



Notice of 2020 Annual General Meeting

Notice is given that the 2020 Annual General Meeting (AGM) of Silex Systems Limited ABN 69 003 372 067 (**the Company, Silex**) will be held at Dentons Australia Limited, 77 Castlereagh Street, Sydney NSW 2000 Australia, on Thursday, 15 October 2020 at 9.30am (Sydney time).

Due to the continuing developments in relation to the COVID-19 pandemic, we are making some changes to our approach to our AGM this year, with the health and safety of our Shareholders and employees being of paramount importance. In light of the expected continuing restrictions on large gatherings, it is not feasible or advisable for Shareholders to physically attend this year's AGM.

Accordingly, we have adopted measures to allow Shareholders to participate in a virtual AGM online this year. Specifically, the AGM will be made accessible to Shareholders via a live webcast as well as providing an online platform which will include the facility for Shareholders to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are set out in this Notice of Meeting.

The Board of Silex encourage Shareholders to participate in the meeting via the online platform. Whilst Shareholders will be able to vote online during the meeting, this carries inherent risks including in relation to the quality of your internet connection to the AGM webcast. Accordingly, Shareholders are encouraged to lodge a proxy ahead of the meeting, even if they are participating online. If you are unable to attend online, please lodge your proxy vote online at: www.investorvote.com.au prior to 9.30am Sydney time on Tuesday, 13 October 2020.

The Explanatory Memorandum to this Notice provides Shareholders with additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice. Please consider them in their entirety.

We invite Shareholders to submit questions in advance of the meeting. Questions may be submitted by emailing investor.relations@silex.com.au or by submitting an online question when lodging your proxy vote online at www.investorvote.com.au.

This Notice of Meeting, which includes the following Agenda, Additional Information and Explanatory Memorandum, details the formal business to be dealt with at the AGM. Briefly, this will be to:

1. Receive and consider the formal reports for the 2020 financial year;
2. Adopt the 2020 Remuneration Report;
3. Re-elect Ms Melissa Holzberger as a non-executive director of the Company;
4. Approval of long-term incentive via the issue of Options to Dr Michael Goldsworthy, the CEO/Managing Director;
5. Approval of short-term incentive via the issue of Performance Rights to Dr Michael Goldsworthy, the CEO/Managing Director; and
6. Replacement of Constitution.

The Board recommend that Shareholders vote in favour of all resolutions.

The Board of Silex has determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 7.00pm Sydney time on Tuesday, 13 October 2020.

How to participate in the AGM online

Shareholders can participate in the virtual AGM and watch the webcast online using one of the following methods:

- (a) from their computer, by entering the URL in their browser:
<https://web.lumiagm.com/326457451>; or
- (b) from their mobile device, by entering the URL in their browser:
<https://web.lumiagm.com/326457451>.

The online platform will allow Shareholders to view the meeting, vote and ask questions in real-time.

For further instructions on how to participate online please view the online meeting user guide at www.computershare.com.au/virtualmeetingguide.

How to submit your vote in advance of the meeting

Proxy votes must be received by 9.30am Sydney time on Tuesday, 13 October 2020 to be valid for the meeting. Instructions on how to appoint a proxy are on the online voting website, www.investorvote.com.au. Your proxy may be appointed in a variety of ways described on page 6 of this Notice of Meeting under 'Additional Information'.

With Government guidance continually being updated, Silex is closely monitoring the developments relating to COVID-19. Shareholders are encouraged to check Silex's website at www.silex.com.au/2020-AGM and the ASX platform for updates in relation to the AGM. We look forward to engaging with Shareholders in this new way, and we hope that you will participate in the meeting online.

AGENDA

ORDINARY BUSINESS

A. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the financial report of the Company, and the reports of the Directors and of the Auditors for the year ended 30 June 2020. There is no vote on this item of business.

Notes: Except as set out in Resolution 1, there is no requirement for Shareholders to approve these reports. Accordingly, no resolution will be put to Shareholders on this item of business. For those Shareholders who have not elected to receive a hardcopy of the Company's Annual Report, the Annual Report is available on the Silex website at www.silex.com.au.

B. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“**THAT** the Remuneration Report for the year ended 30 June 2020 be adopted.”

Notes: The Remuneration Report is set out on pages 25 to 34 of the Company's Annual Report.

Voting Exclusion Statement – Resolution 1

Pursuant to section 250R and in accordance with 250BD of the Corporations Act, a vote must not be cast by, or on behalf of, a member of the Key Management Personnel, or closely related parties of such member (each, an **Excluded Person**).

However, the Excluded Person may cast a vote on this Resolution if:

- (a) the vote is not cast on behalf of another Excluded Person and they have been appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Excluded Person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution, and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

C. RESOLUTION 2 – RE-ELECT MS MELISSA HOLZBERGER AS A DIRECTOR

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“**THAT** Ms Melissa Holzberger, being a Director of the Company, who retires as a Director in accordance with Rule 6.1(f) of the Constitution of the Company and, being eligible, offers herself for re-election, is re-elected as a Director of the Company.”

D. RESOLUTION 3 – APPROVAL OF LONG-TERM INCENTIVE VIA THE ISSUE OF OPTIONS TO DR MICHAEL GOLDSWORTHY

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“**THAT** for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue 150,000 Options under the Silex Systems Limited Employee Incentive Plan, each with an exercise price of \$0.57 expiring on or before the date that is five years from the date of issue, to Dr Michael Goldsworthy (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.”

E. RESOLUTION 4 – APPROVAL OF SHORT-TERM INCENTIVE VIA THE ISSUE OF PERFORMANCE RIGHTS TO DR MICHAEL GOLDSWORTHY

To consider and, if thought fit, pass the following resolution as an **ordinary resolution**:

“**THAT** for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is given for the Company to issue 100,000 Performance Rights under the Silex Systems Limited Employee Incentive Plan, to Dr Michael Goldsworthy (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement – Resolutions 3 & 4

Silex shall disregard any votes cast in favour of Resolutions 3 and 4 by any person referred to in ASX Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Silex Systems Limited Employee Incentive Plan, and an associate of those persons. The Company will not disregard a vote cast in favour of a resolution if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (c) a Shareholder acting solely in a nominee, trustee, custodial, or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the Shareholder that the beneficiary is not an Excluded Person, and is not an associate of an Excluded Person, that is excluded from voting, on the resolution; and
 - (ii) the Shareholder votes on the resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

Voting Prohibition – Resolutions 3 & 4

Pursuant to section 250BD of the Corporations Act, a vote must not be cast as proxy by, or on behalf of, a member of the Key Management Personnel, or closely related parties of such member (each, an **Excluded Person**).

However, the Excluded Person may cast a vote on Resolution 3 and 4 if:

- (a) the vote is not cast on behalf of another Excluded Person and they have been appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the Excluded Person is the Chair and the appointment of the Chair does not specify the way the proxy is to vote on the Resolution, and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

F. RESOLUTION 5 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, pass the following resolution as a **special resolution**:

“THAT, for the purposes of section 136(1)(b) and 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the Chair of the Meeting for identification purposes, effective from the close of this meeting.”

ADDITIONAL INFORMATION

1. The Explanatory Memorandum following provides further details of the proposed resolutions.
2. For the purposes of this meeting, Shares will be taken to be held by the persons who are registered as Shareholders at 7.00pm Sydney time on Tuesday, 13 October 2020. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the Meeting.
3. A Shareholder entitled to attend and vote is entitled to appoint no more than two (2) proxies.
4. Votes may be cast “For”, “Against” or not voted on a resolution (“Abstain”). A Shareholder may direct a proxy how to vote on any resolution by placing a mark (e.g. a cross) in the appropriate box on the Proxy Form and their votes may only be exercised in that manner.
5. If a Shareholder is entitled to cast two (2) or more votes at the Annual General Meeting, the Shareholder may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the appointment does not specify the proportion or the number of the Shareholder’s votes that each proxy may exercise, each proxy is entitled to exercise half of the Shareholder’s votes on a poll. Fractions will be disregarded. A proxy need not be a Shareholder of the Company.
6. The form of proxy must be signed by the Shareholder or the Shareholder’s attorney. Proxies given by corporations must be signed either under seal or under the hand of a duly authorised officer, representative or attorney. In the case of joint holders, the form of proxy should be signed by all holders.
7. To be valid, the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney must be lodged at the registered office or the share registry of the Company, Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001 (or by facsimile to 1800 783 447 within Australia or +61 3 9473 2555 outside Australia) at least 48 hours prior to the Annual General Meeting (that is, by no later than 9.30am Sydney time on Tuesday, 13 October 2020). A form of proxy accompanies this Notice of Annual General Meeting.
8. Alternatively, you may appoint a proxy using an electronic facility available at the website www.investorvote.com.au. At the website, shareholders will be able to view an electronic version of the Proxy Form, which will accept proxy appointments and register them accordingly.
9. Custodian voting – For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.
10. Please refer to the accompanying Proxy Form for further detailed information regarding how to vote on Items of Business.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders to help them determine how to vote on the Resolutions set out in the Notice of Meeting.

FINANCIAL STATEMENTS AND REPORTS

Under the Corporations Act, the Company's 2020 Annual Report to Shareholders, which includes the financial report, as well as the Directors' report (which includes the Remuneration Report) and the Auditor's report, must be laid before the Meeting. The Company's 2020 Annual Report is available on the Company's website at www.silex.com.au and has been sent to those Shareholders who have elected to receive a hardcopy in the mail.

Shareholders are not required to vote on the financial report or the Directors' and Auditor's reports. However, an opportunity for shareholders to discuss these reports will be provided at the Meeting.

RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

The Directors' report for the year ended 30 June 2020 contains the Remuneration Report, which sets out the policy for the remuneration of the Directors and other Key Management Personnel. The Remuneration Report is set out on pages 25 to 34 of the Company's 2020 Annual Report which is available from the Company's website at www.silex.com.au. An opportunity to discuss the Remuneration Report will be provided at the Meeting.

The Company's remuneration strategy is designed to provide a link between the achievement of the Company's strategic objectives and executive rewards. It is designed to reward, motivate and retain the Company's executive team through market competitive remuneration and benefits, to support the success of the Company's business and ultimately to create shareholder value.

The Corporations Act requires that a resolution be put to the vote that the Remuneration Report be adopted. The Corporations Act expressly provides that the vote is advisory only, and does not bind the Directors or the Company. The Board of the Company will take into account the discussion on this Resolution and the outcome of the vote when considering the future remuneration arrangements of the Company.

The Corporations Act provides Shareholders with the opportunity to remove the whole board (except the CEO/Managing Director) if the Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings. The Company's Remuneration Report did not receive a Strike at the 2019 Annual General Meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the Company's 2021 Annual General Meeting, this may result in a re-election of the Board.

Resolution 1 is an ordinary resolution. The Chair intends to exercise all available proxies in favour of Resolution 1. If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

RESOLUTION 2 – RE-ELECT MS MELISSA HOLZBERGER AS A DIRECTOR

Rule 6.1(f) of the Company's Constitution requires an election of directors to take place each year with at least one director (excluding the CEO/Managing Director) retiring from office. The Director referred to in Resolution 2 (Ms Melissa Holzberger) is retiring in accordance with Rule 6.1(f) and, being eligible, offers herself for re-election.

Ms Melissa Holzberger

LLM (Resources Law) Dip International Nuclear Law LLB BA GDLP FGIA GAICD

Independent Non-executive director

Appointed: January 2019
Last elected: November 2019

Board Committees: Chair of the Audit Committee
Member of the People & Remuneration Committee

Ms Melissa Holzberger is an experienced company director and commercial lawyer with two decades of experience in the energy and resources sector. Ms Holzberger is a specialist in international nuclear law, regulatory compliance and trade, and possesses relevant experience in the global uranium market having previously worked with BHP Billiton and Rio Tinto. She also brings extensive legal, corporate governance and risk oversight experience.

Ms Holzberger is currently a member of the Federal Government's Australian Radiation Protection and Nuclear Safety Agency's (ARPANSA) Radiation Health and Safety Advisory Council.

Ms Holzberger currently holds 27,777 Silex Shares. If elected, the Board considers Ms Holzberger will be an independent director.

Board Recommendation

The Board recommends (with Ms Holzberger abstaining and not voting) that Shareholders vote in favour of this Resolution.

RESOLUTION 3 AND 4 – EXEMPTION FROM CHAPTER 2E APPROVAL

In accordance with section 208 of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's Shareholders in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Under section 211 of the Corporations Act, member approval is not needed to give a financial benefit to a related party if the remuneration is reasonable given the circumstances of the company giving the remuneration and the related party's circumstances.

The payment of the equity-based incentives in connection with Dr Goldsworthy's remuneration constitutes the giving of a financial benefit to a related party, however, the Board considers that Shareholder approval pursuant to Chapter 2E is not required in respect of the issue of the Director Options the subject of Resolutions 3 and the Director Rights the subject of Resolution 4 as the giving of such financial benefit is reasonable in all the circumstances as market remuneration to Dr Goldsworthy for his services.

RESOLUTION 3 – APPROVAL OF LONG-TERM INCENTIVE VIA THE ISSUE OF OPTIONS TO DR MICHAEL GOLDSWORTHY

Silex is committed to providing all staff with the opportunity to receive equity-based compensation to drive performance and incentivise retention. The Board also recognises the importance of incentivising the CEO/Managing Director on a consistent basis, in a manner that focuses efforts on delivering long-term value for shareholders and to preserve cash reserves as much as possible. As disclosed in the Remuneration Report, subject to Shareholder approval, an equity-based long-term incentive was included in CEO/Managing Director, Dr Michael Goldsworthy's FY2020 remuneration. The Board recommends the issue of 150,000 Options (**Director Options**) to Dr Goldsworthy under the Employee Incentive Plan (**Plan**) on the basis of the terms detailed in Schedules 1 and 2. The Plan was last approved by Shareholders at the 2019 Annual General Meeting.

Approval for the issue of the Director Options is sought under ASX Listing Rule 10.14. Listing Rule 10.14 requires Shareholder approval to be obtained where the Company issues, or agrees to issue, securities under an employee incentive scheme, such as the Plan, to a director of the Company. Dr Goldsworthy is a related party of the Company by virtue of being a Director.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period. ASX Listing Rule 7.2 (Exception 14) sets out an exception to ASX Listing Rule 7.1, which provides that approval of this Resolution 3 and the issue of Options to Dr Goldsworthy will fall within Exception 14 and will not be included in the calculation of Silex's 15% placement capacity for the purposes of Listing Rule 7.1. The issue of shares on exercise of the Options will also be excluded from the Listing Rule 7.1 placement capacity.

The maximum number of Options that may be issued to Dr Goldsworthy is 150,000. The Options are to be issued for nil consideration at an exercise price of \$0.57, expiring on or before the date that is five years from the date of issue. No loan will be provided in relation to the potential exercise of the Options at the completion of the vesting period.

In the event Shareholder approval is granted for this Resolution 3, the Director Options will be issued no later than 31 December 2020. Should Shareholders not approve the issue of the Director Options, the Board may consider alternative long-term incentive arrangements for Dr Goldsworthy.

Information required by Listing Rule 10.15

- (a) The person to receive the Director Options is Dr Michael Goldsworthy.
- (b) The proposed issuance of the Director Options to Dr Goldsworthy is subject to shareholder approval under Listing Rule 10.14.1 because Dr Goldsworthy is a Director of Silex.

- (c) The maximum amount of securities that will be issued to Dr Goldsworthy is 150,000 Options.
- (d) Dr Goldsworthy's total fixed remuneration (inclusive of superannuation) is \$550,000. Subject to Shareholder approval and in accordance with this resolution, he will also be offered variable compensation comprising 150,000 Options at a VWAP of \$0.57 as his FY2020 equity-based long-term incentive. A short-term incentive was not offered for FY2020. With respect to FY2021, Shareholder approval is sought to issue Dr Goldsworthy a short-term incentive comprising 100,000 Performance Rights (refer Resolution 4).
- (e) Of the 1,260,000 Options that have already been issued to persons under the Plan, 100,000 Options have been issued to Dr Goldsworthy as part of his remuneration package for FY2019. The Options were issued for nil consideration.
- (f) The Director Options will be issued for nil consideration with each Option exercisable at \$0.57 on or before the date that is five years from the date of issue and otherwise on the terms set out in Schedules 1 and 2.
- (g) Silex uses Options under the Plan as it creates alignment between employees and shareholders. Options do not provide employees with the full benefits of share ownership (such as voting rights) unless and until the underlying vesting criteria is met.
- (h) For a summary of the material terms of the Plan, please refer to Schedule 1.
- (i) Subject to Shareholders approving Resolution 3, the Director Options will be issued to Dr Goldsworthy no later than 31 December 2020.
- (j) No loan will be provided to Dr Goldsworthy in relation to the issue or conversion of the Director Options.
- (k) Details of any securities issued under the Plan (including the Director Options) will be published in the Company's Annual Report for the period when they were issued and for which approval was obtained under Listing Rule 10.14. Should this Resolution 3 be approved by Shareholders, any additional related parties who may become entitled to participate in the Plan and who are not named in this Notice of Meeting will not participate in the Plan until Shareholder approval is obtained under Listing Rule 10.14.
- (l) A voting exclusion statement is included in the Notice in relation to this Resolution 3.

Board Recommendation

The Board recommends (with Dr Goldsworthy abstaining and not voting) that Shareholders vote in favour of this resolution.

RESOLUTION 4 – APPROVAL OF SHORT-TERM INCENTIVE VIA THE ISSUE OF PERFORMANCE RIGHTS TO DR MICHAEL GOLDSWORTHY

Approval is sought for Dr Goldsworthy to be granted 100,000 Performance Rights under the Plan as his FY2021 short-term incentive. Each Performance Right entitles Dr Goldsworthy to one fully paid ordinary share in the Company, subject to the satisfaction of the various performance and service conditions. Any shares allocated to Dr Goldsworthy on vesting of the Performance Rights will be subject to a further 2-year trading restriction period from the date of issue of the shares. New shares will be issued for allocation to Dr Goldsworthy subject to the satisfaction of the performance and service conditions and will rank equally with other ordinary shares in the Company.

The Board recommends the issue of 100,000 Performance Rights (**Director Rights**) to Dr Goldsworthy on the basis of the terms detailed in Schedules 1 and 3.

Approval for the issue of the Director Rights is sought under ASX Listing Rule 10.14. Listing Rule 10.14 requires Shareholder approval to be obtained where the Company issues, or agrees to issue, securities under an employee incentive scheme, such as the Employee Incentive Plan, to a director of the Company. Dr Goldsworthy is a related party of the Company by virtue of being a Director.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period. ASX Listing Rule 7.2 (Exception 14) sets out an exception to ASX Listing Rule 7.1, which provides that approval of this Resolution 4 and the issue of Performance Rights to Dr Goldsworthy will fall within Exception 14 and will not be included in the calculation of Silex's 15% placement capacity for the purposes of Listing Rule 7.1. The issue of shares on vesting of the Performance Rights will also be excluded from the Listing Rule 7.1 placement capacity.

The maximum number of Director Rights that may be issued to Dr Goldsworthy is 100,000. The Rights are to be issued for nil consideration, and the underlying Vesting Conditions must be met by 30 June 2021. No loan will be provided in relation to the Director Rights.

In the event Shareholder approval is granted for this Resolution 4, the Director Rights will be issued no later than 31 December 2020. Should Shareholders not approve the issue of the Director Rights, the Board may consider alternative short-term incentive arrangements for Dr Goldsworthy.

Information required by Listing Rule 10.15

- (a) The person to receive the Director Rights is Dr Michael Goldsworthy.
- (b) The proposed issuance of the Director Rights to Dr Goldsworthy is subject to shareholder approval under Listing Rule 10.14.1 because Dr Goldsworthy is a Director of Silex.
- (c) The maximum amount of securities that will be issued to Dr Goldsworthy is 100,000 Director Rights.

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- (d) For FY2021, Dr Goldsworthy's total fixed remuneration (inclusive of superannuation) is \$550,000. Subject to Shareholder approval and in accordance with this resolution, he will also be offered variable compensation comprising 100,000 Director Rights as his FY2021 equity-based short-term incentive. Consideration may be given to offering Dr Goldsworthy an equity-based long-term incentive for FY2021. Any offering would remain subject to Shareholder approval at a future AGM.
 - (e) Dr Goldsworthy has not previously received any Director Rights as part of his remuneration package.
 - (f) The Director Rights will be issued for nil consideration and otherwise on the terms set out in Schedules 1 and 3.
 - (g) Silex uses Rights under the Plan as it creates alignment between employees and shareholders. Rights do not provide employees with the full benefits of share ownership (such as voting rights) unless and until the underlying performance and service conditions are met.
 - (h) For a summary of the material terms of the Plan, please refer to Schedule 1.
 - (i) Subject to Shareholders approving Resolution 4, the Director Rights will be issued to Dr Goldsworthy no later than 31 December 2020.
 - (j) No loan will be provided to Dr Goldsworthy in relation to the issue or conversion of the Director Rights.
 - (k) Details of any securities issued under the Plan (including the Director Rights) will be published in the Company's Annual Report for the period when the securities were issued and for which approval was obtained under Listing Rule 10.14. Should this Resolution 4 be approved by Shareholders, any additional related parties who may become entitled to participate in the Plan and who are not named in this notice of meeting will not participate in the Plan until Shareholder approval is obtained under Listing Rule 10.14.
 - (l) A voting exclusion statement is included in the Notice in relation to this Resolution 4.

Board Recommendation

The Board recommends (with Dr Goldsworthy abstaining and not voting) that Shareholders vote in favour of this resolution.

RESOLUTION 5 – REPLACEMENT OF CONSTITUTION

A company may modify or repeal its Constitution or a provision of its Constitution by special resolution of Shareholders.

Resolution 5 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**), which is the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules. The Proposed Constitution incorporates amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2013.

The Board believe the amendments are not material nor will they have a significant impact on Shareholders. It is not practicable to list all of the updates to the Proposed Constitution in detail in this Explanatory Memorandum, however a summary of the proposed key changes is set out below. A copy of the Proposed Constitution is available for review by Shareholders at the Company's website, www.silex.com.au/Corporate-Governance. Shareholders are invited to contact the Company if they have any queries or concerns.

Summary of Proposed Amendments

- **Restricted Securities (Rule 2.6)**

The Proposed Constitution complies with the changes to ASX Listing Rule 15.12 which took effect from 1 December 2019.

Under these changes, ASX requires certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form of Appendix 9A. However, for less significant holdings (such as non-related parties and non-promoters), ASX will instead permit the Company to issue restriction notices to holders of restricted securities in the form of a new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements, with the restriction power contained in the Proposed Constitution.

- **Alteration of Capital (Rule 2.9)**

Under the Proposed Constitution, the Company may reduce its share capital by any of the means authorised by the Corporations Act, subject to the provisions of that law and, where applicable, the Listing Rules. The Company may reduce its share capital in any way that is not otherwise authorised by law, including by way of an in-specie distribution of the assets of the Company (including any shares, options or other securities in another body corporate) if the reduction:

- is fair and reasonable to the Shareholders of the Company as a whole;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by the Shareholders in accordance with section 256C of the Corporations Act.

- **Use of Technology at General Meetings (Rule 5.2)**

The Proposed Constitution includes provisions which allow the uses of technology for general meetings. This will allow for electronic meetings to be held in the future if required.

- **Direct Voting (Rule 5.11)**

A new provision allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing right to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions that are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the shareholder had cast the votes on the poll at the meeting. In order for the direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the Notice of Meeting will include information on the application of direct voting.

- **Approval of Proportional Takeover Bids (Rule 14)**

A Proportional Takeover Bid is an off-market bid that is made or purports to be made under section 618(1)(b) of the Corporations Act in respect of a specified proportion of shares included in a class of shares in the Company.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a Proportional Takeover Bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This Rule of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of the last renewal of the Rule.

Information required by section 648G of the Corporations Act

Effect of proposed Proportional Takeover provisions

Where offers have been made under an off-market Proportional Takeover Bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a Proportional Takeover Bid is prohibited unless and until a resolution to approve the bid is passed.

Reasons for Proportional Takeover provisions

A Proportional Takeover Bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a Proportional Takeover Bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposal

As at the date of this Notice of Meeting, the Board is not aware of any proposal by any person to acquire, or to increase the extend of a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Board consider that the Proportional Takeover provisions have no potential advantages or disadvantages for Shareholders and that the Board remains free to make a recommendation on whether an offer under the Proportional Takeover Bid should be accepted.

The potential advantages of the Proportional Takeover provisions for Shareholders include:

- a) The right to decide by majority vote whether an offer under a Proportional Takeover Bid should proceed;
- b) Assisting in preventing Shareholders from being locked in as a minority;
- c) Increasing the bargaining power of Shareholders which may assist in ensuring that any Proportional Takeover Bid is adequately priced; and
- d) Each individual Shareholder may better assess the likely outcome of the Proportional Takeover Bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the Proportional Takeover provisions for Shareholders include:

- a) Proportional Takeover Bids may be discouraged;
- b) Lost opportunity to sell a portion of their Shares at a premium; and
- c) The likelihood of a Proportional Takeover Bid succeeding may be reduced.

Board Recommendation

The Board recommends that Shareholders vote in favour of this resolution.

In the Notice and Explanatory Memorandum the term Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Dated: 11 September 2020

A handwritten signature in blue ink, appearing to read "Julie Ducie".

Julie Ducie
Company Secretary

Schedule 1: Key Terms of Employee Incentive Plan

The key terms of the Employee Incentive Plan (Plan) are as follows:

Administration of Plan	The Plan is administered by the Board, or a committee of the Board.
Eligibility	Participants in the Plan may be an Employee (full or part time), an officer, a contractor or executive director of the Company and any related body corporate of the Company and who is declared by the Board to be eligible to receive grants of Awards under the Plan (Participant).
Issue of Awards	<p>The Company may offer or issue:</p> <ul style="list-style-type: none"> i) Options; ii) Performance Rights; or iii) Exempt Share Awards; <p>to Employees on the basis of Vesting Conditions specified in an Offer that may be issued to Employees from time to time.</p>
Offer	<p>The Company may, from time to time, in its absolute discretion, make a written offer to any Participant to apply for Awards, upon the terms set out in the Plan and upon such additional terms and conditions as the Company determines (Offer). The Offer will specify:</p> <ul style="list-style-type: none"> (i) the name and address of the Employee to whom the Offer is made; (ii) the type of Awards being offered; (iii) the number of Awards being offered; (iv) any Vesting Conditions for the Awards; (v) the Issue Price and/or Exercise Price for the Awards, or the manner in which the Issue Price and/or Exercise Price is to be determined; (vi) any Financial Assistance that is offered in connection with the Awards; (vii) the Expiry Date (if any); (viii) any Restriction Period; (ix) any other terms or conditions that the Board decides to include; and (x) any other matters required to be specified in the Offer by either the Corporations Act or the ASX Listing Rules.
Suspension, termination and amendment of the Plan	The Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Company required by the ASX Listing Rules.
Allotment of Shares on exercise or vesting of Awards	<p>The Company will apply for any shares to be issued under the Plan to be credited as fully paid and admitted to trading on the ASX upon issue of the shares. Quotation on the ASX will be subject to the ASX Listing Rules and any trading restrictions applying to the shares.</p> <p>Subject to any restrictions imposed under the Plan, shares allotted will rank equally with all other issued shares from the issue date.</p>

Schedule 2: Terms and conditions of Options recommended for issue to Michael Goldsworthy (per Resolution 3)

Vesting Conditions	Each Option is subject to a Service-based Vesting Condition which must be satisfied before that Option can be exercised. Dr Goldsworthy must remain employed by the Company on a continuous basis for the entire service period which ends on 30 June 2023.
Issue Price	\$nil
Exercise Price per Award	\$0.57 – determined on the basis of the 10-day volume weighted average price (VWAP) for the 10 trading days preceding 30 June 2020.
Exercise	Dr Goldsworthy is entitled to exercise an Option on or after the Vesting Date. Options may be exercised by delivering to the Company a notice stating the number of Options to be exercised together with the Exercise Price for the Shares to be issued.
Expiry Date	The date that is five years from the date of issue of the Options (Expiry).
Lapse of Options	The Options automatically and immediately lapse: <ul style="list-style-type: none"> (a) if they have not been exercised before Expiry; or (b) if Dr Goldsworthy ceases to be an eligible employee, unless the Board has determined otherwise in its absolute discretion.
Restriction Period following Exercise	Any Shares issued will be subject to a 2-year trading restriction period from the date of exercise.
Clawback	The Shares subject to the Restriction Period and restricted from trading for 2 years following exercise and may be forfeitable in the event of inappropriate or unethical conduct by Dr Goldsworthy.
Change of Control	In the event of a takeover or change of control of the Company, the Board has a discretion to determine that vesting of all or some of the Options should be accelerated. If a change of control occurs before the Board has exercised its discretion, a pro rata portion of the Options will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control, and the Board retains a discretion to determine if the remaining Options will vest or lapse.

Schedule 3: Terms and conditions of Performance Rights recommended for issue to Michael Goldsworthy (per Resolution 4)

Vesting Conditions	<p>Each Director Right is subject to Performance and Service-based Vesting Conditions for FY2021 which must be satisfied before that Director Right can be exercised. Dr Goldsworthy must remain employed by the Company on a continuous basis for the entire service period which ends on 30 June 2021.</p> <p>The Performance Conditions have been set by the Board and comprise of four challenging performance criteria designed to align the interests of Dr Goldsworthy with those of Shareholders. Performance Condition (PC) 1 relates to the achievement of share price growth; PC2 relates to the GLE restructure; and PC3 and PC4 relate to specific strategic deliverables associated with the Company's technology development programs.</p> <p>The Performance Conditions will be assessed by the Board (independent of Dr Goldsworthy) at the end of the performance period (i.e. 30 June 2021).</p>
Issue Price	\$nil
Exercise Price per Award	\$nil
Exercise	To the extent the that the Performance and Service-based Vesting Conditions are satisfied, the Director Rights will vest and shares will be issued to Dr Goldsworthy.
Date by which Vesting Conditions must be met	30 June 2021
Lapse of Rights	<p>The Director Rights automatically and immediately lapse:</p> <ul style="list-style-type: none"> (a) if the Performance and Service-based Conditions have not been met by the Expiry Date; or (b) if Dr Goldsworthy ceases to be an eligible employee, unless the Board has determined otherwise in its absolute discretion.
Restriction Period following Exercise	Any Shares issued will be subject to a 2-year trading restriction period from the date of issue.
Clawback	The Shares subject to the Restriction Period and restricted from trading for 2 years following issue and may be forfeitable in the event of inappropriate or unethical conduct by Dr Goldsworthy.
Change of Control	In the event of a takeover or change of control of the Company, the Board has a discretion to determine that vesting of all or some of the Rights should be accelerated. If a change of control occurs before the Board has exercised its discretion, a pro rata portion of the Rights will vest, calculated based on the portion of the relevant performance period that has elapsed up to the change of control, and the Board retains a discretion to determine if the Rights will vest or lapse.



Silex

Systems Limited

A.B.N. 69 003 372 067

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9.30am (Sydney time) Tuesday 13 October 2020**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

Due to the continuing developments in relation to the COVID-19 pandemic, it is not feasible or advisable for Shareholders to physically attend this year's AGM. The meeting will be held virtually via an online platform at <https://web.lumiagm.com> with meeting ID 326-457-451.

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 184198

SRN/HIN:

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Silex Systems Limited hereby appoint

the Chair of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chair of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Silex Systems Limited to be held virtually at <https://web.lumiagm.com> with meeting ID 326-457-451 on Thursday, 15 October 2020 at 9.30am (Sydney time) and at any adjournment or postponement of that meeting.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Items 1, 3 & 4 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 3 & 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chair.

Important Note: If the Chair of the Meeting is (or becomes) your proxy you can direct the Chair to vote for or against or abstain from voting on Items 1, 3 & 4 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

	For	Against	Abstain
1 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-elect Ms Melissa Holzberger as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of long-term incentive via the issue of Options to Dr Michael Goldsworthy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of short-term incentive via the issue of Performance Rights to Dr Michael Goldsworthy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chair of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chair of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically