVID-19 global pandemic has created significant uncertainty and challenges. In March 2020, Silex announced the implementation of numerous measures in response to a temporary curtailment of the Company's activities as a result of COVID-19. The measures focused on the health, safety and wellbeing of staff and cost reduction measures to preserve cash. Operational measures included the reduction of working hours for all employees and the Company's executives volunteering to utilise leave balances whilst continuing to work full-time. The Company's facility at Lucas Heights has remained open, albeit at a reduced level of activities while the abovementioned measures were in place. The landlord of the Silex Lucas Heights facility graciously granted some rent relief during the year. In Wilmington, operations at GLE's Test Loop facility were suspended in March for several weeks while appropriate safe work protocols were put in place.

The Company successfully applied for the Federal Government's JobKeeper program and was assessed as eligible on 27 April 2020 with payment backdated to 30 March 2020. The Company also received the Federal Government's Temporary Cash Boost for Employers and a reduction in payroll tax from the NSW state government. The total government financial assistance provided to the Company as a result of COVID-19 for the year ended 30 June 2020 was approximately $200,000, with part of this not received until after 30 June 2020.

7. Matters subsequent to the end of the financial year

Between 30 June 2020 and the date of this report, the IQE Plc share price (AIM: IQE) has been subject to significant volatility. Combined with movements in exchange rates, the value of the shares held at 30 June 2020 (disclosed as Financial assets at fair value through other comprehensive income) has increased by approximately $1,400,000 since 30 June 2020. Gains or losses arising from changes in the fair value of shares classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. The financial effects of the movements in fair value since 30 June 2020 will be recognised in the financial statements for the year ended 30 June 2021.

There continues to be significant uncertainty associated with the potential impacts of the COVID-19 pandemic. Although full-time operations resumed at the Company's Lucas Heights facility from 1 July, the Company continues to review the evolving COVID-19 situation with a view to making additional changes to operations if needed and/or if advised by the Federal and NSW Governments. Consideration with respect to any prolonged impact of the pandemic is ongoing.

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 Directors' Report.

8. Information on Directors

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

Mr Craig Roy MBA, MSc, FAICD. *Chair – Independent non-executive director*		
Experience and expertise	Independent non-executive director and Chair since January 2019. Former Deputy CEO of the CSIRO. Extensive experience as a company director and is currently a Non-executive Director of Sydney Water and Chair of the Australian Research Data Commons.	
Other current listed company directorships	None	
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	150,000
	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-eight 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	100,000

Ms Melissa Holzberger LLM, Dip Intl Nuclear Law, LLB, BA, GDLP, FGIA, GAICD. *Independent non-executive director*		
Experience and expertise	Independent non-executive director since January 2019. Experienced company director, commercial lawyer and international nuclear law specialist. Founder and principal of the firm Sloan Holzberger Lawyers and is a member of the Federal Government's Australian Radiation Protection and Nuclear Safety Agency's (ARPANSA) Radiation Health and Safety Advisory Council.	
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	27,777
	Options over ordinary shares – Silex Systems Limited	Nil

Mr Christopher Wilks BCom, FAICD. *Non-executive director*		
Experience and expertise	Non-executive director for thirty-one years. Finance director and CFO of Sonic Healthcare Limited. Various directorships of public companies held over the years.	
Other current listed company directorships	Executive director of Sonic Healthcare Limited since 1989 (Finance director since 1993)	
Former listed company directorships in last 3 years	None	
Special responsibilities	Member of Audit Committee Member of People & Remuneration Committee	
Interests in shares and options	Ordinary shares – Silex Systems Limited	2,814,021
	Options over ordinary shares – Silex Systems Limited	Nil

9. 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[1.]**	**Number Attended**	**Number Held[1.]**	**Number Attended**	**Number Held[1.]**	**Number Attended**
Mr C A Roy	12	12	3	3	5	5
Dr M P Goldsworthy	12	12	▲	▲	▲	▲
Ms M K Holzberger	12	12	3	3	5	5
Mr C D Wilks	12	12	3	3	5	5

1. Number of meetings held during the time the director held office or was a member of the committee during the year
▲ *Not a member of the relevant committee at the time the scheduled meetings were held*

10. Remuneration Report

We are pleased to present to you the FY2020 Silex Systems Limited Remuneration Report, for which we seek your support at our Annual General Meeting in October 2020. The details of the remuneration received by the Company's Key Management Personnel (KMP) are prepared in accordance with accounting standards, legislative requirements and best practice corporate governance guidance.

The Company's People & Remuneration Committee oversees remuneration strategy, policy and framework, and executive KMP remuneration. The Committee evaluates the Company's strategy and objectives and makes remuneration recommendations to the Board which include focussed performance measures for executive KMP. We are committed to providing transparency around our remuneration programs and initiatives to retain and incentivise our team.

Our remuneration strategy has the following objectives:

- attract, motivate and retain highly qualified and specialised personnel;
- alignment of remuneration outcomes with the successful delivery of the Company's strategy; and
- align the interests of our directors and executive KMP with Silex's shareholders and other stakeholders.

The Company executed on a number of strategic priorities in FY2020. Our progress with our priorities continued despite the uncertainty and challenges presented by the COVID-19 pandemic and we have structured our remuneration outcomes for FY2020 and remuneration arrangements for FY2021 to sustain the Company to deliver on its objectives and to create long-term value. Further details are provided in this report.

In March and during the early stages of the pandemic, our executive KMP volunteered to sacrifice leave balances whilst continuing to work full-time on the Company's priorities. It was also resolved that no increases be awarded with respect to base remuneration for FY2020 or FY2021 for our CEO/MD and CFO/Company Secretary and all future Short-term or Long-term incentives will be structured using a variety of equity-based awards rather than cash.

The Committee and the Board believe equity-based compensation is important to conserve cash reserves as much as possible and to motivate employees to align their interests with those of our shareholders to drive positive outcomes in the longer term. Our Employee Incentive Plan (EIP), that was reintroduced for employees in May 2019, is an important component of our remuneration structure to drive performance and to incentivise retention. We are pleased that staff have welcomed the opportunity to receive equity-based compensation. The EIP allows us to use a variety of equity awards, vesting criteria, eligibility and key performance indicators as may be appropriate from time to time.

We continuously monitor market developments and best practice recommendations with respect to compensation to ensure our decisions are appropriate in relation to the Company's performance and to enable adjustment of our remuneration structure and practices as required.

We invite you to review the full remuneration report and we look forward to answering any questions you may have at our Annual General Meeting in October 2020.

Craig Roy
Chair, People & Remuneration Committee

The Directors present the Remuneration Report for the year ended 30 June 2020, 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 (KMP).

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 at the Company's 2019 Annual General Meeting
e) Elements of executive KMP remuneration
f) Link between FY2020 remuneration and performance
g) Contractual arrangements with executive KMPs
h) Non-executive directors' remuneration arrangements
i) Directors' and KMP remuneration
j) Performance based remuneration granted and forfeited during the year

a) Directors and KMP disclosed in this report

The 2020 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. The KMP covered in this report are as follows:

Name	Position
Non-executive and executive directors	
Mr C A Roy (from 1 January 2019)	Chair and Non-executive director
Dr M P Goldsworthy	CEO/Managing Director – Executive director
Ms M K Holzberger (from 1 January 2019)	Non-executive director
Mr C D Wilks	Non-executive director
Former Non-executive directors	
Dr L M McIntyre (until 31 December 2018)	Chair and Non-executive director
Mr R A R Lee (until 31 December 2018)	Non-executive director
Other executive KMP	
Ms J E Ducie	CFO/Company Secretary

b) Remuneration governance

<u>Board oversight</u>
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.

<u>People & Remuneration Committee structure</u>
The People & Remuneration Committee is a committee of the Board comprised of a majority of independent non-executive directors. The Chair of the Committee is also an independent non-executive director. 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 as at the 30 June 2020 were as follows:

Committee members	Mr C A Roy | Chair Ms M K Holzberger Mr C D Wilks
Committee secretary	Ms J E Ducie
Number of meetings in FY2020	5
Other individuals who regularly attended meetings	Dr M P Goldsworthy | CEO/MD

The role of the People & Remuneration Committee is to:

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

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

The Company did not engage remuneration consultants during FY2020. The Company accesses market data and industry remuneration surveys and reports on a regular basis.

c) Linking remuneration structure to Company performance

Remuneration strategy, policy and framework
In determining executive KMP remuneration, the Board's policy is based on the principle of aligning remuneration outcomes with the successful delivery of strategy whilst ensuring our remuneration practices are designed to attract, motivate and retain highly qualified and specialised personnel. High regard for contemporary market practice, good governance and alignment to changing business circumstances is maintained at all times. The Company aims to reward executive KMP with a level and mix of remuneration commensurate with their position and responsibilities within the Company that is competitive within the market.

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

Following a detailed review of executive KMP remuneration arrangements during the year, the Board resolved to reinstate at-risk Short-term incentives (STIs) for the CEO/MD. Given our CEO/MD's ability to significantly influence outcomes and deliver on our strategic priorities, the Board resolved to reintroduce STIs from 1 July 2020 using equity-based compensation (subject to shareholder approval). Future STIs for the CFO/Company Secretary were also restructured as part of the review, and it was resolved to replace cash-based awards with equity-based STIs. All executive KMP incentives are now equity-based and therefore aligned with the creation of shareholder value over the long-term.

The executive KMP remuneration framework will comprise two components:

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

Remuneration structure

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.
STI*	Reward for in-year performance	Performance may be linked to financial metrics such as cash flow management and to non-financial measures, such as commercial deliverables, and other specific operational and strategic deliverables for the Company.	CEO: N/A for FY2020 (*FY2021 – potential award of 100,000 Performance Rights subject to shareholder approval at the 2020 AGM)* CFO: $65,000 for FY2020** *(FY2021 – award of 50,000 Performance Rights)*
LTI*	Alignment to long-term shareholder value	Performance linked to contribution to the creation of shareholder value over the longer term.	CEO: Potential award of 150,000 options subject to shareholder approval at the 2020 AGM CFO: 100,000 options issued in April 2020. Potential value of options issued to CFO: $14,580

* *At all times the Board has the discretion to make a final determination based on share price performance or other factors. Incentive awards may be clawed back or cancelled if the relevant executive acts fraudulently or dishonestly or breaches their obligations to the Company.*
** *In FY2019, a STI to the total value $105,000 for the 18-month period 1 July 2018 to 31 December 2019 was offered. $60,000 was attributable to FY2019 and $45,000 to FY2020. In addition, a STI of $20,000 was offered with respect to performance indicators specific to FY2020. Therefore, the total potential value of the FY2020 STI is $65,000 (being the sum of $45,000 and $20,000).*

TFR is comprised of base salary and superannuation. 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.

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 all senior management. 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.

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

d) Voting at the Company's 2019 Annual General Meeting

Silex Systems Limited received more than 98% of "yes" votes on its Remuneration Report for the 2019 financial year.

e) Elements of executive KMP remuneration

The executive KMP remuneration for FY2020 comprised the following elements:

	CEO/MD	CFO/Company Secretary
Total Fixed Remuneration (TFR)		
Composition	Base salary and superannuation	Base salary and superannuation
Assessment	Based on responsibilities, performance and market data	Based on responsibilities, performance and market data
At risk	No	No
Short-Term Incentives		
Composition	N/A	For FY2020, the maximum STI opportunity was $65,000. Awards may be paid in cash or by the issue of restricted Silex Systems Limited ordinary shares.
Opportunity	N/A	$65,000
Assessment	N/A	KPIs included execution of the MIPA for Silex's purchase of 51% of GLE, finalising funding arrangements for the ZS-Si project and the achievement of other strategic and commercial performance measures. 94.8% of the STI award was paid in cash in August 2020.
Board discretion	N/A	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.
Long-Term Incentives		
Composition	An equity-based LTI may be granted annually at the discretion of the Board. Subject to shareholder approval, the LTI is intended to comprise an annual grant of options.	An equity-based LTI may be granted annually at the discretion of the Board. For FY2020, the LTI comprised a grant of options.
Opportunity	Issue of 150,000 options.	Issue of 100,000 options.
Assessment	The annual equity-based LTI will have a 3-year vesting period and may have performance criteria in accordance with current strategic objectives of the Company. The FY2020 equity-based LTI grant is subject to shareholder approval at the AGM. In the event shareholder approval is received for the LTI grant, and the options are eligible to be exercised, any resulting allotment of Silex Systems Limited shares will be subject to a further escrow period of 2 years.	The annual equity-based LTI will have a 3-year vesting period and may have performance criteria in accordance with current strategic objectives of the Company. Any resulting allotment of Silex Systems Limited shares will be subject to a further escrow period of 2 years.
Exercise price	Should shareholder approval be received for the FY2020 grant, the options' exercise price will be $0.57. This exercise price was determined based on the volume weighted average price at which the Company's shares were traded on the Australian Stock Exchange for the 10-trading days preceding 30 June 2020.	The options' exercise price is determined based on the volume weighted average price at which the Company's shares are traded on the Australian Stock Exchange for the 10-trading days preceding the grant date. For the April 2020 issue of options, the exercise price is $0.21.
Forfeiture and termination	Options will lapse if performance conditions are not met. Options will be forfeited on cessation of employment unless the Board determines otherwise.	Options will lapse if performance conditions are not met. Options will be forfeited on cessation of employment unless the Board determines otherwise.
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any LTI award.	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any LTI award.

f) Link between FY2020 remuneration and performance

FY2020 performance and impact on remuneration

The Company's performance during FY2020 was considered strong, with delivery on a number of strategic priorities, including the execution of the binding purchase agreement in December 2019 underpinning the restructure of SILEX technology Licensee, GLE, the advancement of the process to obtain US Government approvals for the GLE restructure, and the launch in late 2019 of the Zero-Spin Silicon project utilising a variant of the SILEX technology including the $3m funding contribution from the Federal CRC-P grant program. As a result of these positive achievements, the Board awarded the CFO/Company Secretary 94.8% of the maximum short-term incentive for FY2020. The Board also resolved to reinstate Short-term incentives to the CEO/MD from 1 July 2020. Executive KMP may also benefit in future years from equity-based Long-term incentives granted in FY2019 and FY2020 once the associated service and performance conditions are met.

Statutory performance indicators

We aim to align executive 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 only a partial correlation between the statutory key performance measures and the variable remuneration awarded.

Year ended 30 June	EPS Cents	Total STI awards to KMP $	Share price at 30 June $
2016	(2.0)	211,000	0.31
2017	(5.9)	12,500	0.37
2018	(2.7)	N/A	0.20
2019	(3.0)	60,000	0.40
2020	(4.5)	61,600	0.78

g) Contractual arrangements with executive KMPs

Component	CEO/MD	CFO/Company Secretary
Total Fixed Remuneration	$550,000	$325,000
Contract duration	Ongoing Common Law Contract	Ongoing Common Law Contract
Notice by the individual or Company	6 months	6 months
Termination of employment (without cause)	Partial payment for pro-rata STI, if applicable, may be at Board discretion Unvested LTI may remain on foot subject to achievement of the performance criteria at the original date of testing Payment of Long Service Leave accrued prior to 31 December 2014 at pre-1 January 2015 TFR of $800,000. Long Service Leave accrued after 1 January 2015 will be payable as per statutory requirements	Partial payment for pro-rata STI, if applicable, may be at Board discretion Unvested LTI may remain on foot subject to achievement of the performance criteria at the original date of testing
Termination of employment (with cause) or by the individual	STI is not awarded and all unvested LTI will lapse Vested and unexercised LTI may be exercised following termination at Board discretion	STI is not awarded, and all unvested LTI will lapse Vested and unexercised LTI may be exercised following termination at Board discretion

h) Non-executive directors' remuneration arrangements

Non-executive directors receive a directors' fee. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation and are reviewed annually. As a result of the increased activities of the Company, it was resolved in early CY2020 to commence the payment of fees for participating on Board committees from 1 April 2020. This was due to the additional Director workload and responsibilities as a result of the execution of the MIPA in December 2019 and the launch of the ZS-Si project, also in December 2019. Additional fees may be payable to non-executive directors should they undertake specific consulting projects for the Company in the areas of their expertise. No additional fees were paid for additional services and consulting rendered during FY2020.

The aggregate non-executive directors' fees are reviewed periodically by the Board taking into account comparable roles and market data. The maximum annual aggregate directors' fee pool limit is $750,000 and was approved by shareholders at the 2011 AGM.

The current annual fee structure is outlined below:

	Chair	Member
Board	100,000	80,000
Audit Committee*	10,000	8,000
People & Remuneration Committee*	10,000	8,000

*** *Committee fees payable from 1 April 2020.*

All non-executive directors enter into a written agreement with the Company in the form of a letter appointment.

i) Directors' and KMP remuneration

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

		Fixed remuneration				Variable remuneration		
Name	**Year**	**Cash salary and fees** * $	**Non – monetary benefits** * $	**Annual and long service leave** ** $	**Post-employment benefits** $	**Cash bonus** * $	**Options** *** $	**Total** $
Executive directors								
Dr M P Goldsworthy	**2020**	**528,097**	**-**	**(62,301)**	**21,903**	**-**	**5,895**	**493,594**
	2019	522,275	6,737	4,195	23,731	-	741	557,679
Non-executive directors								
Mr C A Roy	**2020**	**109,678**	**-**	**-**	**4,750**	**-**	**-**	**114,428**
(from 1/1/2019)	2019	50,000	-	-	4,750	-	-	54,750
Ms M K Holzberger	**2020**	**84,500**	**-**	**-**	**8,027**	**-**	**-**	**92,527**
(from 1/1/2019)	2019	40,000	-	-	3,800	-	-	43,800
Mr C D Wilks	**2020**	**84,000**	**-**	**-**	**7,980**	**-**	**-**	**91,980**
	2019	80,000	-	-	7,600	-	-	87,600
Former directors								
Dr L M McIntyre	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(until 31/12/2018)	2019	50,000	-	-	4,750	-	-	54,750
Mr R A R Lee	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(until 31/12/2018)	2019	40,000	-	-	3,800	-	-	43,800
Other Executive KMP								
Ms J E Ducie	**2020**	**302,297**	**-**	**(35,466)**	**22,703**	**61,600**	**6,393**	**357,527**
	2019	300,569	-	12,002	24,431	60,000	581	397,583
Total executive directors and other KMP	**2020**	**830,394**	**-**	**(97,767)**	**44,606**	**61,600**	**12,288**	**851,121**
	2019	822,844	6,737	16,197	48,162	60,000	1,322	955,262
Total NED remuneration	**2020**	**278,178**	**-**	**-**	**20,757**	**-**	**-**	**298,935**
	2019	260,000	-	-	24,700	-	-	284,700
Total KMP remuneration	**2020**	**1,108,572**	**-**	**(97,767)**	**65,363**	**61,600**	**12,288**	**1,150,056**
	2019	1,082,844	6,737	16,197	72,862	60,000	1,322	1,239,962

** Short-term benefits as per Corporations Regulations 2M 3.03(1) Item 6.*
*** Other long-term benefits as per Corporations Regulations 2M 3.03(1) Item 8.*
**** Equity-settled share-based payments as per Corporations Regulations 2M.3.03(1) Item 11.*

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	
	2020	2019	**2020**	2019	**2020***	2019
Directors						
Mr C A Roy	**100.0%**	100.0%	**N/A**	N/A	**N/A**	N/A
Dr M P Goldsworthy	**98.8%**	99.9%	**N/A**	N/A	**1.2%**	0.1%
Ms M K Holzberger	**100.0%**	100.0%	**N/A**	N/A	**N/A**	N/A
Mr C D Wilks	**100.0%**	100.0%	**N/A**	N/A	**N/A**	N/A
Former Directors						
Dr L M McIntyre	**N/A**	100.0%	**N/A**	N/A	**N/A**	N/A
Mr R A R Lee	**N/A**	100.0%	**N/A**	N/A	**N/A**	N/A
Other Executive KMP						
Ms J E Ducie	**81.0%**	84.8%	**17.2%**	15.1%	**1.8%**	0.1%

** Equity-settled share-based payments as per Corporations Regulations 2M.3.03(1) Item 11; At risk LTI for Dr M P Goldsworthy is subject to shareholder approval at the 2020 AGM.*

j) Performance-based remuneration granted and forfeited during the year

Name	Total STI			LTI (Options)	
	Total opportunity $	Awarded %	Forfeited %	Value granted* $	Value exercised $
Dr M P Goldsworthy	-	-	-	15,890	-
Ms J E Ducie	65,000	94.8%	5.2%	14,580	-

** The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.*

The maximum STI opportunity for the CFO/Company Secretary for FY2020 was $65,000 and included $45,000 for key performance deliverables that expired in December 2019. It has been agreed that all future incentives to executive KMP be equity-based.

<u>LTI – Options</u>
The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	Vested %
21/05/2019	21/05/2022	20/05/2024	$0.35	$0.1635	To be determined	N/A
2/12/2019	21/05/2022	1/12/2024	$0.35	$0.1589	To be determined	N/A
1/04/2020	1/04/2023	31/03/2025	$0.21	$0.1458	To be determined	N/A

The number of options over ordinary shares in the Company provided as remuneration to executive KMP is shown below. The options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share of Silex Systems Limited. The exercise price is determined based on the volume weighted average price at which the Company's shares are traded on the Australian Stock Exchange for the 10-trading days preceding the grant date. There were no options exercised by any individual during FY2020 (or FY2019).

The potential grant of options to our CEO/MD for the FY2020 LTI is subject to shareholder approval at the 2020 AGM. If granted, details will be provided to the ASX and included in the Remuneration Report for the year ending 30 June 2021.

Options held by KMP

Name and grant date	Balance at the start of the year	Granted as compen-sation	Vested		Exercised	Other changes	Balance at end of year	
			Number	%			Vested and exercisable	Unvested
Dr M P Goldsworthy - 2 December 2019	-	100,000	-	-	-	-	-	100,000
Ms J E Ducie - 21 May 2019	100,000	-	-	-	-	-	-	100,000
- 1 April 2020	-	100,000	-	-	-	-	-	100,000

Shares 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:

Name	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					
Mr C A Roy	150,000	-	-	-	150,000
Dr M P Goldsworthy	5,979,055	-	-	-	5,979,055
Ms M K Holzberger	27,777	-	-	-	27,777
Mr C D Wilks	2,814,021	-	-	-	2,814,021
Other Executive KMP					
Ms J E Ducie	20,000	-	-	-	20,000

Securities Trading Policy

The Silex Securities Trading Policy applies to all staff including KMP. It prohibits staff from buying or selling Silex securities at times when they are in possession of inside information. In addition, staff are only permitted to trade in Silex securities during certain open periods. The Silex Securities Trading Policy is available on the Company's website at www.silex.com.au/Corporate-Governance.

11. Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
21/05/2019 *	20/05/2024	$0.35	500,000
2/12/2019 *	1/12/2024	$0.35	100,000
1/04/2020 *	31/03/2025	$0.21	660,000

** Included in these options granted were options granted as remuneration to KMP.*

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options were granted since the end of the financial year. No options were exercised during the year.

12. Company secretary

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

13. Indemnification and insurance of directors

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

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

14. Environmental regulation

Silex seeks to be compliant with all environmental laws and regulations relevant to its operations. The Company monitors compliance on a regular basis. The Audit Committee has oversight of environmental risks and compliance.

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

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

15. Non-audit services

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

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

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

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

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:

	2020 **$**	2019 $
Other assurance services		
PricewaterhouseCoopers Australian firm		
Total remuneration for other assurance services	-	-
Other services		
Total remuneration for other services	-	-
Total remuneration for non-audit services	-	-

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, 27 August 2020

Mr C A Roy
Chair

Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

David Ronald
Partner
PricewaterhouseCoopers

Sydney
27 August 2020

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650 Sydney NSW 2001
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CORPORATE GOVERNANCE STATEMENT

Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (*3rd Edition*) published by the ASX Corporate Governance Council. The Company has also implemented a number of the new principles and recommendations contained in the *4th Edition* of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations that were released in February 2019. The Company will report against the recommendations contained in the *4th Edition* for the year ending 30 June 2021.

The 2020 Corporate Governance Statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 Corporate Governance Statement was approved by the Board and lodged with the ASX Appendix 4G on 27 August 2020. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at www.silex.com.au/Corporate-Governance.

Silex Systems Limited
ABN 69 003 372 067

Annual financial report – 30 June 2020

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
Building 64
Lucas Heights Science & Technology Centre
New Illawarra Road
Lucas Heights NSW 2234
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 11, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 27 August 2020. The Directors have the power to amend and reissue the financial report.

All announcements, financial reports and other information are available on our website: www.silex.com.au

	Note	2020 $	2019 $
Royalty revenue – sale of cREO™ technology	3	**581,724**	570,184
Interest revenue	3	**419,482**	744,560
Revenue from continuing operations		**1,001,206**	1,314,744
Other income	4	**1,238,157**	1,012,006
Research and development materials		**(292,102)**	(240,153)
Development expenditure		**(4,547,376)**	(1,984,328)
Finance costs	5	**(9,662)**	(7)
Depreciation and amortisation expense	5	**(356,845)**	(52,746)
Employee benefits expense		**(3,563,479)**	(3,614,476)
Consultants and professional fees		**(769,308)**	(680,867)
Printing, postage, freight, stationery and communications		**(69,439)**	(63,131)
Rent, utilities and property outgoings		**(24,317)**	(394,392)
Net foreign exchange losses	5	**(82,194)**	-
Net impairment losses		**(2,909)**	(8,553)
Other expenses from continuing activities		**(326,914)**	(441,205)
(Loss) before income tax expense		**(7,805,182)**	(5,153,108)
Income tax expense	6	**-**	-
Net (loss) from continuing operations		**(7,805,182)**	(5,153,108)
Net (loss) for the year		**(7,805,182)**	(5,153,108)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		**(7,805,182)**	(5,153,108)

	Note	Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	21	**(4.5)**	(3.0)
Diluted earnings per share	21	**(4.5)**	(3.0)
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share	21	**(4.5)**	(3.0)
Diluted earnings per share	21	**(4.5)**	(3.0)

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

	2020 $	2019 $
Net (loss) for the year	**(7,805,182)**	(5,153,108)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**230,232**	868,845
Items that will not be reclassified to profit or loss:		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(1,926,619)**	(6,766,261)
Other comprehensive income for the year, net of tax	**(1,696,387)**	(5,897,416)
Total comprehensive income for the year	**(9,501,569)**	(11,050,524)
Attributable to:		
Owners of Silex Systems Limited	**(9,501,569)**	(11,050,524)
Total comprehensive income for the year	**(9,501,569)**	(11,050,524)

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

	Note	30 June 2020 $	30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**1,615,034**	2,653,590
Other financial assets at amortised cost – term deposits	7(b)	**16,800,000**	22,200,000
Trade and other receivables	7(c)	**1,732,168**	1,900,118
Other current assets	7(d)	**398,121**	409,144
Financial assets at fair value through other comprehensive income	7(e)	**8,521,234**	10,240,588
Total current assets		**29,066,557**	37,403,440
Non-current assets			
Right-of-use assets	9(a)	**47,738**	-
Property, plant and equipment	7(f)	**271,500**	113,924
Total non-current assets		**319,238**	113,924
Total assets		**29,385,795**	37,517,364
LIABILITIES			
Current liabilities			
Trade and other payables	8(a)	**1,095,601**	719,337
Lease liabilities	9(a)	**43,755**	-
Provisions	8(b)	**750,828**	745,039
Total current liabilities		**1,890,184**	1,464,376
Non-current liabilities			
Lease liabilities	9(a)	**4,347**	-
Provisions	8(b)	**25,059**	18,802
Total non-current liabilities		**29,406**	18,802
Total liabilities		**1,919,590**	1,483,178
Net assets		**27,466,205**	36,034,186
EQUITY			
Contributed equity	10(a)	**232,645,003**	231,750,374
Reserves	10(b)	**10,470,065**	12,127,493
Accumulated losses	10(c)	**(215,648,863)**	(207,843,681)
Total equity		**27,466,205**	36,034,186

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**
	$	**$**	**$**	**$**
Balance at 30 June 2018	**231,750,374**	**18,021,263**	**(202,690,573)**	**47,081,064**
Net (loss) for the year	-	-	(5,153,108)	(5,153,108)
Other comprehensive income	-	(5,897,416)	-	(5,897,416)
Total comprehensive income for the year	**-**	**(5,897,416)**	**(5,153,108)**	**(11,050,524)**
Transactions with owners in their capacity as owners				
Employee share options - value of employee services	-	3,646	-	3,646
	-	**3,646**	**-**	**3,646**
Balance at 30 June 2019	**231,750,374**	**12,127,493**	**(207,843,681)**	**36,034,186**
Net (loss) for the year	-	-	(7,805,182)	(7,805,182)
Other comprehensive income	-	(1,696,387)	-	(1,696,387)
Total comprehensive income for the year	**-**	**(1,696,387)**	**(7,805,182)**	**(9,501,569)**
Transactions with owners in their capacity as owners				
Shares issued, net of transactions costs	894,629	-	-	894,629
Employee share options - value of employee services	-	38,959	-	38,959
	894,629	**38,959**	**-**	**933,588**
Balance at 30 June 2020	**232,645,003**	**10,470,065**	**(215,648,863)**	**27,466,205**

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

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		**2,172,673**	1,076,195
Payments to suppliers and employees (inclusive of GST)		**(9,653,778)**	(8,873,680)
Interest received		**649,904**	810,178
Interest paid		**(9,662)**	(7)
Net cash (outflows) from operating activities	11(a)	**(6,840,863)**	(6,987,314)
Cash flows from investing activities			
Proceeds from other financial assets at amortised cost - term deposits		**5,400,000**	7,651,837
Payments for property, plant and equipment		**(237,405)**	(46,381)
Proceeds from sale of property, plant and equipment		**-**	27,273
Net cash inflows from investing activities		**5,162,595**	7,632,729
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		**894,629**	-
Repayment of principal elements of leases		**(256,545)**	-
Net cash inflows from financing activities		**638,084**	-
Net (decrease)/increase in cash and cash equivalents		**(1,040,184)**	645,415
Cash and cash equivalents at the beginning of the financial year		**2,653,590**	2,002,145
Effects of exchange rate changes on cash		**1,628**	6,030
Cash and cash equivalents at end of year *		**1,615,034**	2,653,590
Non-cash financing and investing activities	11(b)		
* Term deposits excluded from Cash and cash equivalents		**16,800,000**	22,200,000

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

Note	**Contents**	**Page**

Note 1 Significant changes in the current accounting period

On 16 December 2019, Silex announced the execution of a binding Membership Interest Purchase Agreement (MIPA) between Silex, Cameco Corporation and GE-Hitachi Nuclear Energy (GEH) for the joint purchase, by Silex and Cameco, of GEH's 76% interest in the SILEX technology Licensee GE-Hitachi Global Laser Enrichment LLC (GLE). Subject to obtaining US Government approvals and other factors, closing of the MIPA would result in Silex acquiring a 51% interest in GLE and Cameco increasing its interest from 24% to 49%. The MIPA includes a number of key financial terms and provisions including the Purchasers' obligation to reimburse GEH for its share of funding for GLE's Wilmington activities. From 1 January 2020, Silex is required to reimburse GEH US$170,000 per month. In addition, Silex paid GEH US$1.125m on 6 February 2020 for the reimbursement of costs held over from the previous Term Sheet agreed between the parties.

In December 2019, Silex launched a new project for the production of high-purity 'Zero-Spin Silicon' (ZS-Si) for the fabrication of next generation processor chips which will power silicon-based quantum computers. The launch of the project was marked by the signing of an Offtake Agreement between Silex and Silicon Quantum Computing Pty Ltd (SQC), which includes SQC making three annual payments of $300,000 as an offset against future purchases of ZS-Si produced by Silex, the first of which was received in December 2019. Furthermore, SQC signed a Subscription Agreement with Silex which resulted in SQC acquiring, through a private placement for $900,000, 2.3 million fully paid ordinary shares in the capital of Silex bringing the total value of the transaction to $1.8m. The Silex shares were issued to SQC in January 2020. The three-year ZS-Si project was also awarded a $3m Federal Government funding grant from the CRC-P in February 2020 and is due for completion at the end of CY2022.

The COVID-19 global pandemic has created significant uncertainty and challenges. In March 2020, Silex announced the implementation of numerous measures in response to a temporary curtailment of the Company's activities as a result of COVID-19. The measures focused on the health, safety and wellbeing of staff and cost reduction measures to preserve cash. Operational measures included the reduction of working hours for all employees and the Company's executives volunteering to utilise leave balances whilst continuing to work full-time. The Company's facility at Lucas Heights has remained open, albeit at a reduced level of activities while the abovementioned measures were in place. The landlord of the Silex Lucas Heights facility graciously granted some rent relief during the year. In Wilmington, operations at GLE's Test Loop facility were suspended in March for several weeks while appropriate safe work protocols were put in place.

The Company successfully applied for the Federal Government's JobKeeper program and was assessed as eligible on 27 April 2020 with payment backdated to 30 March 2020. The Company also received the Federal Government's Temporary Cash Boost for Employers and a reduction in payroll tax from the NSW state government. The total government financial assistance provided to the Company as a result of COVID-19 for the year ended 30 June 2020 was approximately $200,000 with part of this not received until after 30 June 2020.

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 are three operating segments based on the reports reviewed by Management and the Board of Directors to make strategic decisions. These segments are Silex Systems, Translucent and Silex USA. Silex Systems is based in New South Wales and Translucent and Silex USA are based in North Carolina.

(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 segments for the year ended 30 June 2020 is as follows:

2020	**Silex Systems**	**Translucent**	**Silex USA**	**Total**
	$	**$**	**$**	**$**
Total segment revenue	496,018	1,631,268	-	2,127,286
Inter-segment revenue	(76,536)	(1,049,544)	-	(1,126,080)
Revenue from external customers	**419,482**	**581,724**	**-**	**1,001,206**
Segment result	**(3,794,933)**	**568,674**	**(4,578,923)**	**(7,805,182)**
Depreciation and amortisation	356,845	-	-	356,845
Interest expense	9,662	-	-	9,662
Income tax expense	-	-	-	-
Total segment assets	**19,695,751**	**9,442,811**	**247,233**	**29,385,795**
Total assets include:				
Additions to non-current assets (other than deferred tax)	286,817	-	-	286,817
Total segment liabilities	**1,662,515**	**9,842**	**247,233**	**1,919,590**

2019	**Silex Systems**	**Translucent**	**Silex USA**	**Total**
	$	**$**	**$**	**$**
Total segment revenue	790,191	1,529,370	-	2,319,561
Inter-segment revenue	(45,631)	(959,186)	-	(1,004,817)
Revenue from external customers	**744,560**	**570,184**	**-**	**1,314,744**
Segment result	**(3,545,576)**	**549,688**	**(2,157,220)**	**(5,153,108)**
Depreciation and amortisation	52,746	-	-	52,746
Interest expense	7	-	-	7
Income tax expense	-	-	-	-
Total segment assets	**26,416,466**	**10,882,803**	**218,095**	**37,517,364**
Total assets include:				
Additions to non-current assets (other than deferred tax)	46,381	-	-	46,381
Total segment liabilities	**1,471,464**	**11,714**	**-**	**1,483,178**

(c) Other segment information

(i) Segment revenue

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

Silex is domiciled in Australia. The amount of the Company's revenue from external customers in Australia is $419,482 (2019: $744,560) and the total segment revenue from external customers in the United States is $581,724 (2019: $570,184). Segment revenues are allocated based on the country in which the supplier is located.

Translucent and Silex USA are domiciled in the United States.

(ii) Segment result

The Board of Directors assess the performance of the operating segments based on results that excludes exchange gains and losses on intercompany loans which eliminate on consolidation. A reconciliation of the segment result to Net (loss) from continuing operations is provided as follows:

	2020	2019
	$	$
Segment result	**(7,805,182)**	(5,153,108)
Net (loss) before income tax from continuing operations	**(7,805,182)**	(5,153,108)

(iii) Segment assets

Assets which eliminate on consolidation such as investments in controlled entities and intercompany receivables are excluded from segment assets. Segment assets agree to the balance sheet for both periods.

The total of non-current assets located in Australia is $270,816 (2019: $98,302) and the total of these non-current assets located in other countries is $48,422 (2019: $15,622).

(iv) Segment liabilities

Reportable segment liabilities exclude intercompany loans, income tax payable and deferred tax liabilities. Segment liabilities agree to the balance sheet for both periods.

Note 3 Revenue from continuing operations

	2020	2019
	$	$
Royalty revenue - sale of cREO™ technology	**581,724**	570,184
Interest revenue	**419,482**	744,560
	1,001,206	1,314,744

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business activities as follows:

(i) Royalty revenue - sale of intellectual property – cREO™ technology – accounting policy and significant judgements

Variable consideration from the sale of Translucent's cREO™ technology is required to be estimated in accordance with AASB 15 *Revenue from Contracts with Customers*. Under the Option, License and Assignment Agreement signed with IQE Plc in 2015, IQE is required to make minimum royalty payments for the 6 years ending 31 December 2024. The first annual payment for US$400,000, which was accrued in the year ended 30 June 2019, was invoiced and received during the year. The Company expects that the second minimum annual royalty payment of US$400,000 will be received in February 2021 and this was accrued during the year ended 30 June 2020. Additional variable consideration in the form of royalties relating to the sale of the cREO™ technology is calculated using the most likely amount method. The revenue is currently recognised at a point in time and estimated at each reporting date. The Royalty revenue has been reclassified from Other income in the prior year to Revenue to better reflect its nature.

(ii) Interest income

Interest revenue is recognised on a time proportion basis using the effective interest method.

Note 4 Other income

	2020 $	2019 $
Research and development tax incentive	**841,144**	958,879
Cooperative Research Centres Project (CRC-P) Grant	**223,963**	-
Government Assistance – COVID-19 related	**173,050**	-
Profit on sale of property, plant and equipment	**-**	27,273
Foreign currency exchange gains (net)	**-**	25,854
	1,238,157	1,012,006

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

(i) Research and development tax incentive income of $841,144 (2019: $958,879) was recognised as Other income by the Company during the year. The Company has met the conditions of the tax incentive.

(ii) CRC-P Grant income of $223,963 (2019: $nil) was recognised during the year. The Company has met the conditions of the grant.

(iii) Government assistance income (COVID-19 related) in the form of JobKeeper and Cash Boost of $173,050 (2019: $nil) was recognised during the year. JobKeeper and Cash Boost income was accounted for as government grants and disclosed as Other income in accordance with AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance.* The Company has met the conditions of the government assistance programs.

Note 5 Expenses

	2020 $	2019 $
Net (loss) from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	**80,386**	52,746
Depreciation on right-of-use assets - refer note 9(b)	**276,459**	-
Total depreciation and amortisation	**356,845**	52,746
Finance costs		
Interest and finance charges paid/payable	**9,662**	7
Finance costs expensed	**9,662**	7
Defined contribution superannuation expense	**187,132**	178,171
Foreign exchange losses (net)	**82,194**	-

Note 6 Income tax expense

This note provides an analysis of the Company's income tax expense and explains why a deferred tax asset has not been recognised by the Company.

	2020 $	2019 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) before income tax expense	**(7,805,182)**	(5,153,108)
Income tax calculated @ 27.5% (2019 - 30.0%)	**(2,146,425)**	(1,545,932)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**10,714**	1,094
Research and development tax incentive	**308,570**	361,991
Other government assistance – COVID-19 related	**(17,188)**	-
Sundry items	**16,955**	30,075
	(1,827,374)	(1,152,772)
Net deferred tax asset not recognised	**1,666,964**	1,056,320
Effect of higher rates on overseas income	**160,410**	96,452
Income tax expense	**-**	-

The Company's tax rate in the current year has decreased to 27.5% as a result of the Australian Government enacting legislation during the year. Silex derived less than 80% of its assessable income in passive forms. Therefore, Silex was eligible for the lower company tax rate of 27.5%.

	2020 $	2019 $
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**177,880,377**	163,006,115
Potential tax benefit at tax rate	**43,514,358**	43,565,136

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.

Note 7 Assets

This note provides information about the Company's assets.

Note 7(a) Current assets - Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	**1,615,034**	2,653,590

Cash and cash equivalents include 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.

Additional information on the Company's exposure to interest rate risk is discussed in note 13.

Note 7(b) Current assets - Other financial assets at amortised cost - Term deposits

	2020	2019
	$	$
Bank deposits	**16,800,000**	22,200,000

Other financial assets at amortised cost are assets held to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Other financial assets at amortised cost are included in current assets as all have maturities less than 12 months from the end of the reporting period.

The bank deposits at 30 June 2020 earn interest at between 1.00% and 1.90% (2019: between 2.00% and 2.80%).

Note 7(c) Trade and other receivables

	2020	2019
	$	$
Other receivables	**109,216**	18,814
Derivative financial instruments - forward exchange contracts	**-**	5,439
Accrued royalty revenue from sale of Translucent's cREO™ technology	**581,724**	570,184
Accrued income – other	**1,052,862**	1,314,234
Loss allowance	**(11,634)**	(8,553)
	1,732,168	1,900,118

(i) Impairment of receivables
Information about the impairment of receivables can be found in note 13(c).

(ii) Other receivables
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained.

(iii) Accrued royalty revenue from sale of Translucent's cREO™ technology
This represents accrued consideration from the sale of Translucent's cREO™ technology (royalties).

(iv) Accrued income - other
Accrued income includes accrued research and development tax incentive, accrued COVID-19 related government assistance 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 13.

(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. Refer note 13 for information on credit risk.

Note 7(d) Current assets - Other current assets

	2020	2019
	$	$
Prepayments	**398,121**	409,144

Note 7(e) Current assets - Financial assets at fair value through other comprehensive income

	2020 $	2019 $
Level 1*		
Listed securities		
Equity securities – shares in IQE Plc	**8,521,234**	10,240,588

(i) Classification and measurement of financial assets at fair value through other comprehensive income
The Company irrevocably elected to value its shares in IQE at 30 June 2019 as financial assets at fair value through other comprehensive income. This election was made so that large movements in the value of the shares do not significantly impact the consolidated income statement. The shares are classified as Level 1. There were no dividends received during the current or prior years.

* Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

For an analysis of the sensitivity of financial assets at fair value through other comprehensive income to exchange rate and price risk, refer to note 13(b).

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

	2020 $	2019 $
(Losses) recognised in other comprehensive income (refer note 10(b))	**(1,926,619)**	(6,766,261)

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

	Plant and equipment $	Motor vehicles $	Total $
At 30 June 2018			
Cost	883,126	191,984	1,075,110
Accumulated depreciation	(786,827)	(169,105)	(955,932)
Net book amount	96,299	22,879	119,178
Year ended 30 June 2019			
Opening net book amount	96,299	22,879	119,178
Exchange differences	-	1,111	1,111
Additions	46,381	-	46,381
Disposals	-	-	-
Depreciation charge	(44,378)	(8,368)	(52,746)
Closing net book value	98,302	15,622	113,924
At 30 June 2019			
Cost	929,506	53,613	983,119
Accumulated depreciation	(831,204)	(37,991)	(869,195)
Net book amount	98,302	15,622	113,924
Year ended 30 June 2020			
Opening net book amount	98,302	15,622	113,924
Exchange differences	-	557	557
Additions	222,691	14,714	237,405
Disposals	-	-	-
Depreciation charge	(70,126)	(10,260)	(80,386)
Closing net book value	250,867	20,633	271,500
At 30 June 2020			
Cost	1,152,197	69,190	1,221,387
Accumulated depreciation	(901,330)	(48,557)	(949,887)
Net book amount	250,867	20,633	271,500

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer 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(g) Deferred tax assets

	2020	2019
	$	$
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Provision for employee entitlements, warranties, restructuring and decommissioning	**201,731**	229,152
Depreciation and amortisation	**8,151**	70,934
Payables not deductible	**1,285,229**	2,533,118
Financial assets at fair value through other comprehensive income	**189,920**	-
Lease liabilities	**12,507**	-
Grant income	**1,697**	-
Credit losses	**2,734**	2,010
Tax losses	**43,514,358**	43,565,136
	45,216,327	46,400,350
Set-off deferred tax liabilities pursuant to set-off provisions	**(3,296,473)**	(3,949,961)
Net deferred tax assets not recognised*	**(41,919,854)**	(42,450,389)
Net deferred tax assets	**-**	-

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

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

Note 8(a) Trade and other payables

	2020	2019
	$	$
Trade creditors	**512,221**	398,667
Unearned income	**306,526**	-
Derivative financial instruments - forward exchange contracts	**91,269**	-
Other payables	**185,585**	320,670
	1,095,601	719,337

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

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

	2020	2019
	$	$
Annual leave obligations expected to be settled after 12 months	**1,535**	28,042

(ii) Risk exposure
Information about the Company's exposure to foreign exchange risk is provided in note 13.

Note 8(b) Provisions

		2020			2019	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Employee benefits - long service leave	**564,747**	**25,059**	**589,806**	558,958	18,802	577,760
Warranty provision	**146,081**	**-**	**146,081**	146,081	-	146,081
Make good provision	**40,000**	**-**	**40,000**	40,000	-	40,000
	750,828	**25,059**	**775,887**	745,039	18,802	763,841

(i) Amounts not expected to be settled within the next 12 months
The current provision for long service 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.

	2020	2019
	$	$
Current long service leave obligations expected to be settled after 12 months	**508,272**	503,062

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

	Warranty
	$
Carrying amount at start of the year	146,081
Carrying amount at end of the year	146,081

Provision is made for the estimated warranty claims in respect of solar panels that were previously sold by the Company. The claims may be settled in the next financial year and this may be extended into future years.

	Make good
	$
Carrying amount at start of the year	40,000
Carrying amount at end of the year	40,000

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 estimated expenditure required to meet these obligations.

Note 8(c) Non-current liabilities - Deferred tax liabilities

	2020	2019
	$	$
The balance comprising temporary differences attributable to:		
Foreign currency cash balances and loans	**3,098,902**	3,275,620
Financial assets at fair value through other comprehensive income	**-**	257,622
Right-of-use assets	**12,412**	-
Accrued income	**185,159**	416,719
	3,296,473	3,949,961
Set off deferred tax liabilities pursuant to set-off provisions	**(3,296,473)**	(3,949,961)
Net deferred tax liabilities	**-**	-

Note 9 Leases
This note provides information for leases where the Company is a lessee.

Note 9(a) Amounts recognised in the balance sheet
The balance sheet shows the following amounts relating to leases:

	2020	1 July 2019 *
	$	$
Right-of-use assets		
Buildings	**41,177**	265,763
Equipment	**6,561**	9,022
	47,738	274,785
Lease liabilities		
Current	**43,755**	248,674
Non-current	**4,347**	6,561
	48,102	255,235

* In the prior year, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. For adjustments recognised on adoption of AASB 16 *Leases* on 1 July 2019, refer to note 24.

Additions to the right-of-use assets during the current year were $49,412.

Note 9(b) Amounts recognised in the income statement
The income statement shows the following amounts related to leases:

	2020	2019
	$	$
Depreciation charge on right-of-use assets		
Buildings	**273,998**	-
Equipment	**2,461**	-
	276,459	-
Interest expense (included in finance costs)	**8,995**	-
(Credit) for rent abatement during COVID-19*	**(45,310)**	-

* included in other expenses from continuing operations

The total cash outflows for leases during the current year was $265,540.

Note 9(c) The Company's leasing activities and how these are accounted for
The Company leases buildings and equipment. Rental contracts are generally for fixed periods of 1 year to 3 years but may have extension options.

Until 30 June 2019, leases were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivable;
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The landlord of the Silex Lucas Heights facility graciously granted some rent relief during the year. This rent reduction has been treated as a variable lease payment with the forgiven amount being derecognised as a lease liability and taken to profit.

Note 10 Equity
The note provides information about the Company's equity.

Note 10(a) Contributed equity	Parent entity		Parent entity	
	2020	2019	**2020**	2019
	Shares	Shares	**$**	$
(i) Share capital				
Ordinary shares				
Fully paid	**172,767,339**	170,467,339	**232,645,003**	231,750,374

(ii) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Issue Price $**	**$**
30 June 2018	Balance	**170,467,339**		**231,750,374**
30 June 2019	Balance	**170,467,339**		**231,750,374**
7 January 2020	Issue of shares	2,300,000	$0.3913	900,000
7 January 2020	Less transaction costs arising on share issue	N/A		(5,371)
30 June 2020	**Balance**	**172,767,339**		**232,645,003**

(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 Incentive Plan, 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 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.

Note 10(b) Reserves

	2020 $	2019 $
Foreign currency translation reserve	**166,915**	(63,317)
Revaluation - Fair value through other comprehensive income	**(1,459,756)**	466,863
Transactions with non-controlling interests	**(2,906,913)**	(2,906,913)
Share-based payments reserve	**14,669,819**	14,630,860
	10,470,065	12,127,493

Movements:

	2020 $	2019 $
Foreign currency translation reserve		
Balance at the beginning of the financial year	**(63,317)**	(932,162)
Net exchange differences on translation of foreign controlled entity	**230,232**	868,845
Balance at the end of the financial year	**166,915**	(63,317)

	2020 $	2019 $
Revaluation - Fair value through other comprehensive income		
Balance at the beginning of the financial year	**466,863**	-
Reclassification on adoption of AASB 9	**-**	7,233,124
Differences on revaluation	**(1,926,619)**	(6,766,261)
Balance at the end of the financial year	**(1,459,756)**	466,863

	2020 $	2019 $
Transactions with non-controlling interests		
Balance at the beginning of the financial year	**(2,906,913)**	(2,906,913)
Balance at the end of the financial year	**(2,906,913)**	(2,906,913)

	2020 $	2019 $
Share-based payments reserve		
Balance at the beginning of the financial year	**14,630,860**	14,627,214
Share-based payment expense	**38,959**	3,646
Balance at the end of the financial year	**14,669,819**	14,630,860

	2020 $	2019 $
Revaluation - Available-for-sale financial assets		
Balance at the beginning of the financial year	**-**	7,233,124
Reclassification on adoption of AASB 9	**-**	(7,233,124)
Balance at the end of the financial year	**-**	-

Nature and purpose of reserves

(i) Foreign currency translation reserve

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

(ii) Revaluation – Fair value through other comprehensive income
Changes in the fair value of investments that are classified as fair value through other comprehensive income are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to profit or loss when the associated assets are sold or impaired.

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

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

(v) Revaluation - Available-for-sale financial assets
Changes in the fair value of investments that were previously classified as available-for-sale financial assets before the application of AASB 9 *Financial Instruments* were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets were sold or impaired.

Note 10(c) Accumulated losses

	2020	2019
	$	$
Accumulated losses at the beginning of the financial year	**(207,843,681)**	(202,690,573)
Net (loss) attributable to members of Silex Systems Limited	**(7,805,182)**	(5,153,108)
Accumulated losses at the end of the financial year	**(215,648,863)**	(207,843,681)

Note 11 Cash flow information

	2020	2019
	$	$
(a) Reconciliation of net (loss) after income tax to net cash (outflows) from operating activities		
Net (loss) after income tax	**(7,805,182)**	(5,153,108)
Depreciation and amortisation	**356,845**	52,746
Non cash employee benefits expense – share-based payments	**38,959**	3,646
(Profit) on sale of plant and equipment	**-**	(27,273)
Net exchange differences	**32,322**	(29,003)
(Increase) in prepayments and other current assets	**(8,527)**	(256,296)
(Increase)/decrease in trade and other debtors	**(93,422)**	41,933
Decrease/(increase) in accrued income	**249,832**	(396,566)
Increase/(decrease) in trade and other creditors	**376,264**	(1,173,414)
Increase/(decrease) in provisions	**12,046**	(49,979)
Net cash (outflows) from operating activities	**(6,840,863)**	(6,987,314)

(b) Non-cash investing and financing activities

	2020	2019
	$	$
Acquisition of equity securities from sale of cREO™ technology (receivable)	**-**	6,917,543

Non-cash investing and financing activities disclosed in other notes are acquisition of right-of-use assets in note 9.

Note 12 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 area involving significant estimates or judgements is the recognition of variable consideration (in the form of revenue royalties) from the sale of Translucent's cREO™ technology (note 3).

Note 13 Financial risk management
The Company's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and manages financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investing excess liquidity.

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

The Company's policy is to hedge a proportion of its anticipated cash flows in USD. At year end, the Company held forward exchange contracts totalling US$600,000 (2019: US$250,000) to purchase USD with contractual maturity dates up to November 2020 (2019: up to July 2019) as part of its strategy to minimise the financial effects of foreign currency fluctuations. The Board monitors the Company's hedging strategy on a continuing basis. The fair value of derivative contracts outstanding at year end totals $91,269 and is recorded in Current liabilities – Trade and other payables (2019: $5,439 in Current assets – Trade and other receivables).

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

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

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

	2020 AUD	2019 AUD
Cash and cash equivalents	**321,894**	80,995
Forward exchange contracts - buy foreign currency	**872,586**	356,365

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	
	2020	2019	**2020**	2019
	$	$	**$**	$
AUD/USD - increase by 15%	**(155,802)**	(57,047)	**(155,802)**	(57,047)
AUD/USD - decrease by 15%	**210,791**	77,181	**210,791**	77,181

The Company owns shares in IQE Plc, a UK based company, resulting from the Option, License and Assignment Agreement signed in September 2015. IQE's shares are listed on the London Stock Exchange (GBP currency). The impact of an increase or decrease in the AUD/GBP would not impact post-tax profits as it is accounted for in other comprehensive income. The impact of a 15% increase in the AUD/GBP would decrease other components of equity by $1,111,465 (2019: $1,335,729) and a 15% decrease in the AUD/GBP would increase other components of equity by $1,503,747 (2019: $1,807,163).

(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.

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 2020		30 June 2019	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Cash and cash equivalents	**0.41%**	**1,244,867**	1.56%	2,592,252

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	
	2020 $	2019 $	**2020 $**	2019 $
Interest rates - increase by 1.0%	**22,526**	17,509	**22,526**	17,509
Interest rates - decrease by 1.0%	**(22,526)**	(17,509)	**(22,526)**	(17,509)

(iii) Price risk
The Company's exposure to equity securities price risk arises from Translucent's shares in IQE Plc which are classified in the balance sheet as financial assets at fair value through other comprehensive income.

The impact of an increase or decrease in the IQE share price would not impact post-tax profits as it is accounted for in other comprehensive income. The impact of a 10% increase in IQE's share price would increase other components of equity by $852,123 (2019: $1,024,059) and a 10% decrease in IQE's share price would reduce other components of equity by $852,123 (2019: $1,024,059). The impact of a 20% increase in IQE's share price would increase other components of equity by $1,704,247 (2019: $2,048,118) and a 20% decrease in IQE's share price would reduce other components of equity by $1,704,247 (2019: $2,048,118).

(c) Credit risk
Credit risk arises from cash and cash equivalents, term deposits, contract assets and receivables. The Company has a concentration of credit risk with its main receipts in recent years coming from IQE Plc (in relation to the licensing and sale of Translucent's cREO™ technology), banks (interest income) and government (Research and development tax incentive, CRC-P grant and COVID-19 related assistance). The Company has policies in place to ensure that transactions are with entities with an appropriate credit history. For banks and financial institutions, only independently rated parties with a minimum rating as approved by the Board are accepted. Cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

The credit quality of customers, banks and governments can be assessed by reference to external credit ratings (if available). If they are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality by taking into account the financial position, past experience and other factors.

Impairment of financial assets
While cash and cash equivalents are subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial. All of the Company's term deposits (disclosed under AASB 9 as Other financial assets at amortised cost) are considered to have low credit risk given the credit ratings of the bank where the deposits are held. The Company has reviewed the credit ratings and corporate default rates of the various banks by credit rating agencies. Applying the expected credit loss model, the identified impairment loss was immaterial at 30 June 2020 and 30 June 2019.

Trade and other receivables are subject to the expected credit loss model.

	2020 $	2019 $
Cash and cash equivalents and other financial assets at amortised cost – term deposits		
ANZ Banking Group Limited	**4,463,692**	9,673,149
National Australia Bank	**5,000,000**	7,000,000
Bendigo and Adelaide Bank Limited	**2,500,000**	1,000,000
Bank of Queensland	**6,100,000**	7,100,000
Bank of America	**351,342**	80,439
Other	**-**	2
	18,415,034	24,853,590

Impairment losses for accrued interest revenue and accrued Research and development tax incentive were also immaterial at 30 June 2020 (and at 30 June 2019) after reviewing the credit ratings of the various banks (interest) and the Federal Government (Research and development tax incentive).

The Company also had accrued royalty revenue at 30 June 2020 of $581,724 from the sale of Translucent's cREO™ technology (2019: $570,184). The accrued royalty revenue relates to minimum royalties for the year ended 31 December 2020 (2019: year ended 31 December 2019). The amount for the current year is expected to be invoiced in January 2021 with payment due in February 2021. Using a 2.0% expected credit loss rate to this current balance, a loss allowance of $11,634 was booked at 30 June 2020 (2019: 1.5% for $8,553).

(d) Liquidity risk

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

Financing arrangements

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

	2020 $	2019 $
Floating rate		
- Expiring within one year (documentary credit facility and visa facility)	**200,000**	200,000
	200,000	200,000

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

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 2020	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	655,426	-	-	-	-	655,426	655,426
Lease liabilities	26,758	18,296	2,748	1,832		49,634	48,102
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	682,184	18,296	2,748	1,832	-	705,060	703,528
Derivatives							
Forward foreign exchange contracts	91,269	-	-	-	-	91,269	91,269
	91,269	-	-	-	-	91,269	91,269

At 30 June 2019	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	520,167	-	-	-	-	520,167	520,167
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	520,167	-	-	-	-	520,167	520,167
Derivatives							
Forward foreign exchange contracts	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

(e) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

Note 14 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).

Name of entity	Country of incorporation	Class of shares	2020 %	2019 %
Translucent Inc	United States of America	Ordinary	**100.0%**	100.0%
		Total	**100.0%**	100.0%
ChronoLogic Pty Ltd*	Australia	Ordinary	**79.6%**	79.6%
		Preference	**100.0%**	100.0%
		Total	**90.0%**	90.0%
Silex USA LLC	United States of America	Interest	**100%**	100%
		Total	**100%**	100%
Global Laser Enrichment Holdings LLC**	United States of America	Interest	**100%**	N/A
		Total	**100%**	N/A

** The ChronoLogic business closed in September 2014 and is pending for deregistration.*
*** Global Laser Enrichment Holdings LLC was incorporated on 13 February 2020 as a subsidiary of Silex USA LLC for the purpose of for the purposes of acquiring a 51% interest in GLE on behalf of Silex Systems Limited.*

(b) Transactions with non-controlling interests
There were no transactions with non-controlling interests in the current year or in the prior year.

Note 15 Contingent liabilities
As announced on 16 December 2019, Silex, Cameco and GEH executed a binding Membership Interest Purchase Agreement (MIPA) for the joint purchase from GEH of its 76% interest in GLE, the exclusive Licensee of the SILEX uranium enrichment technology.

In the event Silex terminates the MIPA (without cause) prior to Closing, except for termination due to the inability to obtain satisfactory US government approvals, or if the GLE-DOE tails agreement is terminated for any reason before Closing, a termination fee of US$1 million will be payable to GEH. At the current point in time, the timing of any outflow of funds is uncertain and subject to Silex terminating the MIPA. Therefore, the amount is considered to be a contingent liability of the Company.

Note 16 Commitments for expenditure and guarantees

	2020 $	2019 $
(a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment	**-**	-

(b) Operating leases
The Company leases premises and equipment under non-cancellable operating leases expiring within 12 months to four years. On renewal, the terms of the leases may be renegotiated.

From 1 July 2019, the Company has recognised right-of-use assets for these leases. Refer to note 9 for more information.

	2020	2019
	$	$
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	**-**	257,530
Later than one year but not later than five years	**-**	7,328
	-	264,858

(c) Guarantees entered into by the Company
The Company has provided guarantees totalling $nil at 30 June 2020 and $nil at 30 June 2019.

Note 17 Events occurring after reporting date
Between 30 June 2020 and the date of this report, the IQE Plc share price (AIM: IQE) has increased significantly. Combined with movements in exchange rates, the value of the shares held at 30 June 2020 (disclosed as Financial assets at fair value through other comprehensive income) has increased by approximately $1,400,000 since 30 June 2020. Gains or losses arising from changes in the fair value of shares classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. The financial effects of the movements in fair value since 30 June 2020 will be recognised in the financial statements for the year ended 30 June 2021.

There continues to be significant uncertainty associated with the potential impacts of the COVID-19 pandemic. Although full-time operations resumed at the Company's Lucas Heights facility from 1 July, the Company continues to review the evolving COVID-19 situation with a view to making additional changes to operations if needed and/or if advised by the Federal and NSW Governments. Consideration with respect to any prolonged impact of the pandemic is ongoing.

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 14(a).

(b) Key management personnel

	2020	2019
	$	$
Short-term employee benefits	**1,170,172**	1,149,581
Post-employment benefits	**65,363**	72,862
Long-term benefits	**(97,767)**	16,197
Share-based payments	**12,288**	1,322
	1,150,056	1,239,962

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

	2020	2019
	$	$
Contributions to superannuation funds on behalf of employees	**197,732**	185,271

Note 19 Share-based payments
(a) Silex Systems Limited Employee Incentive Plan
The Silex Systems Limited Employee Incentive Plan (the Plan) was established in May 2019 by a resolution of the Silex Board and was approved by Shareholders at the 2019 Annual General Meeting on 27 November 2019. All full-time and part-time staff and executive directors of the consolidated entity are eligible to participate in the Plan.

Under the Plan, the options issued were granted for no consideration. The options were granted for a five-year period and become exercisable after three years of 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 weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the ten trading days before the options are granted. Amounts received on the exercise of options are recognised as share capital.

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

Consolidated and parent entity – 2020

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)
21/5/2019	20/05/2024	35	500,000	-	-	-	500,000	-
2/12/2019	01/12/2024	35	-	100,000	-	-	100,000	-
01/04/2020	31/03/2025	21	-	660,000	-	-	660,000	-
			500,000	760,000	-	-	1,260,000	-
Weighted average exercise price			$0.35	$0.23	-	-	$0.28	-

Consolidated and parent entity – 2019

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)
21/05/2019	20/05/2024	35	-	500,000	-	-	500,000	-
			-	500,000	-	-	500,000	-
Weighted average exercise price			-	$0.35	-	-	$0.35	-

The market price of shares under option at 30 June 2020 was $0.78 (2019: $0.40). The weighted average remaining contractual life of share options outstanding at the end of the period was 4.4 years (2019: 4.9 years).

No shares were issued in the current or prior year as a result of the exercise of share options.

Fair value of options granted
The assessed fair value at grant date of options was 15.89 cents for the options issued 2 December 2019 and 14.58 cents for the options issued 1 April 2020 (2019: 16.35 cents for the options issued 21 May 2019). 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 impact of dilution, 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 model inputs for options granted during the year ended 30 June 2020 (with the 2 December 2019 issue listed first and the 1 April 2020 issue listed second) included:

(i) Options are granted for no consideration and 100% vest after three years for both issues
(ii) Exercise price $0.35 and $0.21 (2019: $0.35)
(iii) Grant date: 2 December 2019 and 1 April 2020 (2019: 21 May 2019)
(iv) Expiry date: 1 December 2024 and 31 March 2025 (2019: 20 May 2024)
(v) Share price at grant date: $0.335 and $0.26 (2019: $0.34)
(vi) Expected volatility of the Company's shares: 66% and 68% (2019: 65%)
(vii) Expected dividend yield: nil (2019: nil)
(viii) Risk-free interest rate: 0.5% and 0.25% (2019: 1.5%)

The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

(b) Options to be granted (subject to shareholder approval)
150,000 options may be granted to the CEO/MD in the event shareholder approval is granted at the 2020 AGM. The options will have an exercise price of $0.57, which is based on the weighted average price at which the Company's shares traded on the Australian Stock Exchange during the ten trading days prior to 30 June 2020. If approved by shareholders, the options will vest on 30 June 2023 and will have an expiry date of 5 years after grant date. In accordance with AASB 2 *Share-based Payment,* the Company has estimated the grant date fair value of the options as at 30 June 2020. The fair value has been calculated at 46.1 cents per option.

(c) 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:

	2020	2019
	$	$
Options granted and to be granted	**38,959**	3,646

Note 20 Remuneration of auditors

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

	2020	2019
	$	$
(a) Audit and other assurance services		
Audit and review of financial reports	**78,750**	75,000
Total remuneration for audit and assurance services	**78,750**	75,000
(b) Other services		
Total remuneration for other services	**-**	-
Total auditors' remuneration	**78,750**	75,000

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

Note 21 Earnings per share

	2020	2019
(a) Basic earnings per share	**Cents**	Cents
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(4.5)**	(3.0)

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.

	2020	2019
(b) Diluted earnings per share	**Cents**	Cents
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(4.5)**	(3.0)

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.

(c) Reconciliation of earnings used in calculating earnings per share

	2020	**2019**
	$	$
Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(7,805,182)**	(5,153,108)
Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(7,805,172)**	(5,153,108)

	2020 Number	2019 Number
(d) Weighted average number of shares used in the denominator		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	**171,567,066**	170,467,339
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share:	**171,567,066**	170,467,339

(e) Information concerning the classification of securities
In the current year, options 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:

	2020 $	2019 $
Balance Sheet		
Current assets	**19,439,751**	26,667,528
Total assets	**19,753,180**	26,767,956
Current liabilities	**1,633,109**	1,452,662
Total liabilities	**1,662,515**	1,471,464
Net assets	**18,090,665**	25,296,492
Shareholders' equity		
Issued capital	**232,645,003**	231,750,374
Reserves		
Share-based payments	**14,474,945**	14,435,986
Accumulated losses	**(229,029,283)**	(220,889,868)
Total equity	**18,090,665**	25,296,492
Net (loss) for the period	**(8,139,415)**	(5,924,039)
Total comprehensive income	**(8,139,415)**	(5,924,039)

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 $nil (2019: $nil) guarantees.

(c) Contractual commitments for the acquisition of property, plant or equipment
As at 30 June 2020 (and 30 June 2019), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

(d) 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.

Note 23 Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared on a historical cost basis, except for Financial assets at fair value through other comprehensive income which are measured at fair value.

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. Refer note 12 for further details.

New and amended standards adopted by the Company

Silex has applied the following standard for the first time for the annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*

Silex had to change its accounting policies following the adoption of AASB 16. This is disclosed in note 24.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been adopted early by the Company. There are no standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silex Systems Limited ('parent entity') as at 30 June 2020 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, the consolidated entity or the group.

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

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

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

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

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

(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 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

As explained in note 23(a) above, the Company has changed its accounting policy where the Company is the lessee. The new policy is described in note 9(c) and the impact of changes in note 24.

Until 30 June 2019, leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost was charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was 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 were not transferred to the Company were classified as operating leases (note 16). Payments made under operating leases (net of any incentives received from the lessor) were 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

(i) Classification

The Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through Other comprehensive income (OCI) or through profit or loss); and
- those to be at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether Silex has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Silex reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(c) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's Management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) *Impairment*
The Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer note 13(c) for further details.

(h) Measurement and fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

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

The liability for long service 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

Employees of the Company are entitled to benefits on retirement, disability or death from the Company's defined contribution retirement plans. 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 Incentive Plan (the Plan) which was established in May 2019.

The fair value of options granted under the Plan are recognised as an employee benefit expense with a corresponding increase in equity in the share-based payments reserve. 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 Company 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.

In addition, under the Plan, Performance Rights and Exempt Share Awards may be granted. They 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. These may be used as a short-term or long-term incentive vehicle.

(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) Research and development costs

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 24 Changes in accounting policies

This note explains the impact of adoption of AASB 16 *Leases* on the Company's financial statements. Silex has adopted AASB 16 *Leases* retrospectively from 1 July 2019, however as permitted under the specific transition provisions in the standard, has not restated comparatives for the 30 June 2019 reporting period. The reclassifications and the adjustments arising from the adoption of the new leasing standard are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 9(c).

On adoption of AASB 16, Silex recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.0%.

(a) Practical expedients applied

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous lease contracts as at 1 July 2019; and
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company has relied on its assessment made applying AASB117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

(b) Measurement of lease liabilities

The operating lease liability recognised at 1 July 2019 of $255,235 equates to the operating lease commitments disclosed at 30 June 2019 ($264,858) after discounting on 1 July 2019. Current lease liabilities were $248,674 and non-current lease liabilities were $6,561.

(c) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted for the amount of prepaid lease payments relating to the leases recognised in the balance sheet at 30 June 2019.

(d) Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy effected the following items in the balance sheet on 1 July 2019:

- right-of-use assets: increase by $274,785
- prepayments: decrease by $19,550
- lease liabilities: increase by $255,235

(e) Classification in consolidated income statement

Upon adoption of the new standard from 1 July 2019, the lease expense, previously shown in Rent, utilities and property outgoings, and Printing, postage, stationery and communications is now disclosed as Depreciation and amortisation expense, and Finance costs in the consolidated income statement.

In the directors' opinion:

(a) the financial statements and notes set out on pages 28 to 66 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 2020 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 A Roy
Chair

Sydney

27 August 2020

Independent auditor's report

To the members of Silex Systems Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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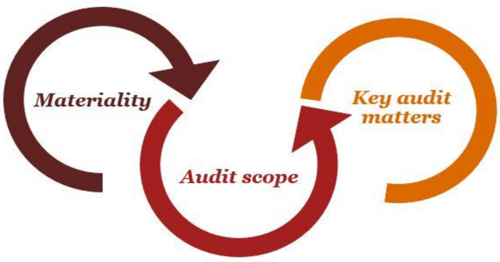
Our audit approach

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

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



Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $0.39m million, which represents approximately 5% of the Group's loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group's operational and financial processes are managed by a corporate function in Sydney, where substantially all of our audit procedures are performed.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit Committee: – Revenue recognition with respect to the sale of cREO™ technology • This is further described in the *Key audit matters* section of our report.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition with respect to the sale of the cREO™ technology (Refer to Note 3 ($582k)). In March 2018, IQE Plc elected to acquire the 'Rare Earth Oxide' (cREO™) technology of the Company's subsidiary Translucent Inc and as a result, a perpetual royalty of at least 3% will be payable to Translucent on the sale of any IQE products that utilise the cREO™ technology, with minimum royalties commencing in FY2020 and continuing to FY2025. Judgement is involved in the recognition of revenue related to these royalties as revenue is accrued in accordance with the "most likely amount method" outlined in the accounting standard. We considered this matter a key audit matter because of the judgement involved in accurately recognising the revenue for the variable consideration from the sale of cREO™ technology.	Our audit procedures included: • reading the Option, License and Assignment Agreement dated 15 September 2015, among the Company, Translucent Inc and IQE Plc, and the Deed of IP Assignment dated 13 April 2018, between Translucent Inc and IQE Plc • assessing whether the Group's accounting policy is in accordance with Australian Accounting Standards • agreeing the income recorded to the Group's calculation in accordance with the schedule of minimum royalty payments included in the agreement • Considering the judgement applied by the Group in the recognition of this revenue

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 23 of the directors' report for the year ended 2020.

In our opinion, the remuneration report of Silex Systems Limited, for the year ended 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Ronald

David Ronald
Partner

Sydney
27 August 2020

Shareholders' information

Information relating to shareholders as at 17 August 2020

(a) Distribution schedule of equity securities

Holding	Shares	Options
1 - 1,000	1,813	-
1,001 - 5,000	2,161	-
5,001 - 10,000	705	-
10,001 - 100,000	962	11
100,001 and over	212	4
Total number of holders of each class of security	5,853	15

Number of total holdings less than a marketable parcel of shares	1,315

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	29,801,030

(b) Names of twenty largest quoted equity security holders as at 17 August 2020

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.25%
Mr Paul Cozzi	6,700,000	3.88%
Majenta Holdings Pty Ltd	5,703,923	3.30%
Polly Pty Ltd	4,073,863	2.36%
Hillboi Nominees Pty Ltd	3,889,884	2.25%
Throvena Pty Ltd	2,978,203	1.72%
Hamlac Pty Ltd	2,525,937	1.46%
Mr Christopher David Wilks	2,405,070	1.39%
Silicon Quantum Computing Pty Ltd	2,300,000	1.33%
Quintal Pty Ltd	2,002,952	1.16%
HSBC Custody Nominees (Australia) Limited	1,812,190	1.05%
Sporran Lean Pty Ltd	1,809,999	1.05%
Deering Nominees Pty Ltd	1,700,000	0.98%
Morgan Stanley Australia Securities (Nominee) Pty Limited	1,540,340	0.89%
Mr Peter James Thomas + Ms Helen Thomas	1,350,000	0.78%
J P Morgan Nominees Australia Pty Limited	1,335,041	0.77%
Mr Xiangyang Wu	1,294,400	0.75%
Citicorp Nominees Pty Limited	1,201,638	0.70%
Eugob Nominees Pty Ltd	1,200,000	0.69%
Sabretache Pty Limited	1,125,000	0.65%
	76,749,470	44.42%

(c) Voting rights

The voting rights attaching to each class of equity securities are set out below:

- Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- Options: No voting rights.

(d) Securities subject to voluntary escrow as at 17 August 2020

As at 17 August 2020, 2,300,000 shares were subject to voluntary escrow. The escrow period ends 6 January 2022.

(e) Unquoted equity securities as at 17 August 2020

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Incentive Plan	1,260,000	15