

# Silex Systems Limited

ABN 69 003 372 067

## Appendix 4D

### ASX Half-year information – 31 December 2020

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2020 Annual Report and the full financial report for the year ending 30 June 2020.

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Silex Systems Limited  
half-year ended 31 December 2020  
(Previous corresponding period:  
half-year ended 31 December 2019)

Results for announcement to the market

	31 December 2020 \$	30 June 2020 \$	Movement \$	Movement %	
<b>Cash and cash equivalents and Term deposits</b>	<b>15,091,045</b>	18,415,034	(3,323,989)	18.1%	↓

  

	Half-year ended 31 December 2020 \$	Half-year ended 31 December 2019 \$	Movement \$	Movement %	
<b>Revenue from ordinary activities</b>	<b>105,836</b>	262,573	(156,737)	59.7%	↓
<b>Other income</b>	<b>644,962</b>	454,144	190,818	42.0%	↑
<b>Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)</b>	<b>(3,811,034)</b>	(5,257,725)	1,446,691	27.5%	↓
<b>Net loss from ordinary activities after tax attributable to members</b>	<b>(3,813,282)</b>	(5,172,435)	1,359,153	26.3%	↓
<b>Net loss for the period attributable to members</b>	<b>(3,813,282)</b>	(5,172,435)	1,359,153	26.3%	↓

  

<b>No dividends have been paid or proposed during the reporting period</b>
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#### Overview

Silex Systems 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.

On 16 December 2019, Silex announced it had executed a binding Membership Interest Purchase Agreement (MIPA) between Silex, Cameco Corporation (Cameco) and GE-Hitachi Nuclear Energy (GEH) for the joint purchase of GEH's 76% interest in GE-Hitachi Global Laser Enrichment LLC (GLE). Closing of the Agreement occurred on 31 January 2021, following conclusion of the US Government approval process. As a result, Silex acquired a 51% majority interest in GLE and Cameco increased its interest from 24% to 49%. Several other agreements and documents were executed and closed simultaneously including a site lease to enable the continuance of GLE's operations at its Test Loop facility in Wilmington, North Carolina, and various arrangements with GLE partner Cameco, including an option for Cameco to potentially acquire a further 26% equity in GLE from Silex at fair market value.

Silex is also working on a 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 project is being undertaken with project partners Silicon Quantum Computing Pty Ltd and UNSW Sydney at Silex's Lucas Heights facility.

In accordance with the sale of Silex subsidiary Translucent Inc's semiconductor material technology known as cREO™ to IQE Plc (IQE) in early 2018, minimum annual royalties commenced being paid for the year ended 31 December 2019. The initial minimum annual royalty of US\$400k was received in early CY2020, and the second minimum annual royalty is due for receipt by the end of February 2021.

## Silex Systems Limited

### Results for announcement to the market (continued)

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As at 31 December 2020, the Company's balance sheet had total assets of \$29.1m and net assets of \$27.3m, which included \$15.1m in cash and term deposits, and IQE shares of \$12.2m.

This half-year report should be read together with the Operational Update released in conjunction with this report and recent ASX announcements.

#### **Explanation of the net loss from ordinary activities after tax attributable to members**

The net loss from ordinary activities decreased by \$1.4m compared to the previous corresponding period. This was mainly due to a \$1.5m decrease in Development expenditure relating to Silex's obligation to continue to reimburse GEH for the funding of GLE's Wilmington Test Loop activities. The Development expenditure in the previous corresponding period included an amount of US\$1.125m for the reimbursement of costs held over from the previous Term Sheet agreed with GEH.

#### **Cash and cash equivalents & Term Deposits**

The cash and term deposits balance as at 31 December 2020 was \$15.1m, a net decrease of \$3.3m during the half-year primarily due to our ongoing commitment to the SILEX uranium technology commercialisation program, including the reimbursement payments to GEH in accordance with the MIPA as outlined above.

Net cash outflows from operating activities for the half-year to 31 December 2020 were \$3.0m compared to \$2.2m for the half-year ended 31 December 2019. Receipts from Customers and government grants increased by \$0.3m compared to the previous corresponding period mainly due to COVID-19 Federal Government assistance and CRC-P grant funding received in the current period (\$nil in the previous corresponding period.) Payments to suppliers and employees increased by \$0.8m. This was partly due to a \$0.5m increase in payments to GEH (the current period included 7 monthly cash reimbursements to GEH compared to 5 months in the previous period). Interest received decreased by \$0.3m as a result of lower interest rates and lower average cash holdings in the current period.

#### **Revenue from ordinary activities**

There was a reduction of \$0.2m in revenue from ordinary activities during the half-year. Interest income decreased from \$0.3m in the previous corresponding period to \$0.1m in the current period as a result of lower average cash/term deposit holdings and lower interest rates.

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

EBITDA from continuing operations for the half-year ended 31 December 2020 was a loss of \$3.8m. This comprises a loss from continuing operations of \$3.8m adjusted for net interest income of \$0.1m and depreciation and amortisation of \$0.1m.

#### **Explanation of dividends**

No dividends have been paid or proposed during the reporting period.

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This interim 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 2020, the full financial report for the year ending 30 June 2020 and any public announcements made by Silex Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Silex Systems Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Building 64, Lucas Heights Science and Technology Centre, New Illawarra Road, Lucas Heights NSW 2234.

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 half-year ended 31 December 2020.

### 1. Directors

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

Mr C A Roy - Chair  
Dr M P Goldsworthy – CEO / Managing Director  
Ms M K Holzberger  
Mr C D Wilks

### 2. Dividend

No dividend payment has been recommended or declared by the Board.

### 3. Review of operations and activities

The Consolidated income statement on page 8 of this report sets out the main revenue and expense items for the half-year ended 31 December 2020 with comparatives for the half-year ended 31 December 2019. A summary is shown below:

	<b>6 months ended 31 December 2020</b>	<b>6 months ended 31 December 2019</b>
	\$	\$
Revenue from continuing operations	<b>105,836</b>	262,573
Other Income	<b>644,962</b>	454,144
	<hr/>	<hr/>
(Loss) before tax	<b>(3,813,282)</b>	(5,172,435)
Income tax expense	-	-
	<hr/>	<hr/>
Net (loss) from continuing operations	<b>(3,813,282)</b>	(5,172,435)
Net (loss) for the half-year	<b>(3,813,282)</b>	(5,172,435)
	<hr/>	<hr/>
(Loss) is attributable to:		
Owners of Silex Systems Limited	<b>(3,813,282)</b>	(5,172,435)
	<hr/>	<hr/>

The Company incurred a loss attributable to owners of Silex Systems Limited for the half-year ended 31 December 2020 of \$3.8m (loss of \$5.2m for the previous corresponding period). The reduced loss was mainly due to a \$1.5m decrease in Development expenditure, relating to Silex's obligation to continue to reimburse GEH for the funding of GLE's Wilmington Test Loop activities. The Development expenditure in the previous corresponding period included an amount of US\$1.125m for the reimbursement of costs held over from the previous Term Sheet agreed with GEH.

The total cash balance (including term deposits) as at 31 December 2020 was \$15.1m. Net cash outflows from operating activities for the current period were \$3.0m compared to \$2.2m in the previous corresponding period. Receipts from Customers and government grants increased by \$0.3m to the previous corresponding period mainly due to COVID-19 Federal Government assistance and CRC-P grant funding received in the current period and not in the previous corresponding period. Payments to suppliers and employees increased by \$0.8m. This was partly due to a \$0.5m increase in payments to GEH (the current period included 7 months reimbursements compared to only 5 months in the previous corresponding period). Interest received decreased by \$0.3m as a result of lower interest rates and lower average cash holdings in the current period.

The value of Financial assets at fair value through other comprehensive income (shares in IQE Plc) increased by \$3.6m during the period as a result of a significant increase in the IQE share price.

Further information on the operations and position of the Company is included in the Operational Update that is released to the ASX on the same day as this Appendix 4D, and in the 2020 Annual Report.

#### 4. Subsequent events

On 31 January 2021, closing of the Agreement between Silex, Cameco and GEH for the joint purchase of GEH's 76% interest in GLE occurred. As a result, Silex acquired a 51% majority interest in GLE and Cameco increased its interest from 24% to 49%. Several other agreements and documents were executed and closed simultaneously, including a site lease to enable the continuance of GLE's operations at its Test Loop facility in Wilmington, North Carolina. The Agreement provides for deferred annual purchase payments to GEH totalling US\$20 million consisting of four annual payments of US\$5 million (shared pro-rata by Silex and Cameco) triggered after the first year GLE generates US\$50 million in revenues. Various contractual arrangements have also been made with GLE partner Cameco, including an option for Cameco to potentially acquire a further 26% equity in GLE from Silex at fair market value.

Accounting for Silex's acquisition will be disclosed in the Company's financial statements for the year ending 30 June 2021. Furthermore, as a result of closing of the Agreement, the contingent liability disclosed in the notes to this Half-year financial report has been extinguished.

Between 31 December 2020 and the date of this report, the IQE Plc share price (AIM: IQE) has increased. The increase in the IQE share price, combined with movements in exchange rates, has resulted in a gain of approximately \$0.4m in the value of the shares held at 31 December 2020. The Company has also sold approximately 30% of its shares in IQE since 31 December 2020, with net proceeds of approximately \$3.9m (US\$3.0m) received. Gains or losses arising from changes in the fair value of shares are classified as Financial assets at fair value through other comprehensive income and realisation from the sale of shares are recognised in other comprehensive income. The financial effects of the movements in fair value since 31 December 2020 and the disposal of the shares will be recognised in the financial statements for the year ending 30 June 2021.

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 the Operational Update released to the ASX at the same time as this document.

#### 5. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



Dr M P Goldsworthy  
CEO/MD



Mr C A Roy  
Chair

Sydney, 25 February 2021



## *Auditor's Independence Declaration*

As lead auditor for the review of Silex Systems Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'David Ronald'.

David Ronald  
Partner  
PricewaterhouseCoopers

Sydney  
25 February 2021

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Silex Systems Limited  
Consolidated income statement  
for the half-year ended 31 December 2020

	Note	6 months ended 31 December 2020 \$	6 months ended 31 December 2019 \$
Interest revenue		105,836	262,573
<b>Revenue from continuing operations</b>		<b>105,836</b>	<b>262,573</b>
Other income	2	644,962	454,144
Research and development materials		(143,429)	(140,613)
Development expenditure		(1,436,697)	(2,970,999)
Finance costs		(975)	(7,276)
Depreciation and amortisation expense		(107,109)	(170,007)
Employee benefits expense		(2,045,737)	(1,795,030)
Consultants and professional fees		(318,359)	(471,038)
Printing, postage, freight, stationery and communications		(30,903)	(44,258)
Rent, utilities and property outgoings		(19,684)	(22,294)
Net foreign exchange losses		(323,684)	(49,935)
Other expenses from continuing activities		(137,503)	(217,702)
<b>(Loss) before income tax expense</b>		<b>(3,813,282)</b>	<b>(5,172,435)</b>
Income tax expense		-	-
<b>Net (loss) from continuing operations</b>		<b>(3,813,282)</b>	<b>(5,172,435)</b>
<b>Net (loss) for the half-year</b>		<b>(3,813,282)</b>	<b>(5,172,435)</b>
(Loss) is attributable to:			
Owners of Silex Systems Limited		(3,813,282)	(5,172,435)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic earnings per share		(2.2)	(3.0)
Diluted earnings per share		(2.2)	(3.0)
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the company</b>			
Basic earnings per share		(2.2)	(3.0)
Diluted earnings per share		(2.2)	(3.0)

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



Silex Systems Limited  
Consolidated statement of comprehensive income  
for the half-year ended 31 December 2020

	<b>6 months ended 31 December 2020</b>	<b>6 months ended 31 December 2019</b>
	<b>\$</b>	<b>\$</b>
<b>Net (loss) for the half-year</b>	<b>(3,813,282)</b>	<b>(5,172,435)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>(984,105)</b>	30,148
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	<b>4,554,501</b>	<b>(1,598,825)</b>
<b>Other comprehensive income for the half-year, net of tax</b>	<b>3,570,396</b>	<b>(1,568,677)</b>
<b>Total comprehensive income for the half-year</b>	<b>(242,886)</b>	<b>(6,741,112)</b>
Attributable to:		
Owners of Silex Systems Limited	<b>(242,886)</b>	<b>(6,741,112)</b>
<b>Total comprehensive income for the half-year</b>	<b>(242,886)</b>	<b>(6,741,112)</b>

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

Silex Systems Limited  
Consolidated balance sheet  
as at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,391,045	1,615,034
Other financial assets at amortised cost - term deposits		10,700,000	16,800,000
Trade and other receivables	3	1,023,596	1,732,168
Other current assets		549,399	398,121
Financial assets at fair value through other comprehensive income	4	12,156,619	8,521,234
<b>Total current assets</b>		<b>28,820,659</b>	<b>29,066,557</b>
<b>Non-current assets</b>			
Right-of-use assets		21,802	47,738
Property, plant and equipment		299,212	271,500
<b>Total non-current assets</b>		<b>321,014</b>	<b>319,238</b>
<b>Total assets</b>		<b>29,141,673</b>	<b>29,385,795</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5	1,016,597	1,095,601
Lease liabilities		15,456	43,755
Provisions		756,971	750,828
<b>Total current liabilities</b>		<b>1,789,024</b>	<b>1,890,184</b>
<b>Non-current liabilities</b>			
Lease liabilities		3,089	4,347
Provisions		27,334	25,059
<b>Total non-current liabilities</b>		<b>30,423</b>	<b>29,406</b>
<b>Total liabilities</b>		<b>1,819,447</b>	<b>1,919,590</b>
<b>Net assets</b>		<b>27,322,226</b>	<b>27,466,205</b>
<b>EQUITY</b>			
Contributed equity	6	232,645,003	232,645,003
Reserves		14,139,368	10,470,065
Accumulated losses		(219,462,145)	(215,648,863)
<b>Total equity</b>		<b>27,322,226</b>	<b>27,466,205</b>

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

Silex Systems Limited  
Consolidated statement of changes in equity  
for the half-year ended 31 December 2020

	Attributable to owners of Silex Systems Limited			
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
<b>Balance at 30 June 2019</b>	<b>231,750,374</b>	<b>12,127,493</b>	<b>(207,843,681)</b>	<b>36,034,186</b>
Net (loss) for the half-year	-	-	(5,172,435)	(5,172,435)
Other comprehensive income	-	(1,568,677)	-	(1,568,677)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(1,568,677)</b>	<b>(5,172,435)</b>	<b>(6,741,112)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme - value of employee services	-	15,573	-	15,573
	-	15,573	-	15,573
<b>Balance at 31 December 2019</b>	<b>231,750,374</b>	<b>10,574,389</b>	<b>(213,016,116)</b>	<b>29,308,647</b>
<b>Balance at 30 June 2020</b>	<b>232,645,003</b>	<b>10,470,065</b>	<b>(215,648,863)</b>	<b>27,466,205</b>
Net (loss) for the half-year	-	-	(3,813,282)	(3,813,282)
Other comprehensive income	-	3,570,396	-	3,570,396
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>3,570,396</b>	<b>(3,813,282)</b>	<b>(242,886)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share scheme - value of employee services	-	98,907	-	98,907
	-	98,907	-	98,907
<b>Balance at 31 December 2020</b>	<b>232,645,003</b>	<b>14,139,368</b>	<b>(219,462,145)</b>	<b>27,322,226</b>

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

Silex Systems Limited  
Consolidated cash flow statement  
for the half-year ended 31 December 2020

	6 months ended 31 December 2020 \$	6 months ended 31 December 2019 \$
<b>Cash flows from operating activities</b>		
Receipts from customers and government grants (inclusive of GST)	1,598,278	1,259,144
Payments to suppliers and employees (inclusive of GST)	(4,785,159)	(3,949,156)
Interest received	161,692	449,201
Interest paid	(975)	(6,617)
<b>Net cash (outflows) from operating activities</b>	<b>(3,026,164)</b>	<b>(2,247,428)</b>
<b>Cash flows from investing activities</b>		
Proceeds from other financial assets at amortised cost - term deposits	6,100,000	4,400,000
Payments for property, plant and equipment	(83,155)	(81,713)
<b>Net cash inflows from investing activities</b>	<b>6,016,845</b>	<b>4,318,287</b>
<b>Cash flows from financing activities</b>		
Repayment of principal elements of leases	(51,468)	(139,918)
<b>Net cash (outflows) from financing activities</b>	<b>(51,468)</b>	<b>(139,918)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,939,213</b>	<b>1,930,941</b>
Cash and cash equivalents at the beginning of the half-year	1,615,034	2,653,590
Effects of exchange rate changes on cash	(163,202)	29
<b>Cash and cash equivalents at end of half-year *</b>	<b>4,391,045</b>	<b>4,584,560</b>
*Term deposits excluded from Cash and cash equivalents	10,700,000	17,800,000

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**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 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.

**(b) Segment information provided to the Board of Directors**

Half-year ended 31 December 2020	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment revenue	169,482	489,255	-	658,737
Inter-segment revenue	(63,646)	(489,255)	-	(552,901)
<b>Revenue from external customers</b>	<b>105,836</b>	<b>-</b>	<b>-</b>	<b>105,836</b>

<b>Segment result</b>	<b>(2,330,255)</b>	<b>293</b>	<b>(1,483,320)</b>	<b>(3,813,282)</b>
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Half-year ended 31 December 2019	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment revenue	285,390	514,860	-	800,250
Inter-segment revenue	(22,817)	(514,860)	-	(537,677)
<b>Revenue from external customers</b>	<b>262,573</b>	<b>-</b>	<b>-</b>	<b>262,573</b>

<b>Segment result</b>	<b>(2,191,537)</b>	<b>(9,254)</b>	<b>(2,971,644)</b>	<b>(5,172,435)</b>
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The Board of Directors assesses the performance of the operating segments based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation. The segment result reconciles to the Net (loss) from continuing operations.

Total segment assets	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
31 December 2020	<b>16,217,776</b>	<b>12,703,331</b>	<b>220,566</b>	<b>29,141,673</b>
30 June 2020	19,695,751	9,442,811	247,233	29,385,795

Assets which eliminate on consolidation, such as investments in controlled entities and intercompany receivables are excluded from segment assets.

Total segment liabilities	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
31 December 2020	<b>1,804,778</b>	<b>14,669</b>	<b>-</b>	<b>1,819,447</b>
30 June 2020	1,662,515	9,842	247,233	1,919,590

Silex Systems Limited  
Notes to the consolidated financial statements  
31 December 2020 (continued)

**Note 2 Other income**

	6 months ended 31 December 2020	6 months ended 31 December 2019
	\$	\$
Research and development tax incentive	432,674	454,144
Government Assistance - COVID-19 related	147,450	-
Cooperative Research Centres Project (CRC-P) Grant	64,838	-
	<u>644,962</u>	<u>454,144</u>

**Note 3 Trade and other receivables**

	31 December 2020	30 June 2020
	\$	\$
Accrued royalty revenue from sale of Translucent's cREO™ technology	518,978	581,724
Accrued income - other	480,956	1,052,862
Other receivables	34,042	109,216
Loss allowance	(10,380)	(11,634)
	<u>1,023,596</u>	<u>1,732,168</u>

**Note 4 Financial assets at fair value through other comprehensive income**

	31 December 2020	30 June 2020
	\$	\$
Listed securities		
Equity securities – shares in IQE Plc	<u>12,156,619</u>	<u>8,521,234</u>

The value of the shares at 31 December 2020 was impacted by a significant increase in the IQE share price during the half-year.

**Note 5 Trade and other payables**

	31 December 2020	30 June 2020
	\$	\$
Trade creditors	258,457	512,221
Unearned income	610,177	306,526
Derivative financial instruments - forward exchange contracts	-	91,269
Other payables	147,963	185,585
	<u>1,016,597</u>	<u>1,095,601</u>

Silex Systems Limited  
Notes to the consolidated financial statements  
31 December 2020 (continued)

**Note 6 Equity**

(a) Share capital:	31/12/2020 Shares	30/06/2020 Shares	31/12/2020 \$	30/06/2020 \$
Ordinary shares, fully paid	<b>172,767,339</b>	172,767,339	<b>232,645,003</b>	232,645,003

**(b) Movements in ordinary share capital:**

Date	Details	Number of shares	\$
30/06/2020	Opening balance	172,767,339	232,645,003
31/12/2020	Closing balance	<u>172,767,339</u>	<u>232,645,003</u>

**(c) Issue of options during the half-year:**

	Half-year ended 31/12/2020 Number	Half-year ended 31/12/2019 Number
Issue of options	<u>150,000</u>	100,000

**(d) Issue of performance rights during the half-year:**

	Half-year ended 31/12/2020 Number	Half-year ended 31/12/2019 Number
Issue of performance rights	<u>490,000</u>	-

**Note 7 Net tangible asset backing**

	31 December 2020 \$	30 June 2020 \$	31 December 2019 \$
Net tangible asset backing per ordinary security	<u>15.8 cents</u>	15.9 cents	17.2 cents

**Note 8 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. On 31 January 2021, closing of the MIPA occurred.

If Silex were to have terminated the MIPA (without cause) prior to closing, a termination fee of US\$1 million would have been payable to GEH. Therefore, this amount was considered to be a contingent liability of the Company at 31 December 2020.

Further details relating to the extinguishment of the contingent liability is provided in Note 9.

**Note 9 Events occurring after reporting date**

On 31 January 2021, closing of the Agreement between Silex, Cameco and GEH for the joint purchase of GEH's 76% interest in GLE occurred. As a result, Silex acquired a 51% majority interest in GLE and Cameco increased its interest from 24% to 49%. Several other agreements and documents were executed and closed simultaneously, including a site lease to enable the continuance of GLE's operations at its Test Loop facility in Wilmington, North Carolina. The Agreement provides for deferred annual purchase payments to GEH totalling US\$20 million consisting of four annual payments of US\$5 million (shared pro-rata by Silex and Cameco) triggered after the first year GLE generates US\$50 million in revenues. Various contractual arrangements have also been made with GLE partner Cameco, including an option for Cameco to potentially acquire a further 26% equity in GLE from Silex at fair market value.

Accounting for Silex's acquisition will be disclosed in the Company's financial statements for the year ending 30 June 2021. Furthermore, as a result of closing of the Agreement, the contingent liability disclosed in Note 8 has been extinguished.

Between 31 December 2020 and the date of this report, the IQE Plc share price (AIM: IQE) has increased. The increase in the IQE share price, combined with movements in exchange rates, has resulted in a gain of approximately \$0.4m in the value of the shares held at 31 December 2020. The Company has also sold approximately 30% of its shares in IQE since 31 December 2020, with net proceeds of approximately \$3.9m (US\$3.0m) received. Gains or losses arising from changes in the fair value of shares are classified as Financial assets at fair value through other comprehensive income and realisation from the sale of shares are recognised in other comprehensive income. The financial effects of the movements in fair value since 31 December 2020 and the disposal of the shares will be recognised in the financial statements for the year ending 30 June 2021.

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 the Operational Update released to the ASX at the same time as this document.

**Note 10 COVID-19 update**

From July 2020, all staff returned to normal working hours. The landlord of the Silex Lucas Heights facility continued to provide some rent relief during the 6 months ended 31 December 2020. The Company also continued to receive the Federal Government's JobKeeper program income until 27 September 2020, as well as the Federal Government's Temporary Cash Boost income until 30 September 2020. In addition, the NSW State government reduced the payroll tax rate effective 1 July 2020 and brought forward the increase in the payroll tax threshold to 1 July 2020. The total government financial assistance provided to the Company as a result of COVID-19 for the 6 months ended 31 December 2020 was approximately \$160,000.



**Note 11 Fair value measurement**

**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 valued at fair value by comparing the contracted foreign exchange rate to the current market foreign exchange rate for a contract with the same remaining period to maturity. Any changes in fair values are immediately taken to the income statement.

The Company's policy is to hedge a proportion of its anticipated USD cash flows. The Board monitors the Company's hedging strategy on a continuing basis. At 31 December 2020, the Company held US\$nil forward exchange contracts (30 June 2020: US\$600,000). The fair value of derivative contracts outstanding at 31 December 2020 totalled \$nil (30 June 2020: \$91,269). The \$91,269 was recorded in Current liabilities – trade and other payables at 30 June 2020.

**Note 12 Basis of preparation of the half-year financial report**

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim 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 2020, the full financial report for the year ended 30 June 2020 and any public announcements made by Silex Systems Limited during the interim 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 financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

***New and amended standards adopted by the Company***

The Company has applied the following standards and amendments for the first time for the half-year commencing 1 July 2020:

- *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108)*
- *AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business (AASB 3)*
- *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (AASB 9, AASB 139 and AASB 7)*
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia (AASB 1054)*
- *Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

***Impact of standards issued but not yet applied by the Company***

There are no other standards that have been issued that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**Forward Looking Statements and Business Risks:**

**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 has been under development for uranium enrichment jointly with US-based exclusive licensee Global Laser Enrichment LLC (GLE) for a number of years. Success of the SILEX uranium enrichment technology and the proposed Paducah commercial project remain subject to a number of factors including the satisfactory completion of the engineering scale-up program and uranium market conditions and therefore remains subject to associated risks.

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 uncertain and any plans for commercial deployment are speculative.

Additionally, Silex 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 for 5G mobile handset filter applications. The outcome of IQE's commercialisation program is also 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 Announcement. 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 the impacts of the COVID-19 pandemic; 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.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 18 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 31 December 2020 and of its performance for the half-year ended on that date: and
- (b) there are reasonable grounds to believe that Silex Systems Limited will be able to pay its debts as and when they become due and payable.

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



Dr M P Goldsworthy  
CEO/MD



Mr C A Roy  
Chair

Sydney  
25 February 2021



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

### **Report on the half-year financial report**

#### *Conclusion*

We have reviewed the half-year financial report of Silex Systems Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and consolidated income statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Silex Systems Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### *Responsibility of the directors for the half-year financial report*

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

#### *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*David Ronald*

David Ronald  
Partner

Sydney  
25 February 2021