

Silex Systems Limited

ABN 69 003 372 067

ASX Preliminary final report year ended 30 June 2018 Appendix 4E

Lodged with the ASX under Listing Rule 4.3A

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Silex Systems Limited
year ended 30 June 2018
(previous corresponding period:
year ended 30 June 2017)

Results for announcement to the market

	2018 \$	2017 \$	Movement \$	Movement %
Cash and cash equivalents & Held to maturity investments	31,853,982	42,678,156	(10,824,174)	(25.4)%
Revenue from ordinary activities	1,060,295	1,631,032	(570,737)	(35.0)%
Earnings before interest, tax, depreciation, and amortisation from continuing operations (EBITDA)	(5,510,175)	(11,596,129)	6,085,954	52.5%
Net (loss) from ordinary activities after tax attributable to members	(4,579,381)	(10,118,931)	5,539,550	54.7%
Net (loss) for the period attributable to members	(4,579,381)	(10,118,931)	5,539,550	54.7%
No dividends have been paid or proposed during the period				

Overview

Silex Systems specialises in the development of the SILEX laser uranium enrichment technology as the next generation technology for the global uranium enrichment industry. The development and commercialisation program has been undertaken jointly by Silex at its Lucas Heights facility and in Wilmington, North Carolina by GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive licensee of the SILEX technology since 2006. Despite concerted efforts to restructure licensee GLE, on 12 June 2018 Silex announced that it had terminated the Term Sheet with GE-Hitachi Nuclear Energy (GEH) with regard to Silex potentially acquiring GEH's 76% interest in GLE. The overarching factor which contributed to the decision to terminate the Term Sheet, is the current negative state of the global nuclear fuel markets. As a result of termination of the Term Sheet, Silex's funding obligations for GLE's operations (approximately \$0.6m per month) ceased and development activities at GLE's Wilmington Test Loop facility were suspended.

The assessment of various options to preserve value created in GLE over the last decade, including the Test Loop demonstration facility and associated intellectual property based in Wilmington, North Carolina, continue to be explored in conjunction with GLE's shareholders GEH and Cameco, together with the governments of Australia and the US. Discussions to date with regard to preservation of the SILEX technology in the US have been positive, with key stakeholders sharing a willingness to explore available options. However, in view of the depressed state of the global nuclear fuel markets, any preservation plan will necessarily involve either a significant reduction in US-based activities, or a cessation of all US-based activities and repatriation of the SILEX technology to Australia.

The Company is also reducing the scale of its technology development activities at its Lucas Heights facility and reducing operational cash burn in FY2019. A number of staff have recently been made redundant and the Company will consolidate its operations with the relocation of the small corporate office from Sydney city to the Lucas Heights facility in October 2018.

In March 2018, the global leader in the design and manufacture of advanced semiconductor wafer products, IQE Plc (AIM: IQE) elected to purchase Silex subsidiary Translucent Inc's semiconductor material technology known as 'Rare Earth Oxides' (cREO™). The cREO™ technology has numerous potential applications in the manufacture of next generation devices in the semiconductor, digital communications and power electronics industries. The election was made in accordance with the 2015 License and Assignment Agreement between Translucent and IQE and as a result, a payment of US\$5 million is due to be paid in October 2018 (in either cash or IQE stock). In addition, a perpetual royalty of between 3% and 6% will be payable to Translucent on the sale of any IQE products that utilise the cREO™ technology, with minimum annual royalties starting at US\$400,000 due to commence being paid in FY2020.

The Company's balance sheet as at 30 June 2018 remains in a strong position with net assets of \$47 million, including \$32 million in cash, IQE shares of \$9 million and a \$7 million receivable from IQE.

This Preliminary final report 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 2018 was \$31.9m, a net decrease of \$10.8m during the year primarily due to our funding of the SILEX technology commercialisation program in Sydney and in Wilmington, including our obligation to reimburse GEH for their pro-rata share of GLE funding in support of the GLE restructure up to the date of termination to acquire GEH's equity interest in GLE on 11 June 2018. During the year, Silex reimbursed GEH \$6.0m compared to \$6.4m in the prior year.

Net cash outflows from operating activities for the year ended 30 June 2018 were \$10.7m compared to \$9.0m for the year ended 30 June 2017. Receipts from customers and government grants reduced by \$1.7m to \$1.0m. This was mainly due to a \$1.6m reduction in Research and Development Tax Incentive receipts (the prior year included \$1.6m for Solar Systems). In addition, interest receipts were lower by \$0.2m to \$1.2m as average cash balances and interest rates reduced. Payments to suppliers and employees also reduced by \$0.2m to \$13.0m.

Revenue from ordinary activities

There was a reduction in revenue from ordinary activities for the year ended 30 June 2018. Revenue from continuing operations reduced from \$1.6m in the prior year to \$1.1m in the current year. Interest income reduced by \$0.4m as average cash balances and interest rates declined.

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

EBITDA from continuing operations for the year ended 30 June 2018 was a loss of \$5.5m. This comprises the loss from continuing operations of \$4.6m adjusted for net interest income of \$1.0m and depreciation and amortisation of \$0.04m.

Continuing Operations - Silex Systems and Translucent

The loss from continuing operations decreased by \$5.7m to \$4.6m, largely as a result of the reclassification of Translucent as a continuing operation following the election by IQE to acquire Translucent's cREO™ technology in March 2018 and the potential perpetual royalty stream that may be received in the future.

With respect to the Silex Systems segment, the result was a \$10.6m loss in the current year compared to a \$10.2m loss in the prior year. Of note was the increase in Consultants and professional fees of \$0.7m largely as a result of the work undertaken with respect to the GLE restructure.

The Translucent segment result was a \$6.1m profit in the current year compared to a \$0.05m loss in the prior year. The current year result included \$6.4m profit on sale of assets to IQE Plc following IQE's exercise of the option to acquire Translucent's cREO™ technology in March 2018.

Discontinued Operations – Solar Systems

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

Net loss from ordinary activities after tax attributable to members

The net loss from ordinary activities was \$4.6m compared to \$10.1m in the prior year. The net loss is comprised of the loss from continuing operations attributable to members of \$4.6m (a decrease of \$5.7m compared to the prior year) and the profit from discontinued operations of \$nil (compared to a profit of \$0.1m in the prior year). The decrease in net loss from ordinary activities is mainly due to the \$6.4m income from the sale of Translucent's cREO™ technology.

Commentary on the results for the period (continued)

Earnings per share from continuing operations

Basic earnings per share and diluted earnings per share from continuing operations were both (2.7) cents in the current year, compared to (6.0) cents in the prior year. The movement in earnings per share compared to the prior year reflects the reduced loss from continuing operations as discussed above.

Earnings per share

Basic earnings per share and diluted earnings per share were both (2.7) cents in the current year, compared to (5.9) cents in the prior year. The movement was largely due to the decreased 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 value of Available-for-sale financial assets (shares in IQE) increased by \$2.1m during the year as the IQE (AIM: IQE) share price increased significantly. The Available-for-sale financial assets have been reported within current assets at 30 June 2018.

The market for global nuclear fuel has deteriorated steadily since the Fukushima event in 2011 and this was the overarching factor that led to the Company's termination of the Term Sheet with GEH for the potential acquisition of GEH's 76% interest in GLE. As a result of the termination of the Term Sheet, changes have been made to the commercialisation program for the SILEX laser-based uranium enrichment technology and further changes may be implemented. The assessment of various options to preserve value created in licensee GLE over the last decade, including the Test Loop demonstration facility and associated intellectual property based in Wilmington, North Carolina, continue to be explored. However, in view of the depressed state of the global nuclear fuel markets, any preservation plan will necessarily involve either a significant reduction in US-based activities, or a cessation of all US-based activities and repatriation of the SILEX technology to Australia.

In the event that activities cease in the US, it is likely that the Amended and Restated Technology Commercialisation and License Agreement, signed in 2013 with GLE will be terminated. Therefore, the future of the commercialisation program for the SILEX technology and value and timing of any potential milestone payments and royalties under the License Agreement is highly uncertain.

Subsequent to 30 June 2018, several operational decisions have been made by the Company to rationalise operations. These include more than a 40% headcount reduction at our Lucas Heights facility, and the planned consolidation of our operations with the relocation of our small corporate office to the Lucas Heights facility in October 2018. Further possible restructuring actions are currently under consideration.

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.

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
21 August 2018

Silex Systems Limited
Preliminary consolidated income statement
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue from continuing operations	3	1,060,295	1,627,281
Other income	4	7,552,662	940,847
Research and development materials		(382,999)	(207,498)
Development expenditure		(5,799,314)	(6,668,102)
Finance costs	5	(8)	(11)
Depreciation and amortisation expense	5	(40,650)	(27,349)
Employee benefits expense		(3,866,174)	(3,818,168)
Consultants and professional fees		(2,066,401)	(1,081,456)
Printing, postage, freight, stationery and communications		(80,977)	(74,377)
Rent, utilities and property outgoings		(419,164)	(395,751)
Net foreign exchange losses		-	(155,223)
Other expenses from continuing activities		(536,651)	(398,036)
(Loss) before income tax expense		(4,579,381)	(10,257,843)
Income tax expense	6	-	-
Net (loss) from continuing operations		(4,579,381)	(10,257,843)
 Net profit from discontinued operations	 12	 -	 138,912
Net (loss) for the year		(4,579,381)	(10,118,931)
 Net (loss) is attributable to: Owners of Silex Systems Limited		 (4,579,381)	 (10,118,931)
		<hr/> Cents	<hr/> Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(2.7)	(6.0)
Diluted earnings per share		(2.7)	(6.0)
 Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(2.7)	(5.9)
Diluted earnings per share		(2.7)	(5.9)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes, the 2017 Annual Report, the full financial report for the year ended 30 June 2017 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of comprehensive income
for the year ended 30 June 2018

	2018	2017
	\$	\$
Net (loss) for the year	(4,579,381)	(10,118,931)
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	1,799,643	5,716,932
Exchange differences on translation of foreign operations	583,591	(53,342)
Other comprehensive income for the year, net of tax	2,383,234	5,663,590
Total comprehensive income for the year	(2,196,147)	(4,455,341)
Attributable to:		
Owners of Silex Systems Limited	(2,196,147)	(4,455,341)
Total comprehensive income for the year	(2,196,147)	(4,455,341)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(2,196,147)	(4,594,253)
Discontinued operations	-	138,912
	(2,196,147)	(4,455,341)

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, the 2017 Annual Report, the full financial report for the year ended 30 June 2017 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated balance sheet
as at 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,002,145	1,876,319
Held to maturity investments - term deposits		29,851,837	40,801,837
Trade and other receivables	7	8,452,352	1,842,593
Available-for-sale financial assets		9,362,123	-
Total current assets		49,668,457	44,520,749
Non-current assets			
Available-for-sale financial assets		-	7,284,502
Property, plant and equipment		119,178	82,996
Total non-current assets		119,178	7,367,498
Total assets		49,787,635	51,888,247
LIABILITIES			
Current liabilities			
Trade and other payables		1,892,751	1,846,984
Provisions		695,319	632,103
Total current liabilities		2,588,070	2,479,087
Non-current liabilities			
Provisions		118,501	116,892
Total non-current liabilities		118,501	116,892
Total liabilities		2,706,571	2,595,979
Net assets		47,081,064	49,292,268
EQUITY			
Contributed equity	8	231,750,374	231,750,374
Reserves		18,021,263	15,653,086
Accumulated losses	9	(202,690,573)	(198,111,192)
Total equity		47,081,064	49,292,268

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes, the 2017 Annual Report, the full financial report for the year ended 30 June 2017 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of changes in equity
for the year ended 30 June 2018

	Attributable to owners of Silex Systems Limited			
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
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
Net (loss) for the year	-	-	(4,579,381)	(4,579,381)
Other comprehensive income	-	2,383,234	-	2,383,234
Total comprehensive income for the year	-	2,383,234	(4,579,381)	(2,196,147)
Transactions with owners in their capacity as owners				
Transactions with non-controlling interests	-	(15,057)	-	(15,057)
	-	(15,057)	-	(15,057)
Balance at 30 June 2018	231,750,374	18,021,263	(202,690,573)	47,081,064

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes, the 2017 Annual Report, the full financial report for the year ended 30 June 2017 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of cash flows
for the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		997,280	2,672,348
Payments to suppliers and employees (inclusive of GST)		(12,960,108)	(13,157,109)
Interest received		1,225,488	1,449,905
Interest paid		(8)	(11)
Net cash (outflows) from operating activities	11(a)	(10,737,348)	(9,034,867)
Cash flows from investing activities			
Payment for additional interest in subsidiary		(15,057)	-
Proceeds from held to maturity investments - term deposits		10,950,000	8,898,491
Payments for property, plant and equipment		(76,036)	(31,906)
Proceeds from sale of property, plant and equipment		-	289,100
Proceeds from sale of intangibles		-	175,000
Net cash inflows from investing activities		10,858,907	9,330,685
Cash flows from financing activities			
Net cash (outflows) from financing activities		-	-
Net increase in cash and cash equivalents		121,559	295,818
Cash and cash equivalents at the beginning of the financial year		1,876,319	1,581,746
Effects of exchange rate changes on cash		4,267	(1,245)
Cash and cash equivalents at end of year *		2,002,145	1,876,319
Non-cash investing and financing activities	11(b)		
Cash-flows of discontinued operations	12		
* Held to maturity investments excluded from Cash and cash equivalents		29,851,837	40,801,837

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes, the 2017 Annual Report, the full financial report for the year ended 30 June 2017 and all ASX announcements.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018

Note 1 Significant changes in the current accounting period

On 12 June 2018, Silex announced that it had decided to abandon the acquisition of a majority stake in GE-Hitachi Global Laser Enrichment LLC (GLE), the exclusive Licensee of the SILEX technology. The Board decided that there remained too many risks associated with GLE's business case and that an investment in GLE and the ongoing expenditure that this would entail would not be in the best interests of shareholders. The announcement followed the termination of the Term Sheet to acquire GE-Hitachi's 76% interest in GLE on 11 June 2018 and the cessation of Silex's funding obligations for GLE's operations.

The financial position and performance of the Company was favourably impacted by IQE Plc's decision to exercise its option to purchase Translucent's cREO™ technology in March 2018 for US\$5 million. In accordance with the License and Assignment Agreement, a perpetual royalty will also be payable to Translucent on the sale of IQE products that utilise Translucent's cREO™ technology. Minimum annual royalties starting at US\$400,000 are due to commence being paid in FY2020. As a result, the Translucent operation has been reclassified as a continuing operation (and as a reportable segment) with the prior year amounts reclassified.

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 now two operating segments based on the reports reviewed by Management and the Board of Directors to make strategic decisions. These segments are Silex Systems and Translucent.

Solar Systems results have been disclosed as discontinued operations in note 12 and not as a reportable segment.

(b) Segment information provided to the Board of Directors

2018	Silex Systems \$	Translucent \$	Total \$
Total segment revenue	1,055,452	960,976	2,016,428
Inter-segment revenue	(84,000)	(872,133)	(956,133)
Revenue from external customers	971,452	88,843	1,060,295
Segment result	(10,630,713)	6,051,332	(4,579,381)
Total segment assets	33,552,475	16,235,160	49,787,635
Total segment liabilities	2,351,235	355,336	2,706,571

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

2017	Silex Systems \$	Translucent \$	Total \$
Total segment revenue	1,449,646	1,080,744	2,530,390
Inter-segment revenue	(84,000)	(819,109)	(903,109)
Revenue from external customers	1,365,646	261,635	1,627,281
Segment result	(10,211,489)	(46,354)	(10,257,843)
Total segment assets	44,468,260	7,419,987	51,888,247
Total segment liabilities	2,595,979	-	2,595,979

A reconciliation of the segment result to net (loss) from continuing operations is provided as follows:

	2018 \$	2017 \$
Segment result	(4,579,381)	(10,257,843)
(Loss) before income tax from continuing operations	(4,579,381)	(10,257,843)

Segment assets and segment liabilities agree to the balance sheet for both periods.

	2018 \$	2017 \$
Note 3 Revenue		
From continuing operations		
Interest income	971,452	1,365,646
License fees	-	131,148
Recoverable project costs from IQE	88,843	130,487
	1,060,295	1,627,281
From discontinued operations (note 12)		
Interest income	-	3,751
	-	3,751

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

	2018	2017
	\$	\$
Note 4 Other income		
From continuing operations		
Research and development tax incentive	1,060,878	940,847
Profit on sale of intellectual property – sale of cREO™ technology	6,301,408	-
Profit on sale of property, plant and equipment – sale of cREO™ technology	128,600	-
Foreign currency exchange gains (net)	61,776	-
	7,552,662	940,847
	2018	2017
	\$	\$
From discontinued operations (note 12)		
Research and development tax incentive	-	41,058
Profit on sale of property, plant and equipment	-	114,000
	-	155,058
	2018	2017
	\$	\$
Note 5 Expenses		
Net (loss) from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	40,650	27,349
Total depreciation and amortisation	40,650	27,349
Finance costs		
Interest and finance charges paid/payable	8	11
Finance costs expensed	8	11
Rental expenses relating to operating leases - minimum lease payments	379,402	386,341
Provision for employee entitlements	79,712	43,393
Defined contribution superannuation expense	208,227	199,830
Research and development costs	9,482,175	9,975,023
Loss on disposal of property, plant and equipment	-	253
Foreign exchange losses (net)	-	155,223

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

	2018	2017
	\$	\$
Note 6 Income tax expense		
(Loss) from continuing operations before income tax expense	(4,579,381)	(10,257,843)
Profit from discontinued operations before income tax expense	-	138,912
	(4,579,381)	(10,118,931)
Income tax calculated @ 27.5%	(1,259,330)	(2,782,706)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unrealised exchange differences on loan balances	6,386	(637,377)
Research and development tax incentive	372,052	289,459
Sundry items	45,100	39,870
	(835,792)	(3,090,754)
Net deferred tax asset not recognised	620,514	3,477,046
Effect of higher rates on overseas income	215,278	(386,292)
	-	-
Income tax expense	-	-

	2018	2017
	\$	\$
Note 7 Current assets - Trade and other receivables		
Trade debtors	9,771	23,114
Receivable from sale of Translucent's cREO™ technology	6,754,019	-
Other receivables	16,611	17,342
Derivative financial instruments - forward exchange contracts	31,251	-
Accrued income	1,487,852	1,601,888
Prepayments	152,848	200,249
	8,452,352	1,842,593

	Parent entity		Parent entity	
	2018	2017	2018	2017
	Shares	Shares	\$	\$
Note 8 Contributed equity				
(a) Share capital				
Ordinary shares				
Fully paid	170,467,339	170,467,339	231,750,374	231,750,374

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
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
30 June 2018	Balance	170,467,339	231,750,374

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

	2018 \$	2017 \$
Note 9 Accumulated losses		
Accumulated losses at the beginning of the financial year	(198,111,192)	(187,992,261)
Net (loss) attributable to members of Silex Systems Limited	(4,579,381)	(10,118,931)
Accumulated losses at the end of the financial year	(202,690,573)	(198,111,192)

	2018 \$	2017 \$
Note 10 Net tangible asset backing		
Net tangible asset backing per ordinary security	0.2762	0.2892

	2018 \$	2017 \$
Note 11 Cash Flow information		
(a) Reconciliation of net (loss) after income tax to net cash (outflows) from operating activities		
Net (loss) after income tax	(4,579,381)	(10,118,931)
Depreciation and amortisation	40,650	27,349
(Profit) on sale of intellectual property (sale of cREO™ technology)	(6,301,408)	-
(Profit) on sale of plant and equipment	(128,600)	(113,747)
Net exchange differences	(23,461)	5,793
Decrease/(increase) in prepayments and other current assets	47,401	(76,211)
(Increase)/decrease in trade and other debtors	(17,177)	129,387
Decrease in accrued income	114,036	1,570,507
Increase/(decrease) in trade and other creditors	45,767	(255,884)
Increase/(decrease) in provisions	64,825	(203,130)
Net cash (outflows) from operating activities	(10,737,348)	(9,034,867)

(b) Non-cash investing and financing activities	-	-
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Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

Note 12 Discontinued operations

In accordance with the Company's 2014 major strategic review and resulting restructure, the Solar Systems business was disclosed as a discontinued operation. 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.

A.C.N. 142 019 583 Pty Ltd and A.C.N. 137 638 021 Pty Ltd (together formerly known as the Solar Systems business) as well as Silex Solar Pty Ltd were deregistered on 24 January 2018.

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

	2018 \$	2017 \$
Revenue (note 3)	-	3,751
Other income (note 4)	-	155,058
Expenses	-	(19,897)
Profit before income tax	-	138,912
Income tax expense	-	-
Profit after income tax of the discontinued operations	-	138,912
	2018 \$	2017 \$
Net cash inflows from operating activities	-	1,553,428
Net cash inflows from investing activities	-	464,000
Net cash inflows from the discontinued operations	-	2,017,428

Note 13 Changes in contingent liabilities

As per the Appendix 4D - Information for the half-year ended 31 December 2017, Silex disclosed a maximum contingent liability of US\$1,125,000 payable in the event a Membership Interest Purchase Agreement (MIPA) is signed with GE-Hitachi Nuclear Energy (GEH). In accordance with Silex's decision to abandon the acquisition of a GEH's interest in GLE on 11 June 2018, this contingent liability no longer exists at 30 June 2018.

Note 14 New company incorporated

On 28 November 2017, Silex USA LLC was incorporated as a subsidiary of Translucent Inc for the purpose of acquiring GEH's 76% interest in GLE on behalf of Silex Systems Limited. Silex USA LLC had no transactions during the year ended 30 June 2018.

Note 15 Events occurring after reporting date

Following the announcement regarding the Company's termination of the Term Sheet with GEH on the 12 June 2018, a number of operational decisions were made in July 2018 to rationalise activities and reduce anticipated operational cash burn from FY2019 onwards. Actions taken to date include a headcount reduction of more than 40% at our Lucas Heights facility, and the planned consolidation of our operations with the relocation of our small corporate office to the Lucas Heights facility in October 2018. The one-off expenses associated with these initial restructuring decisions is expected to be approximately \$180,000.

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.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2018 (continued)

Note 16 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 2017, the full financial report for the year ended 30 June 2017 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.

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 2018 Annual Report.



Julie Ducie
Company Secretary
21 August 2018

Forward Looking Statements and Business Risks:

Silex Systems Limited (Silex) 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, which has been licensed exclusively since 2006 to GE-Hitachi Global Laser Enrichment LLC (GLE) in the USA, has reached an advanced stage of development. However, in view of the Company's 12 June 2018 announcement to withdraw from the GLE restructure, plans for commercial deployment are now highly speculative and extremely uncertain.

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 also remains subject to technology and market risks.

The commercial potential of these two technologies is currently unknown. Accordingly, the statements in this announcement 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.

Risk factors that could affect future results and commercial prospects include, but are not limited to: the final outcome of the GLE restructure; the future of the SILEX uranium enrichment engineering development program (in particular whether this program will be continued in any way); the market demand for natural uranium and enriched uranium; the potential development of competing 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 undertaken by the Company.