

Silex Systems Limited

ABN 69 003 372 067

ASX Preliminary final report year ended 30 June 2017 Appendix 4E

Lodged with the ASX under Listing Rule 4.3A

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Silex Systems Limited
year ended 30 June 2017
(previous corresponding period:
year ended 30 June 2016)

Results for announcement to the market

	2017 \$	2016 \$	Movement \$	Movement %	
Cash and cash equivalents & Held to maturity investments	42,678,156	51,282,074	(8,603,918)	16.8%	↓
Revenue from continuing operations	1,365,646	1,617,655	(252,009)	15.6%	↓
Revenue from discontinued operations	265,386	2,153,951	(1,888,565)	87.7%	↓
Revenue from ordinary activities	1,631,032	3,771,606	(2,140,574)	56.8%	↓
Earnings before interest, tax, depreciation, and amortisation from continuing operations (EBITDA)	(11,549,775)	(6,291,168)	(5,258,607)	83.6%	↑
Net (loss) from continuing operations attributable to members	(10,211,489)	(4,700,759)	(5,510,730)	117.2%	↑
Net profit from discontinued operations attributable to members	92,558	1,303,871	(1,211,313)	92.9%	↓
Net (loss) from ordinary activities after tax attributable to members	(10,118,931)	(3,396,888)	(6,722,043)	197.9%	↑
Net (loss) for the period attributable to members	(10,118,931)	(3,396,888)	(6,722,043)	197.9%	↑
No dividends have been paid or proposed during the period					

Overview

Silex Systems is a research and development company whose main asset is the SILEX laser uranium enrichment technology. Silex's primary activity is the development and commercialisation program being undertaken on the SILEX technology in conjunction with exclusive licensee, GE-Hitachi Global Laser Enrichment LLC (GLE).

The following key activities were advanced during the year ended 30 June 2017:

- Silex continued its efforts to attract new investors to support a restructure of licensee GLE, after GE-Hitachi (GEH) disclosed in 2016 their intention to divest their 76% stake in GLE due to a change in business priorities and continuing adverse market conditions. Silex holds an exclusive, assignable option over GEH's 76% equity stake in GLE in accordance with the provisions of a Term Sheet signed by Silex and GEH in April 2016 and as amended in April 2017. The Term Sheet expires on 31 August 2017 and at the time of writing, a further extension and amendment to Term Sheet is under consideration to allow sufficient time for a mutually acceptable restructure of GLE;
- Pursuant to the Term Sheet (as amended), Silex contributed 76% of the funding of GLE's Wilmington, North Carolina operations in addition to funding Silex's laser development activities at its Lucas Heights facility south of Sydney;
- Silex continued to support GLE's preliminary project planning activities for the tails re-enrichment opportunity at Paducah, Kentucky. This follows the November 2016 execution of an agreement between GLE and the US Department of Energy (DOE) for the sale to GLE of approximately 300,000 metric tons of depleted uranium (tails) stockpiles. GLE's agreement with the DOE provides a pathway to construct the world's first laser enrichment facility in Paducah utilising the SILEX technology to re-enrich depleted uranium for sale in to the global uranium market for production of nuclear power plant fuel;
- The SILEX technology commercialisation project continued to progress steadily at both the Wilmington Test Loop facility and at the Lucas Heights laser development facility with several more technology milestones achieved during the year ended 30 June 2017.

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Results for announcement to the market (continued)

Silex subsidiary Translucent Inc, developed a novel set of semiconductor materials known as 'crystalline Rare Earth Oxides' (cREO™) for application to the manufacturing of next generation devices in the semiconductor, digital communications and power electronics industries. The cREO™ technology was exclusively licensed under a License and Assignment Agreement with UK-based IQE Plc (LON:IQE) in September 2015. IQE is the global leader in the design and manufacture of advanced semiconductor wafer products. Under the terms of the Agreement, IQE has until March 2018 in which to elect to acquire the cREO™ technology. Should IQE elect to purchase the technology, a payment of a further US\$5 million will be made, and a Royalty of between 3% and 6% will be payable thereafter upon generation of revenues based on the utilisation of the cREO™ technology.

During the year ended 30 June 2017, IQE continued to make good progress in meeting target development milestones for initial products utilising the cREO™ materials. The product development program involves using two of Translucent's production reactors to produce various cREO™ templates on silicon wafers for trialling within the IQE Group and select commercial partners, with initial focus on wireless communications devices and power electronics devices. In light of this progress, IQE has determined an optimal route to commercialisation within a 2 to 3-year timeframe.

This Preliminary final report primarily reflects the ongoing support of operations associated with the commercialisation of the SILEX laser uranium enrichment technology and should be read together with the Operational Update released in conjunction with this report and recent ASX announcements.

Commentary on the results for the period

Cash and cash equivalents & Held to maturity investments

Our cash balance as at 30 June 2017 was \$42.7m, a net decrease of \$8.6m during the year primarily due to our ongoing commitment to the SILEX technology commercialisation program in Sydney and in Wilmington, including our obligation from 1 January 2016 to reimburse GEH for their pro-rata share of GLE funding in support of the GLE restructure. During the year, Silex reimbursed GEH \$6.4m compared to \$1.9m in the prior year.

Net cash outflows from operating activities for the year ended 30 June 2017 were \$9.0m compared to \$6.4m for the year ended 30 June 2016. The increased reimbursement payments to GEH as noted above, were more than offset by a \$5.2m reduction in operating payments which was mainly due to the Company's restructure activities undertaken since 2014.

Other movements included a reduction in Receipts from customers and government grants of \$2.8m as a result of lower Research and Development Tax Incentive receipts from the winding down of Solar Systems' operations and a reduction in Interest received of \$0.5m as average cash holdings and interest rates reduced.

Revenue from ordinary activities

Revenue from continuing operations (interest income) reduced from \$1.6m in the prior year to \$1.4m in the current year, as average cash balances and interest rates declined. Revenue from discontinued operations reduced from \$2.2m in the prior year to \$0.3m in the current year. This reduction was largely due to the prior year including \$1.8m for Licence fees from the License and Assignment Agreement for the Translucent technology signed with IQE plc in September 2015 compared to \$0.1m in the current year.

Earnings before interest, tax, depreciation and amortisation from continuing operations (EBITDA)

EBITDA from continuing operations in FY2017 was a loss of \$11.5m. This comprises the loss from continuing operations of \$10.2m adjusted for net interest income of \$1.4m and depreciation and amortisation of \$0.03m.

Continuing Operations - Silex Systems

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

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

Discontinued Operations – Solar Systems and Translucent

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

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

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

Commentary on the results for the period (continued)

Net loss from ordinary activities after tax attributable to members

The net loss from ordinary activities was \$10.1m compared to \$3.4m in the prior year. The net loss is comprised of the loss from continuing operations attributable to members of \$10.2m (an increase of \$5.5m compared to the prior year) and the profit from discontinued operations of \$0.1m attributable to members (compared to a profit of \$1.3m in the prior year). The increase in loss from continuing operations is mainly due to the increased reimbursements to GEH (Development expenditure) in the current year as mentioned above.

The net profit from discontinued operations, includes the operations of Solar Systems and Translucent. As mentioned above, the profit in the current period was mainly due to a \$0.1m profit on sale of residual Solar Systems' assets.

Earnings per share from continuing operations

Basic earnings per share and diluted earnings per share from continuing operations were both (6.0) cents in the current year, compared to (2.8) cents in the prior year. The movement in negative earnings per share compared to the prior year reflects the increased loss from continuing operations as discussed above.

Earnings per share

Basic earnings per share and diluted earnings per share were both (5.9) cents in the current year, compared to (2.0) cents in the prior year. The movement was largely due to the increased loss from continuing operations in the current year explained above.

Other factors that affected results in the period or which are likely to affect results in the future

The path to commercialisation for the SILEX laser uranium enrichment technology has been affected by the slowdown in the nuclear industry and challenging conditions in the markets for nuclear fuel. This is a result of the Fukushima event in 2011, the ensuing shutdown of the Japanese nuclear power plant fleet and various policy decisions in other nuclear generating countries. The announcement by GLE parent company, GE-Hitachi (GEH) of its intention to exit the enterprise and the subsequent signing of a Term Sheet between Silex and GEH for the acquisition of GEH's 76% equity interest in GLE in April 2016, has led to an extensive program by Silex to secure new strategic investors to restructure GLE. Silex continues to meet its obligation in accordance with the Term Sheet (and extensions) to reimburse GEH for their pro-rata share of funding for the Wilmington operation. This funding is in addition to the funding of the development program for commercial-scale laser systems being conducted at the Company's Sydney facility. The latter effort ensures our core competency is maintained in the technology while providing an increasing level of assistance to GLE in the commercialisation of the SILEX technology.

As a result of the above, the timing of future potential milestone payments and royalties under the Technology Commercialisation and License Agreement signed with GLE may be significantly delayed by several factors, including the slowdown in the pace of GLE's commercialisation program announced in July 2014, the outcome of the restructure of GLE currently being undertaken by Silex as a result of GEH's intention to exit GLE, and the timing of market recovery for uranium and enrichment services.

An exclusive License and Assignment Agreement for Translucent's cREO™ technology was signed in September 2015 with UK-based IQE Plc (IQE), resulting in the completion of product development and commercialisation activities being undertaken by IQE. IQE is progressing the cREO™ technology towards commercial deployment in various advanced semiconductor products. The outcome of IQE's commercialisation program remains uncertain.

The value of Available-for-sale financial assets (shares in IQE) increased by \$5.7m during the year as the IQE (LON:IQE) share price increased significantly.

Further information on factors that have affected results in the period or which are likely to affect results in the future, including a number of potential factors and events that may improve market prospects for the nuclear industry, are discussed in the Operational Update which will be released to the ASX at the same time as this document.

Silex Systems Limited
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Commentary on the results for the period (continued)

Compliance and Audit

This report has been prepared in accordance with AASB Standards, Interpretations issued by the Australian Accounting Standards Board or other standards acceptable to the ASX. This report and the accounts upon which the report is based use the same accounting policies. This report gives a true and fair view of the matters disclosed. This report is based on accounts which are in the process of being audited. The entity has a formally constituted Audit Committee.



Dr Michael Goldsworthy
25 August 2017

Silex Systems Limited
Preliminary consolidated income statement
for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from continuing operations	2	1,365,646	1,617,655
Other income	3	940,847	1,467,828
Research and development materials		(207,498)	(60,107)
Development expenditure		(6,668,102)	(2,550,261)
Finance costs	4	(11)	(55)
Depreciation and amortisation expense	4	(27,349)	(27,191)
Employee benefits expense		(3,676,747)	(3,091,636)
Consultants and professional fees		(914,782)	(951,041)
Printing, postage, freight, stationery and communications		(72,897)	(99,574)
Rent, utilities and property outgoings		(411,461)	(433,766)
Net foreign exchange losses		(155,223)	(143,418)
Other expenses from continuing activities		(383,912)	(429,193)
(Loss) before income tax expense		(10,211,489)	(4,700,759)
Income tax expense	5	-	-
Net (loss) from continuing operations		(10,211,489)	(4,700,759)
Net profit from discontinued operations	10	92,558	1,303,871
Net (loss) for the year		(10,118,931)	(3,396,888)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		(10,118,931)	(3,396,888)
		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(6.0)	(2.8)
Diluted earnings per share		(6.0)	(2.8)
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(5.9)	(2.0)
Diluted earnings per share		(5.9)	(2.0)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes, the 2016 Annual Report, the full financial report for the year ended 30 June 2016 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of comprehensive income
for the year ended 30 June 2017

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

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, the 2016 Annual Report, the full financial report for the year ended 30 June 2016 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated balance sheet
as at 30 June 2017

	Note	30 June 2017 \$	30 June 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,876,319	1,581,746
Held to maturity investments - term deposits		40,801,837	49,700,328
Trade and other receivables		1,842,593	3,466,276
		<u>44,520,749</u>	<u>54,748,350</u>
Assets classified as held for sale	10	-	350,000
Total current assets		<u>44,520,749</u>	<u>55,098,350</u>
Non-current assets			
Available-for-sale financial assets		7,284,502	1,624,251
Property, plant and equipment		82,996	80,001
Deferred tax assets		-	1,796
Total non-current assets		<u>7,367,498</u>	<u>1,706,048</u>
Total assets		<u>51,888,247</u>	<u>56,804,398</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,846,984	1,799,049
Provisions		632,103	472,837
		<u>2,479,087</u>	<u>2,271,886</u>
Liabilities associated with discontinued operations	10	-	678,379
Total current liabilities		<u>2,479,087</u>	<u>2,950,265</u>
Non-current liabilities			
Provisions		116,892	104,728
Total non-current liabilities		<u>116,892</u>	<u>104,728</u>
Total liabilities		<u>2,595,979</u>	<u>3,054,993</u>
Net assets		<u>49,292,268</u>	<u>53,749,405</u>
EQUITY			
Contributed equity	6	231,750,374	231,752,170
Reserves		15,653,086	9,989,496
Accumulated losses	7	(198,111,192)	(187,992,261)
Total equity		<u>49,292,268</u>	<u>53,749,405</u>

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes, the 2016 Annual Report, the full financial report for the year ended 30 June 2016 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of changes in equity
for the year ended 30 June 2017

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

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes, the 2016 Annual Report, the full financial report for the year ended 30 June 2016 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of cash flows
for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		2,672,348	5,467,115
Payments to suppliers and employees (inclusive of GST)		(13,157,109)	(13,835,072)
Interest received		1,449,905	1,942,298
Interest paid		(11)	(67)
Net cash (outflows) from operating activities	9(a)	(9,034,867)	(6,425,726)
Cash flows from investing activities			
Proceeds from held to maturity investments - term deposits		8,898,491	4,473,123
Payments for property, plant and equipment		(31,906)	(42,608)
Proceeds from sale of property, plant and equipment		289,100	2,586,838
Proceeds from sale of intangibles		175,000	-
Net cash inflows from investing activities		9,330,685	7,017,353
Cash flows from financing activities			
Net cash (outflows) from financing activities		-	-
Net increase in cash and cash equivalents		295,818	591,627
Cash and cash equivalents at the beginning of the financial year		1,581,746	987,777
Effects of exchange rate changes on cash		(1,245)	2,342
Cash and cash equivalents at end of year *		1,876,319	1,581,746
Non-cash investing and financing activities	9(b)		
Cash-flows of discontinued operations	10		
* Held to maturity investments excluded from Cash and cash equivalents		40,801,837	49,700,328

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes, the 2016 Annual Report, the full financial report for the year ended 30 June 2016 and all ASX announcements.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017

Note 1 Segment information

(a) Description of segments

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

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

Solar Systems and Translucent have been disclosed as discontinued operations in note 10 and not as reportable segments.

(b) Segment information provided to the Board of Directors

Segment revenue and segment result information provided to the Board of Directors for the Silex segment, the one reportable segment for the year ended 30 June 2017 is contained in the preliminary consolidated income statement.

Segment assets were \$44,468,260 at 30 June 2017 compared to \$54,594,394 at 30 June 2016. Segment assets are reconciled to total assets as follows:

	2017	2016
	\$	\$
Segment assets	44,468,260	54,594,394
Assets held for sale	-	350,000
Unallocated assets	7,419,987	1,860,004
Total assets as per balance sheet	51,888,247	56,804,398

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

Segment liabilities were \$2,595,979 at 30 June 2017 compared to \$2,376,614 at 30 June 2016. Segment liabilities are reconciled to total liabilities as follows:

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

Note 2 Revenue

From continuing operations

	2017	2016
	\$	\$
Interest income	1,365,646	1,617,655
	1,365,646	1,617,655

From discontinued operations (note 10)

	2017	2016
	\$	\$
License fees	131,148	1,821,297
Recoverable project costs from IQE	130,487	216,786
Sale of goods	-	93,151
Interest income	3,751	22,717
	265,386	2,153,951

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017 (continued)

	2017	2016
	\$	\$
Note 3 Other income		
From continuing operations		
Research and development tax incentive	940,847	1,459,095
Profit on sale of property, plant and equipment	-	8,733
	940,847	1,467,828
From discontinued operations (note 10)		
Research and development tax incentive	41,058	2,002,079
Profit on sale of property, plant and equipment	114,000	1,340,055
	155,058	3,342,134
	2017	2016
	\$	\$
Note 4 Expenses		
Net (loss) from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	27,349	26,503
Amortisation of software	-	688
Total depreciation and amortisation	27,349	27,191
Finance costs		
Interest and finance charges paid/payable	11	55
Finance costs expensed	11	55
Rental expenses relating to operating leases - minimum lease payments	370,549	366,603
Provision for employee entitlements	43,393	48,764
Defined contribution superannuation expense	199,830	196,618
Research and development costs	9,852,714	5,138,954
Loss on disposal of property, plant and equipment	253	-
Foreign exchange losses (net)	155,223	143,418
	155,223	143,418
	2017	2016
	\$	\$
Net profit from discontinuing operations before income tax includes the following expenses:		
(Reversal) of impairment of plant and equipment	-	(175,000)
(Reversal) of impairment of intellectual property	-	(175,000)
	-	(350,000)

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017 (continued)

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

	Parent entity		Parent entity	
	2017	2016	2017	2016
	Shares	Shares	\$	\$
Note 6 Contributed equity				
(a) Share capital				
Ordinary shares				
Fully paid	170,467,339	170,467,339	231,750,374	231,752,170

(b) Movements in ordinary share capital

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

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017 (continued)

	2017 \$	2016 \$
Note 7 Accumulated losses		
Accumulated losses at the beginning of the financial year	(187,992,261)	(184,595,373)
Net (loss) attributable to members of Silex Systems Limited	(10,118,931)	(3,396,888)
Accumulated losses at the end of the financial year	(198,111,192)	(187,992,261)

	2017 \$	2016 \$
Note 8 Net tangible asset backing		
Net tangible asset backing per ordinary security	0.2892	0.3143

	2017 \$	2016 \$
Note 9 Cash flow information		
(a) Reconciliation of net (loss) after income tax to net cash (outflows) from operating activities		
Net (loss) after income tax	(10,118,931)	(3,396,888)
Depreciation and amortisation	27,349	27,191
(Reverse impairment) of property, plant and equipment	-	(175,000)
(Reverse impairment) of intangibles	-	(175,000)
(Profit) on sale of plant and equipment	(113,747)	(1,348,788)
Non-cash employee benefits expense - share based payments	-	27,695
Net exchange differences	5,793	(338,258)
(Increase)/decrease in prepayments and other current assets	(76,211)	142,003
Decrease/(increase) in trade and other debtors	129,387	(49,854)
Decrease in accrued income	1,570,507	1,976,927
Decrease in inventories	-	18,228
(Increase) in available-for-sale financial assets	-	(1,624,251)
(Decrease)/increase in trade and other creditors	(255,884)	197,390
(Decrease) in provisions	(203,130)	(1,707,121)
Net cash (outflows) from operating activities	(9,034,867)	(6,425,726)
(b) Non-cash investing and financing activities		
Acquisition of Available-for-sale financial assets from License Fee receivable	-	1,876,807

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017 (continued)

Note 10 Discontinued operations and Assets held for sale

In accordance with the Company's major strategic review and resulting restructure, the Solar Systems and Translucent businesses have been disclosed as discontinued operations.

On 30 July 2015, Silex announced a decision had been made to cease business operations at Solar Systems. During the year ended 30 June 2017 the residual assets held for sale were sold. On 15 September 2015, Silex announced that Translucent had signed a License and Assignment Agreement with IQE Plc with the technology commercialisation program subsequently transferred to IQE in late 2015.

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

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

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

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

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

Note 11 Contingent liabilities and commitments in accordance with Purchase and Sale Agreement Term Sheet

In April 2016, Silex signed a Non-Binding Purchase and Sale Agreement (PSA) Term Sheet with GENE Holdings (GENE), GE-Hitachi Nuclear Energy Americas LLC (GEHA) and General Electric Company (GE). In January 2017, the Term Sheet was extended to 31 March 2017 and in April 2017, the Term Sheet was further extended to 31 August 2017. At the time of writing, a further extension and amendment to Term Sheet is under consideration to allow sufficient time for a mutually acceptable restructure of GE-Hitachi Global Laser Enrichment LLC (GLE). The Term Sheet and extensions provide terms of a proposed Purchase and Sale Agreement (PSA) whereby Silex may acquire the shares owned by GENE and GEHA together representing 76% of the issued capital of GE-Hitachi Global Laser Enrichment LLC (GLE). Silex has the exclusive right to assign its rights to acquire GEH's 76% equity stake in GLE in full or in part to new investors

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

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

Note 12 Events occurring after reporting date

Between 30 June 2017 and the date of this report, the IQE Plc share price (LON:IQE) has increased considerably. Combined with movements in exchange rates, the value of the shares (disclosed as Available-for-sale financial assets) has increased by over \$3,500,000 since 30 June 2017. Gains or losses arising from changes in the fair value of shares classified as available-for-sale are recognised in other comprehensive income. The financial effects of the movements in fair value since 30 June 2017 will be recognised in the financial statements for the year ended 30 June 2018.

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to above and in the Operational Update released to the ASX at the same time as this document.

Note 13 Basis of preparation of full-year financial report

This preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016, the full financial report for the year ended 30 June 2016 and any public announcements made by Silex Systems Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The accounting policies adopted are consistent with those of the previous year.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2017 (continued)

Statement of Compliance

This Appendix 4E has not been audited and is based on financial statements which are in the process of being audited.

The financial statements, together with the independent auditor's report will be made available in the Silex 2017 Annual Report.



Julie Ducie
Company Secretary
25 August 2017

Forward Looking Statements and Business Risks:

Silex Systems is a research and development Company whose primary asset is the SILEX laser uranium enrichment technology, originally developed at the Company's technology facility in Sydney, Australia. The SILEX technology, licensed exclusively to GE-Hitachi Global Laser Enrichment LLC (GLE) in the USA, is currently in the engineering scale-up stage and plans for commercial deployment remain speculative and high risk.

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

The commercial potential of these two technologies is currently unknown. Accordingly, the statements in this report regarding the future of the SILEX technology, the cREO™ technology and any associated commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors.

Some risk factors that could affect future results and commercial prospects include, but are not limited to: the outcome of the GLE restructure; results from the SILEX uranium enrichment engineering development program being conducted jointly by the Company and GLE; the demand for natural uranium and enriched uranium; the time taken to develop the SILEX technology; the potential development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property; the potential impact of government regulations or policies in the USA, Australia or elsewhere; results from IQE's commercialisation program and the demand for cREO™ products; and the outcomes of various commercialisation strategies undertaken by the Company and/or its Licensees GLE and IQE.