

# Silex Systems Limited

ABN 69 003 372 067

## Appendix 4E\*

### Financial year ended 30 June 2021

#### 1. Results for announcement to the market

|                                                                                                   | 2021<br>\$  | 2020<br>\$  | Movement<br>\$ | Movement<br>% |   |
|---------------------------------------------------------------------------------------------------|-------------|-------------|----------------|---------------|---|
| Cash and cash equivalents & Term deposits                                                         | 14,102,798  | 18,415,034  | (4,312,236)    | 23.4%         | ↓ |
| Revenue from ordinary activities                                                                  | 2,067,875   | 1,001,206   | 1,066,669      | 106.5%        | ↑ |
| Other income                                                                                      | 1,365,733   | 1,238,157   | 127,576        | 10.3%         | ↑ |
| Earnings before interest, tax, depreciation, and amortisation from continuing operations (EBITDA) | (6,756,781) | (7,858,157) | 1,101,376      | 14.0%         | ↓ |
| Net (loss) from ordinary activities after tax attributable to members                             | (6,927,268) | (7,805,182) | 877,914        | 11.2%         | ↓ |
| Net(loss) for the period attributable to members                                                  | (6,927,268) | (7,805,182) | 877,914        | 11.2%         | ↓ |

#### 2. Net tangible assets

|                                                  | 30 June 2021<br>Cents | 30 June 2020<br>Cents |
|--------------------------------------------------|-----------------------|-----------------------|
| Net tangible asset backing per ordinary security | 12.78                 | 15.90                 |

#### 3. Status of audit

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

#### 4. Other disclosures

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

\* Lodged with the ASX under Listing Rule 4.3A  
(previous corresponding period: year ended 30 June 2020)



**Silex Systems Limited**  
ABN 69 003 372 067

**Financial Report  
for the year ended 30 June 2021**

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## COMPANY DIRECTORY

### **Directors**

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

### **Audit Committee**

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

### **People & Remuneration Committee**

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

### **Company Secretary**

Ms J E Ducie

### **Registered Office and Principal Place of Business**

Building 64, Lucas Heights Science & Technology Centre  
New Illawarra Road  
Lucas Heights NSW 2234, Australia

Postal address: PO Box 75, Menai Central NSW 2234, Australia

Phone: +61 2 9704 8888

Fax: +61 2 9704 8851

Email: [investor.relations@silex.com.au](mailto:investor.relations@silex.com.au)

Website: [www.silex.com.au](http://www.silex.com.au)

### **Share Registry**

Computershare Registry Services Pty Limited  
Level 5, 115 Grenfell Street, Adelaide, South Australia 5000, Australia  
GPO Box 1903 Adelaide SA 5001, Australia

Enquiries within Australia: 1300 556 161

Enquiries outside Australia: +61 8 8236 2300

Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Website: [www.computershare.com.au](http://www.computershare.com.au)

### **Stock Exchange**

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

### **Auditors**

PricewaterhouseCoopers

### **Solicitors**

Dentons Australia Limited

### **Bankers**

Australia and New Zealand Banking Group Limited

### **American Depositary Receipts (ADR) Information**

Silex Systems Limited's ADRs may be purchased on the US OTCQX market.

Details are as follows:

Ratio: 1 ADR = 5 ordinary shares

Symbol: SILXY

CUSIP: 827046 10 3 9414F102

Exchange: OTCQX

Country: Australia

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**IMPORTANT NOTICE:****Forward Looking Statements and Risk Factors:****About Silex Systems Limited (ASX: SLX) (OTCQX: SILXY)**

Silex Systems Limited ABN 69 003 372 067 (Silex) is a research and development company whose primary asset is the SILEX laser enrichment technology, originally developed at the Company's technology facility in Sydney, Australia.

The SILEX technology 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 development program 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 subject to various risks. The commercial 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 trends, government policies and any new or unforeseen circumstances. The Company's management believes that there are reasonable grounds to make such statements as at the date of this Report. Silex does not intend, and is not obligated, to update the forward-looking statements except to the extent required by law or the ASX Listing Rules.

**Risk Factors**

Risk factors that could affect future results and commercial prospects of Silex include, but are not limited to: ongoing economic and social uncertainty, including in relation to 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; actions taken by the Company's commercialisation partners that could adversely affect the technology development programs; and the outcomes of various strategies and projects undertaken by the Company.

## **DIRECTORS' REPORT**

Your directors present their report on the consolidated entity consisting of Silex Systems Limited (Silex or the Company) and the entities it controlled at the end of, or during the year ended 30 June 2021.

### **1. Directors**

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

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

### **2. Principal activities**

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

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

The development and commercialisation program for the SILEX uranium enrichment technology has been undertaken jointly since 2007 by Silex (at its Lucas Heights, Sydney facility) and by Global Laser Enrichment LLC (GLE) (in Wilmington, North Carolina). GLE is the exclusive Licensee of the SILEX uranium enrichment technology. GLE has been recently restructured and is now owned 51% by Silex and 49% by Cameco Corporation.

The SILEX Zero-Spin Silicon (ZS-Si) project commenced in December 2019 and is being undertaken with project partners Silicon Quantum Computing Pty Ltd (SQC) and UNSW Sydney (UNSW) at Silex's Lucas Heights facility, with the objective of developing a variant of the SILEX technology for the commercial production of ZS-Si, a key enabling material for the emerging silicon quantum computing industry.

### **3. Dividend**

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

### **4. Operating and Financial Review**

The review contains the following sections:

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

#### **a) Operations**

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

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

In addition, Silex's semiconductor material technology known as cREO® was purchased by UK-based IQE Plc in 2018. This technology is currently being commercialised by IQE for application in the 5G mobile communications industry under a license and royalty agreement signed in 2015.

### ***SILEX Uranium Enrichment***

The development and commercialisation program for the SILEX uranium enrichment technology has been undertaken jointly since 2007 by Silex (at its Lucas Heights, Sydney facility) and by GLE (in Wilmington, North Carolina), under an agreement originally executed in 2006 (and as amended in 2021). GLE is the exclusive Licensee of the SILEX uranium enrichment technology. The GLE acquisition was completed on 31 January 2021 following conclusion of a US Government approval process and resulted in Silex acquiring a 51% interest in GLE and Cameco increasing its interest from 24% to 49%. The terms of the GLE restructure were in accordance with a binding Membership Interest Purchase Agreement (MIPA) between Silex, Cameco Corporation (Cameco) and GE-Hitachi Nuclear Energy (GEH) that was executed in December 2019 for the joint purchase of GEH's 76% interest in GLE.

The MIPA included a number of key financial terms and provisions including the Purchasers' obligation to reimburse GEH for their respective share of funding for GLE's Wilmington activities up until closing. Silex reimbursed GEH US\$170,000 per month from 1 January 2020 through to 31 January 2021, representing 51% of GLE's funding, with the balance (49%) being contributed by Cameco. Following closing of the MIPA, Silex and Cameco have been responsible for the ongoing funding of GLE (in the ratio of 51:49 respectively).

Silex and Cameco have also negotiated terms for an option for Cameco to purchase from Silex at fair market value, an additional 26% interest in GLE, potentially increasing their interest to 75% (subject to US Government approvals). This option can be exercised by Cameco from two years from completion of the transaction (i.e., from 31 January 2023) up until the date 30 months after the technology is satisfactorily demonstrated at full commercial pilot scale (anticipated to be in the mid-2020's).

The GLE acquisition also included a site lease between GLE and GEH enabling GLE to complete the SILEX technology commercialisation program at the Test Loop facility in Wilmington, North Carolina. This program will culminate with the full-scale demonstration of the SILEX uranium enrichment technology with a pilot plant facility, currently being built at the Wilmington site.

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

### ***Zero-Spin Silicon for Quantum Computing Process***

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

The three-year ZS-Si project, which was awarded a \$3 million Federal Government funding grant from the Cooperative Research Centres Projects (CRC-P) in February 2020, is due for completion at the end of CY2022.

The first commercial quantities of ZS-Si may potentially be produced from the Silex pilot facility from CY2023, and will be purchased by SQC under an Offtake Agreement executed in December 2019. The Offtake Agreement includes SQC making three annual payments of \$300,000 as an offset against future purchases of ZS-Si produced by Silex. The second \$300,000 payment was received in December 2020, with the final \$300,000 payment due in December 2021.

### ***cREO® Technology***

The cREO® technology was purchased by UK-based IQE Plc (AIM: IQE) in early 2018 in accordance with a 2015 License and Assignment Agreement. As a result, payment of US\$5 million was received by Silex in September 2018 (in IQE stock). Minimum annual royalties have been payable by IQE since CY2019 with the CY2020 minimum royalty of US\$400,000 being received in February 2021. Minimum annual royalties are anticipated to continue until the earlier of completion of IQE's cREO® commercialisation program or CY2024. In addition, a perpetual revenue royalty of at least 3% will be payable to Silex on the sale of any IQE products that utilise the cREO® technology.

### **COVID-19 Implications**

The developments and implications associated with the COVID-19 global pandemic continue to be constantly monitored. COVID has created significant uncertainty and challenges across the world and our priority remains to ensure we conduct our operations with extreme caution and concern for the safety and wellbeing of our team. Our operations have continued under our COVID management plan which is in line with Government requirements and recommendations. Our plan remains under constant review and is expected to be a core part of our operations for some time. Our current response includes the following actions:

- Constant monitoring of safety and hygiene protocols
- All meetings held virtually
- The restriction of all non-essential visitors and contractors to our facility
- Supporting corporate staff to work from home
- Suspension of all business travel until further notice
- Supporting staff to obtain their vaccinations as soon as possible

The Company received \$154,500 from the Federal Government's JobKeeper program for the year ended 30 June 2021 (\$66,000 was received for the year ended 30 June 2020). The Company also received \$50,000 during the year ended 30 June 2021 from the Federal Government's Temporary Cash Boost for Employers (\$50,000 received for the year ended 30 June 2020).

### **b) Financial Results**

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

|                                       | 2021<br>\$  | 2020<br>\$  |
|---------------------------------------|-------------|-------------|
| Revenue from continuing operations    | 2,067,875   | 1,001,206   |
| Other income                          | 1,365,733   | 1,238,157   |
| (Loss) before tax                     | (6,927,268) | (7,805,182) |
| Income tax expense                    | -           | -           |
| Net (loss) from continuing operations | (6,927,268) | (7,805,182) |
| Net (loss) for the year               | (6,927,268) | (7,805,182) |
| Net (loss) is attributable to:        |             |             |
| Owners of Silex Systems Limited       | (6,927,268) | (7,805,182) |

The net loss from ordinary activities was \$6.9m compared to \$7.8m in the prior year. The decrease in net loss from ordinary activities is mainly due to a \$1.1m increase in Revenue from continuing operations. Following the completion of the acquisition of GLE on 31 January 2021, Silex recommenced being reimbursed by GLE for its costs on the uranium project. Recoverable project costs were \$1.3m for the five months ended 30 June 2021. Silex's obligation to reimburse GEH for our share of funding for GLE's Wilmington activities ceased at closing. The Development expenditure up to 31 January 2021 was \$1.6m compared to \$4.5m in the prior year. The prior year included a holdback amount of US\$1.125m paid to GEH for the reimbursement of costs held over from the previous Term Sheet (which became payable on the signing of the MIPA).

From closing, Silex's 51% share of GLE's net loss is recognised in Share of net loss of associates and joint ventures accounted for using the equity method and was \$2.1m for the current period.

Employee benefits expense and Research and development materials were also higher in the current year, with increases of \$0.9m and \$0.3m respectively to the prior period, as our headcount and project activities increased.

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

*Silex Systems*

The loss generated by Silex Systems was \$3.8m in the current and prior year. The increase in Recoverable project costs revenue of \$1.3m was offset by an increase in expenses (mainly Employee benefits expense and Research and development materials).

*Translucent*

The Translucent segment result was a \$0.7m profit in the current year compared to a profit of \$0.6m the prior year. The current year result included \$0.7m Royalty revenue from the sale of intellectual property which related to the accrual of royalties in accordance with the sale of the cREO® technology to IQE Plc compared to \$0.6m in the prior year.

*Silex USA*

The Silex USA segment result was a loss of \$3.8m compared to a loss of \$4.6m in the prior year. The prior year included a holdback amount of US\$1.125m paid to GEH for the reimbursement of GLE costs held over from the previous Term Sheet.

**c) Financial Position**

A summary of our balance sheet is set out below:

|                               | 30 June 2021      | 30 June 2020      |
|-------------------------------|-------------------|-------------------|
|                               | \$                | \$                |
| <b>ASSETS</b>                 |                   |                   |
| Total current assets          | 22,746,967        | 29,066,557        |
| Total non-current assets      | 1,294,859         | 319,238           |
| <b>Total assets</b>           | <b>24,041,826</b> | <b>29,385,795</b> |
| <b>LIABILITIES</b>            |                   |                   |
| Total current liabilities     | 1,931,124         | 1,890,184         |
| Total non-current liabilities | 39,571            | 29,406            |
| <b>Total liabilities</b>      | <b>1,970,695</b>  | <b>1,919,590</b>  |
| <b>Net assets</b>             | <b>22,071,131</b> | <b>27,466,205</b> |
| <b>EQUITY</b>                 |                   |                   |
| <b>Total equity</b>           | <b>22,071,131</b> | <b>27,466,205</b> |

As at 30 June 2021, Silex's net assets were \$22.1m. Significant assets are cash holdings of \$14.1m (cash and term deposits) and Financial assets at fair value through Other comprehensive income of \$5.8m (shares in IQE). The reduction in net assets of \$5.4m was mainly due to the net loss for the year and was partly offset by the disposal of 2.8 million IQE shares (at a gain compared to the 30 June 2020 value).

#### **d) Business Strategy and Future Prospects**

##### ***Silex's Strategy***

Silex is a platform technology company, focused on the commercialisation of our innovative SILEX laser isotope separation technology across multiple markets. The execution of our strategy is through the following activities:

- Taking a leading role in the SILEX uranium enrichment technology commercialisation program through our ownership of a 51% interest in exclusive Licensee GLE;
- Building our path to market in the US through the Paducah uranium production opportunity, which is underpinned by GLE's agreement with the US Department of Energy (DOE);
- Developing the SILEX technology for the production of enriched silicon in the form of Zero-Spin Silicon – a key material required for quantum computer chip fabrication; and
- Undertaking an assessment of additional potential applications of the SILEX technology in fields such as medical radioisotopes.

##### ***SILEX Uranium Enrichment***

The SILEX technology is the only known third-generation laser-based uranium enrichment technology under commercial development today. Subject to the successful completion of the commercialisation project, market conditions and other factors, the SILEX technology could become a major contributor to nuclear fuel production for the world's current and future nuclear reactor fleet, through the production of uranium in three different forms:

- **Natural Grade Uranium ( $U_{nat}$ ):** via re-enrichment of DOE inventories of depleted tails through the Paducah Laser Enrichment Facility (PLEF) project - producing uranium at natural  $U^{235}$  assay of ~0.7%;
- **Low Enriched Uranium (LEU):** for use as fuel in today's conventional nuclear power reactors – which require fuel with  $U^{235}$  assays of between 3% to 5%; and
- **High Assay LEU (HALEU):** a customised fuel for next generation Small Modular Reactors (SMRs) currently under development - several of which require fuel with  $U^{235}$  assays of between 5% and 19.9%.

Uranium production and enrichment are the two largest value drivers of the nuclear fuel cycle, accounting for up to 70% of the value of a fuel bundle at current market prices. Commercialisation of the SILEX uranium enrichment technology through Licensee GLE may enable the SILEX technology to become a unique, multi-purpose nuclear fuel production platform for existing and emerging nuclear power generation systems, including as a potential producer of HALEU.

##### ***Status of Nuclear Fuel Markets***

There is significant growth forecasted in nuclear power generation around the world. There are many countries which have prioritised government policy initiatives relating to tackling climate change and ensuring energy security, stating that nuclear power should form a meaningful part of their energy mix in the future. According to the World Nuclear Association, there are currently 443 operating nuclear reactors globally and 56 reactors under construction. Today's operating reactor fleet currently generate ~10% of the world's electricity supply. Nuclear today plays a key role in the supply of carbon-free base load electricity and is anticipated to play an increasing role in the energy mix as countries around the world strive to meet ambitious net zero targets.

The US is the world's largest producer of nuclear power with 93 operable reactors, currently accounting for more than 30% of worldwide nuclear generation of electricity. Despite bold nuclear construction programs in China, India and the Middle East, the US is expected to remain the largest nuclear power generator for many years to come. There is also growing interest and significant investment being made into the development of emerging advanced reactor and small modular reactor technologies.

The outlook in the markets for nuclear fuel continue to improve with increasing concerns regarding security of supply over the longer term. The uranium spot price is currently ~US\$33/lb, having increased in recent years from a low of US\$18/lb. The term price of enrichment has also improved significantly in recent years and increased more than 15% to ~US\$60/SWU in the last 12 months. The improvements in the prices of the various components of nuclear fuel reflect the recent filling of the demand gap that resulted from the forced and premature nuclear reactor shutdowns that have occurred since Fukushima in March 2011. With respect to uranium production, there has also been reductions to primary production in recent years, including disruptions in response to COVID-19 that continue to bear on the market.

With the ever-increasing awareness of the adverse effects of climate change, we remain encouraged by the opportunities emerging for the SILEX technology and GLE in the global nuclear industry. We believe the SILEX technology - the only third generation laser enrichment technology being commercialised in the world today, can help make nuclear power a more efficient and cost-effective solution for carbon-free base load electricity generation.

*The Paducah 'Tier 1' Uranium Production Project*

The Paducah commercial project opportunity is an ideal path to market for the SILEX technology and GLE. Underpinning this opportunity is the Sales Agreement between GLE and the US Department of Energy (DOE) which provides GLE access to large stockpiles of depleted uranium tails inventories owned by the DOE.

The Paducah commercial project opportunity will involve GLE constructing the proposed 'Paducah Laser Enrichment Facility' (PLEF) utilising the SILEX technology to enrich the DOE tails inventories which have been stored in the form of depleted uranium hexafluoride (UF<sub>6</sub> - containing U<sup>235</sup> assays of between 0.25% to 0.4%) to produce natural grade uranium (assay of ~0.71%). Subject to completion of the technology commercialisation project, regulatory approvals, financing and prevailing market conditions, it is anticipated the PLEF will commence commercial operations from the late 2020's.

Production of natural grade uranium at the PLEF would continue over three decades, with the output sold into the global uranium market at a production rate equivalent to a uranium mine producing an annual output of around 5 million pounds of uranium oxide, which would rank in the top ten of today's uranium mines by production volume. Preliminary analysis by Silex of the PLEF project indicates it could rank as a 'Tier 1' uranium resource based on estimates of the long-life and low cost of production.

*SILEX Technology License Agreement with GLE*

The Technology Commercialisation and License Agreement between Silex and GLE is an exclusive worldwide license for exploitation of the SILEX technology for uranium enrichment. The License Agreement is independent of Silex's 51% equity interest in GLE and any commercial benefits flowing from that equity interest. The License Agreement includes royalty revenues and milestone payments to Silex as follows:

- Perpetual royalty of a minimum of 7% - on GLE's enrichment SWU revenues from use of the SILEX technology
- US\$20 million in Milestone Payments - payable to Silex triggered by commercial development milestones

A US\$15 million milestone payment was also received by Silex in July 2013. This was triggered by the successful completion of the Test Loop Phase 1 Program Milestone: Technology Demonstration and Validation. This milestone involved the demonstration of efficient enrichment with the SILEX laser technology at the prototype level.

In light of the current market conditions, the receipt of potential additional milestone payments and royalties remains uncertain.

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

**Zero-Spin Silicon for Quantum Computing**

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

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

The first stage of the three-stage project was successfully completed in June 2020, establishing 'proof-of-concept' for the silicon LIS process identified by Silex. The second stage of the project is scheduled for completion at the end of CY2021. The second stage involves the design, construction and operation of a scaled-up prototype demonstration facility with the objective of verifying the efficiency and scalability of the silicon LIS technology and the underlying economic limit of the process (in terms of achievable isotopic purity). The design and construction of the facility was completed in May 2021 and the second stage operation and testing program remains on track to be completed by the end of CY2021.

The third stage, scheduled to be completed in CY2022, will culminate with the planned production of initial commercial quantities of ZS-Si from a SILEX pilot production facility, leading to a full techno-economic assessment of the ZS-Si business case.

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

### **cREO® Technology**

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

In November 2020, IQE announced the successful development of their IQepiMo™ product which is built on the cREO® template technology. Following several months of customer and partner device trials, IQE announced in February 2021 the achievement of a key demonstration milestone for IQepiMo™ with significant improvement in the performance of its 5G filter device measured at the high-end frequency range, compared to incumbent technology. This represents encouraging progress towards managing high frequency signals in 5G devices such as mobile handsets.

Minimum annual royalties have been payable by IQE since CY2019 with the CY2020 minimum royalty of US\$400,000 being received in February 2021. In addition, a perpetual revenue royalty of at least 3% will be payable to Silex on the sale of any IQE products that utilise the cREO® technology.

The outcome of the cREO® commercialisation program being conducted by IQE remains subject to various technology and market risks.

## **5. Earnings per share**

|                                                                                                                            | <b>2021</b>  | <b>2020</b>  |
|----------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                            | <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                                                                                                   | (4.0)        | (4.5)        |
| Diluted earnings per share                                                                                                 | (4.0)        | (4.5)        |
| <b>Earnings per share for (loss) attributable to the ordinary equity holders of the Company</b>                            |              |              |
| Basic earnings per share                                                                                                   | (4.0)        | (4.5)        |
| Diluted earnings per share                                                                                                 | (4.0)        | (4.5)        |

## **6. Significant changes in state of affairs**

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% 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.

Silex's 51% interest in GLE is accounted for as a joint venture which is further outlined in note 14 to these financial statements. Furthermore, as a result of closing of the Agreement, the contingent liability disclosed in the prior year financial report has been extinguished.

During the year, Silex disposed of 30% of its holding in IQE shares with net proceeds of \$3.9m (US\$3.0m) received. The disposal of the shares has been recognised in these financial statements. Refer to note 7(e) for further information.

## 7. Matters subsequent to the end of the financial year

There continues to be significant uncertainty associated with the potential impacts of the COVID-19 pandemic. Although full-time operations were maintained at the Company's Lucas Heights facility during FY2021, the Company continues to review the evolving COVID-19 situation with a view to making additional changes to operations if needed and/or if advised by the NSW Government. Consideration of the prolonged impact of the pandemic and efforts to safely minimise disruption to the Company's activities is ongoing.

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to in this Directors' Report.

## 8. Information on Directors

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

| <b>Mr Craig Roy MBA, MSc, FAICD. Chair – Independent non-executive director</b> |                                                                                                                                                                                                                                                          |         |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Experience and expertise                                                        | Independent non-executive director and Chair since January 2019. Former Deputy CEO of the CSIRO. Extensive experience as a company director and is currently a Non-executive Director of Sydney Water and Chair of the Australian Research Data Commons. |         |
| Other current listed company directorships                                      | None                                                                                                                                                                                                                                                     |         |
| Former listed company directorships in last 3 years                             | None                                                                                                                                                                                                                                                     |         |
| Special responsibilities                                                        | Chair of the Board<br>Member of Audit Committee<br>Chair of People & Remuneration Committee<br><br>Chair of Global Laser Enrichment Holdings LLC                                                                                                         |         |
| Interests in shares, options and rights                                         | Number of ordinary shares                                                                                                                                                                                                                                | 175,000 |
|                                                                                 | Number of options                                                                                                                                                                                                                                        | Nil     |
|                                                                                 | Number of rights                                                                                                                                                                                                                                         | Nil     |

| <b>Dr Michael Goldsworthy BSc (Hons), MSc, PhD, FAIP, GAICD. Chief Executive Officer/Managing Director</b> |                                                                                                                                                                                                                                 |           |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Experience and expertise                                                                                   | CEO/MD for twenty-nine years. Founder of the Company and co-inventor of the SILEX laser isotope separation technology. Dr Goldsworthy has been the driving force behind the commercialisation program for the SILEX technology. |           |
| Other current listed company directorships                                                                 | None                                                                                                                                                                                                                            |           |
| Former listed company directorships in last 3 years                                                        | None                                                                                                                                                                                                                            |           |
| Special responsibilities                                                                                   | Chief Executive Officer / Managing Director<br><br>Director of Global Laser Enrichment Holdings LLC                                                                                                                             |           |
| Interests in shares, options and rights                                                                    | Number of ordinary shares                                                                                                                                                                                                       | 5,999,055 |
|                                                                                                            | Number of options                                                                                                                                                                                                               | 250,000   |
|                                                                                                            | Number of rights                                                                                                                                                                                                                | 100,000   |

| <b>Ms Melissa Holzberger LLM, Dip Intl Nuclear Law, LLB, BA, GDLP, FGIA, GAICD. Independent non-executive director</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |        |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Experience and expertise                                                                                               | Independent non-executive director since January 2019. Experienced company director, commercial lawyer and international nuclear law specialist. Founder and principal of the firm Sloan Holzberger Lawyers, is a Non-executive director of ASX-listed company, Paladin Energy Limited and is a member of the Federal Government's Australian Radiation Protection and Nuclear Safety Agency's (ARPANSA) Radiation Health and Safety Advisory Council. |        |
| Other current listed company directorships                                                                             | Non-executive director of Paladin Energy Limited since May 2021.                                                                                                                                                                                                                                                                                                                                                                                       |        |
| Former listed company directorships in last 3 years                                                                    | None                                                                                                                                                                                                                                                                                                                                                                                                                                                   |        |
| Special responsibilities                                                                                               | Chair of Audit Committee<br>Member of People & Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                  |        |
| Interests in shares, options and rights                                                                                | Number of ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                              | 27,777 |
|                                                                                                                        | Number of options                                                                                                                                                                                                                                                                                                                                                                                                                                      | Nil    |
|                                                                                                                        | Number of rights                                                                                                                                                                                                                                                                                                                                                                                                                                       | Nil    |

| <b>Mr Christopher Wilks BCom, FAICD. Non-executive director</b> |                                                                                                                                                         |           |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Experience and expertise                                        | Non-executive director since 1988. Finance director and CFO of Sonic Healthcare Limited. Various directorships of public companies held over the years. |           |
| Other current listed company directorships                      | Executive director of Sonic Healthcare Limited since 1989 (Finance director since 1993)                                                                 |           |
| Former listed company directorships in last 3 years             | None                                                                                                                                                    |           |
| Special responsibilities                                        | Member of Audit Committee<br>Member of People & Remuneration Committee                                                                                  |           |
| Interests in shares, options and rights                         | Number of ordinary shares                                                                                                                               | 2,814,021 |
|                                                                 | Number of options                                                                                                                                       | Nil       |
|                                                                 | Number of rights                                                                                                                                        | Nil       |

## 9. Meetings

The number of directors' meetings held during the financial year and the number of meetings attended by each director are set out in the following table:

| Director's name    | Directors' Meetings      |                 | Audit Committee Meetings |                 | People & Remuneration Committee Meetings |                 |
|--------------------|--------------------------|-----------------|--------------------------|-----------------|------------------------------------------|-----------------|
|                    | Number Held <sup>1</sup> | Number Attended | Number Held <sup>1</sup> | Number Attended | Number Held <sup>1</sup>                 | Number Attended |
| Mr C A Roy         | 12                       | 12              | 3                        | 3               | 2                                        | 2               |
| Dr M P Goldsworthy | 12                       | 12              | ▲                        | ▲               | ▲                                        | ▲               |
| Ms M K Holzberger  | 12                       | 12              | 3                        | 3               | 2                                        | 2               |
| Mr C D Wilks       | 12                       | 12              | 3                        | 3               | 2                                        | 2               |

1. Number of meetings held during the time the director held office or was a member of the committee during the year

▲ Not a member of the relevant committee at the time the scheduled meetings were held

## 10. Remuneration Report

On behalf of the People & Remuneration Committee and the Board, I am pleased to present to you the FY2021 Silex Systems Limited Remuneration Report, for which we seek your support at our Annual General Meeting (AGM) in October 2021. The details of the remuneration received by the Company's Key Management Personnel (KMP) are prepared in accordance with accounting standards, legislative requirements and best practice corporate governance guidance.

The Company's People & Remuneration Committee oversees remuneration strategy, policy and framework, and executive KMP remuneration. The Committee evaluates the Company's strategy and objectives and makes remuneration recommendations to the Board which include focused performance measures for executive KMP. Our remuneration strategy has the following objectives:

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

The Company executed on a number of important strategic priorities in FY2021, most notably, the acquisition of GLE following the receipt of US Government approvals. In response to the closing of the GLE acquisition, our successful early transition of GLE to new ownership and the pleasing progress to date with regard to our ZS-Si project, we took the opportunity during the year to review the Company's executive incentive programs to align future rewards with the achievement of both our short-term and long-term strategic objectives.

As a result, a multi-year incentive program was developed and we intend to continue to offer short-term and long-term incentives using a variety of equity-based awards rather than cash. The Committee and the Board believe the new multi-year incentive program is both modest and appropriate given the significance of the potential achievement of the targets on the long-term value for shareholders, and we recommend it to shareholders for approval.

It was also once again resolved that no increases be awarded with respect to base remuneration for FY2021 or FY2022 for our CEO/MD and CFO/Company Secretary, with the Committee recommending that remuneration be more heavily weighted to incentive opportunities. During the year, we introduced an annual fee associated with the additional governance responsibilities with regard to Chairing the GLE Governing Board. The additional fee is payable using both Silex equity (subject to shareholder approval at the 2021 AGM) and cash. All other Board and Committee fees remain unchanged since the last Remuneration Report.

Details of the remuneration outcomes for FY2021, reflecting the achievements during the year and the new multi-year remuneration arrangements for our executives are provided in this report. Equity-based incentives for our CEO/MD with respect to FY2021, which are detailed in this report, remain subject to shareholder approval and will be detailed in the Notice of Meeting for our 2021 AGM.

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

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

We invite you to review the full Remuneration Report and we look forward to answering any questions you may have at our AGM in October 2021.



Craig Roy  
Chair, People & Remuneration Committee

The Directors present the Remuneration Report for the year ended 30 June 2021, outlining key aspects of our remuneration policy and framework, and remuneration awarded for the Company's non-executive directors, executive directors and other executive Key Management Personnel (KMP).

The report contains the following sections:

- a) Directors and KMP disclosed in this report
- b) Remuneration governance
- c) Linking remuneration structure to Company performance
- d) Voting at the Company's 2020 Annual General Meeting
- e) Elements of executive KMP remuneration
- f) Link between FY2021 remuneration and performance
- g) Contractual arrangements with executive KMPs
- h) Non-executive directors' remuneration arrangements
- i) Directors' and KMP remuneration
- j) Performance based remuneration granted and forfeited during the year
- k) Terms and conditions of the equity-based payment arrangements
- l) Reconciliation of options, rights and ordinary shares held by KMP

#### a) Directors and KMP disclosed in this report

The 2021 Remuneration Report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001* and accounting standard requirements and applies to KMP of the Company. KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Company. The KMP covered in this report are as follows:

| Name                                         | Position                                   |
|----------------------------------------------|--------------------------------------------|
| <i>Non-executive and executive directors</i> |                                            |
| Mr C A Roy                                   | Chair and Non-executive director           |
| Dr M P Goldsworthy                           | CEO/Managing Director – Executive director |
| Ms M K Holzberger                            | Non-executive director                     |
| Mr C D Wilks                                 | Non-executive director                     |
| <i>Other executive KMP</i>                   |                                            |
| Ms J E Ducie                                 | CFO/Company Secretary                      |

#### b) Remuneration governance

##### Board oversight

The Silex Board is ultimately responsible for ensuring that the Company's remuneration structure is equitable and aligned with the long-term interests of shareholders. The Board and its advisors are independent of Management when making decisions affecting employee remuneration.

##### People & Remuneration Committee structure

The People & Remuneration Committee is a committee of the Board comprised of a majority of independent non-executive directors. The Chair of the Committee is also an independent non-executive director. Its role is to make recommendations to the Board regarding the Company's remuneration policies and practices, including those applicable to the Company's KMP. Members of the People & Remuneration Committee as at the 30 June 2021 were as follows:

|                                                          |                                                         |
|----------------------------------------------------------|---------------------------------------------------------|
| <b>Committee members</b>                                 | Mr C A Roy   Chair<br>Ms M K Holzberger<br>Mr C D Wilks |
| <b>Committee secretary</b>                               | Ms J E Ducie                                            |
| <b>Number of meetings in FY2021</b>                      | 2                                                       |
| <b>Other individuals who regularly attended meetings</b> | Dr M P Goldsworthy   CEO/MD                             |

The role of the People & Remuneration Committee is to:

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

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

The Company did not engage remuneration consultants during FY2021. The Company accesses market data and industry remuneration surveys and reports on a regular basis.

**c) Linking remuneration structure to Company performance**

Remuneration strategy, policy and framework

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

Remuneration for executive KMP is reviewed annually and considers market data, insights into remuneration trends, the performance of the Company and the individual, and the broader economic and operating environment.

Following the closing of the GLE acquisition and the pleasing progress to date with regard to our ZS-Si project, we conducted a review of the Company's executive KMP incentive programs during the year to align future rewards with the achievement of our strategic objectives. A multi-year incentive program was developed, involving the issue of Short-term incentives (STIs) and Long-term incentives (LTIs) using a variety of equity-based awards and therefore aligned with the creation of shareholder value over the long-term. With regard to our CEO/MD, the Board resolved to introduce the new LTI structure for FY2021 (subject to shareholder approval).

The executive KMP remuneration framework will comprise two components:

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

| Element                        | Purpose                                                                                                     | Performance Metrics                                                                                                                                                                                                    | Structure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Potential Value                                                                                                                                                                                                                                                                                                 |
|--------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total Fixed Remuneration (TFR) | Provide competitive market salary, including superannuation and non-monetary benefits.                      | Nil                                                                                                                                                                                                                    | Base remuneration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Positioned at median market rate and with reference to role experience.                                                                                                                                                                                                                                         |
| STI*                           | Reward for in-year performance, retention via 2-year escrow period applied to any incentive award           | Performance may be linked to financial metrics such as cash flow management and to non-financial measures, such as commercial deliverables, and other specific operational and strategic deliverables for the Company. | <p>CEO: FY2021 - 100,000 Performance Rights**</p> <p><i>(Nb. FY2022 to FY2025 – potential award of 75,000 Performance Rights per annum subject to shareholder approval at the 2021 AGM. Underlying performance criteria to be set by the Board at the commencement of each financial year)</i></p> <p>CFO: FY2021 - 50,000 Performance Rights</p> <p><i>(Nb. FY2022 to FY2024 – award of 70,000 Performance Rights per annum. Underlying performance criteria to be set by the Board at the commencement of each financial year)</i></p> | <p>Potential value: \$44,500</p> <p>Potential value: \$22,433</p>                                                                                                                                                                                                                                               |
| LTI*                           | Alignment to long-term shareholder value, retention via 2-year escrow period applied to any incentive award | Performance linked to contribution to the creation of shareholder value over the longer term.                                                                                                                          | <p>CEO: FY2021*** - Potential award of 750,000 options (to cover 5 performance years) subject to shareholder approval at the 2021 AGM, representing 150,000 options per annum for FY2021 through to and including FY2025</p> <p>CFO: FY2021 - 200,000 options issued in March 2021</p> <p><i>(Nb. FY2022 to FY2024 – award of 300,000 Options representing 100,000 options per annum for FY2022 through to and including FY2024)</i></p>                                                                                                 | <p>Estimated potential value****: \$407,880</p> <p>Expensed over FY2021 to FY2027. Average annual expense of \$58,269</p> <p>Potential value: \$134,180</p> <p><i>(Nb. FY2022 to FY2024 options: Estimated potential value per 100,000 options \$46,750. To be expensed over 3-year vesting period****)</i></p> |
| Extended LTI*                  | Alignment to long-term shareholder value, retention via 2-year escrow period applied to any incentive award | Performance linked to scale-up of the unique SILEX uranium enrichment technology by 31 December 2025.                                                                                                                  | <p>CEO: FY2021*** - Potential award of 412,500 Performance Rights (to cover 5.5 performance years) subject to shareholder approval at the 2021 AGM</p> <p>CFO: An Extended LTI is not currently offered to the CFO. Consideration by the Board may be given to an offering in future years</p>                                                                                                                                                                                                                                           | <p>Potential value: \$TBD</p> <p>Value based on Silex Systems Limited share price on date of issue of Rights</p>                                                                                                                                                                                                |

\*\*\*\* Option exercise price of \$0.94, based on the 10-trading day VWAP up to and including 24 June 2021

TFR is comprised of base salary and superannuation. TFR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Committee aims to position executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

A multi-year equity-based incentive program has been developed, involving the issue of Short-term incentives (STIs) and Long-term incentives (LTIs). Annual incentives have been set through to FY2024 for the CFO and FY2025 for the CEO, in order to drive performance and talent retention. STIs have a 12-month performance period and LTIs are assessed over a three-year period and are designed to promote long-term stability in share price appreciation. The CEO's potential Extended LTI has performance criteria specifically tailored to outcomes relating to the scale-up of the unique SILEX uranium enrichment technology and will be assessed over a performance period ending 31 December 2025. Achievement of the Extended LTI will be subject to independent verification.

#### Assessing performance and claw-back of remuneration

The People & Remuneration Committee is responsible for assessing performance against KPIs and determining the incentive awards to be paid to all senior management. To assist in this assessment, the Committee receives detailed reports on performance from Management which are based on independently verifiable data such as financial measures, market information and data from independently run surveys. At all times, the Board has the discretion to make a final determination.

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

#### **d) Voting at the Company's 2020 Annual General Meeting**

Silex Systems Limited received more than 99% of "yes" votes on its Remuneration Report for the 2020 financial year.

**e) Elements of executive KMP remuneration**

The executive KMP remuneration for FY2021 comprised the following elements:

| CEO/MD                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | CFO/Company Secretary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total Fixed Remuneration (TFR)    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Composition</b>                | Base salary and superannuation                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Base salary and superannuation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Assessment</b>                 | Based on responsibilities, performance and market data                                                                                                                                                                                                                                                                                                                                                                                                                                              | Based on responsibilities, performance and market data                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>At risk</b>                    | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Short-Term Incentives             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Composition</b>                | An equity-based STI may be granted annually at the discretion of the Board. Subject to shareholder approval, the STI is intended to comprise an annual grant of Performance Rights.                                                                                                                                                                                                                                                                                                                 | An equity-based STI may be granted annually at the discretion of the Board. The STI is intended to comprise an annual grant of Performance Rights.                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Opportunity</b>                | 100,000 Performance Rights                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 50,000 Performance Rights                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Assessment</b>                 | KPIs were intended to be stretch targets and included obtaining regulatory approval and closing of the MIPA for Silex's purchase of 51% of GLE, delivery of technology milestones for the Company's projects and the achievement of other strategic and commercial performance measures.<br><u>Assessment:</u> 77% of the performance rights vested and 77,000 shares are pending for issue to the CEO. The shares to be issued are subject to a 2-year trading restriction from the date of issue. | KPIs were intended to be stretch targets and included obtaining regulatory approval and closing of the MIPA for Silex's purchase of 51% of GLE, delivery of project plans for the Company's activities, and the achievement of other strategic and commercial performance measures.<br><u>Assessment:</u> 83% of the performance rights vested subject to completion of an underlying service-condition that ended 31 July 2021. 41,666 shares are pending for issue to the CFO. The shares to be issued are subject to a 2-year trading restriction from the date of issue. |
| <b>Board discretion</b>           | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.                                                                                                                                                                                                                                                                                                                  | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any STI award.                                                                                                                                                                                                                                                                                                                                                                                           |
| Long-Term Incentives              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Composition</b>                | Subject to shareholder approval, the proposed LTI is intended to be a multi-year incentive equivalent to an annual grant of 150,000 options for the 5 years ending 30 June 2025.                                                                                                                                                                                                                                                                                                                    | An equity-based LTI may be granted annually at the discretion of the Board. For FY2021, the LTI comprised a grant of options.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Opportunity</b>                | Issue of 750,000 options (i.e., 150,000 options attributable to each year from FY2021 to FY2025)                                                                                                                                                                                                                                                                                                                                                                                                    | Issue of 200,000 options                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Assessment</b>                 | The equity-based LTI will have vesting periods that end from 30 June 2024 to 30 June 2028. The equity-based LTI grant is subject to shareholder approval at the AGM. In the event shareholder approval is received for the LTI grant, and the options are eligible to be exercised, any resulting allotment of Silex Systems Limited shares will be subject to a further escrow period of 2 years.                                                                                                  | The annual equity-based LTI has a 3-year vesting period. Any resulting allotment of Silex Systems Limited shares on completion of the underlying service-condition and option exercise, will be subject to a further escrow period of 2 years.                                                                                                                                                                                                                                                                                                                               |
| <b>Exercise price</b>             | Should shareholder approval be received for the above grant of options, the options' exercise price will be \$0.94. This exercise price was determined based on the volume weighted average price at which the Company's shares were traded on the Australian Stock Exchange for the 10-trading days up to and including 24 June 2021.                                                                                                                                                              | The options' exercise price is determined based on the volume weighted average price at which the Company's shares are traded on the Australian Stock Exchange for the 10-trading days preceding the grant date. For the March 2021 issue of options, the exercise price is \$1.20.                                                                                                                                                                                                                                                                                          |
| <b>Forfeiture and termination</b> | Options will lapse if vesting conditions are not met. Options will be forfeited on cessation of employment unless the Board determines otherwise.                                                                                                                                                                                                                                                                                                                                                   | Options will lapse if vesting conditions are not met. Options will be forfeited on cessation of employment unless the Board determines otherwise.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Board discretion</b>           | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any LTI award.                                                                                                                                                                                                                                                                                                                  | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any LTI award.                                                                                                                                                                                                                                                                                                                                                                                           |

| CEO/MD                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CFO/Company Secretary                                                                                                        |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Extended Long-Term Incentive      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                              |
| <b>Composition</b>                | Subject to shareholder approval, the proposed Extended LTI is intended to be a multi-year incentive equivalent to 412,500 Performance Rights for a performance period ending 31 December 2025.                                                                                                                                                                                                                                                                                                                                                                                                                                     | An Extended LTI is not currently offered to the CFO. Consideration by the Board may be given to an offering in future years. |
| <b>Opportunity Assessment</b>     | Issue of 412,500 Performance Rights<br>The proposed Extended LTI will commence from FY2021 and ending 31 December 2025. The performance criteria are linked to specifically tailored outcomes relating to the scale-up of the unique SILEX uranium enrichment technology and will be assessed over a performance period ending 31 December 2025. Achievement will be subject to independent verification. In the event shareholder approval is received for the Extended LTI and the performance criteria achieved, any resulting allotment of Silex Systems Limited shares will be subject to a further escrow period of 2 years. | -                                                                                                                            |
| <b>Forfeiture and termination</b> | Performance Rights will lapse if performance conditions are not met. Rights will be forfeited on cessation of employment unless the Board determines otherwise.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | -                                                                                                                            |
| <b>Board discretion</b>           | The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any Extended LTI award.                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                                                                                                                            |

**f) Link between FY2021 remuneration and performance**

FY2021 performance and impact on remuneration

The Company's performance during FY2021 was considered strong, with delivery on a number of strategic priorities, including closing of the GLE acquisition following the receipt of US Government approvals and significant milestones achieved for the Zero-Spin Silicon project. For further information on the Company's performance during the year, refer to the Operating and Financial Review in Section 4 of this Directors' Report.

As a result of these positive achievements, the Board awarded the CEO/MD 77% of the FY2021 performance rights and the CFO/Company Secretary 83% of the FY2021 performance rights (subject to completion of the service-condition ending 31 July 2021). The Board also resolved to implement multi-year equity-based incentives for the CEO/MD from FY2021 (subject to shareholder approval) and the CFO/Company Secretary from FY2022. The incentive design is intended to retain executive KMP and to provide longer term benefits if key service and performance conditions are met together with sustained appreciation in shareholder value.

Statutory performance indicators

We aim to align executive KMP remuneration to our strategic and business objectives and the creation of shareholder wealth. The below table shows measures of the Company's financial performance over the last five years as required by the *Corporations Act 2001*. However, as a pre-revenue company, the below measures are generally not the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there is only a partial correlation between the statutory key performance measures and the variable remuneration awarded.

| Year ended 30 June | EPS Cents | Total STI awards to KMP \$ | Share price at 30 June \$ |
|--------------------|-----------|----------------------------|---------------------------|
| 2017               | (5.9)     | 12,500                     | 0.37                      |
| 2018               | (2.7)     | N/A                        | 0.20                      |
| 2019               | (3.0)     | 60,000                     | 0.40                      |
| 2020               | (4.5)     | 61,600                     | 0.78                      |
| 2021               | (4.0)     | 62,935                     | 0.90                      |

**g) Contractual arrangements with executive KMPs**

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

**h) Non-executive directors' remuneration arrangements**

Non-executive directors receive a directors' fee and a fee for chairing or participating on Board committees. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation and are reviewed annually taking into account comparable roles and market data. The standard Board and Committee fees have not changed since the last Remuneration Report.

Following the closing of the GLE acquisition in January 2021, a new Governing Board for the restructured GLE was established, which comprises two members each from Silex and Cameco. The Silex members are the Silex CEO/MD and the Silex Board Chair, who will also Chair the GLE Governing Board through to 31 December 2023. In view of the extra work load and responsibility associated with the role of Chair of the new Governing Board, an additional \$40,000 per annum will be paid to the Chair from 1 January 2021. It is proposed that \$20,000 of the fees be paid in cash, with the balance, \$20,000 proposed to be paid by the issue of Silex shares (as announced to the ASX on 25 February 2021 in the Company's Operational Update).

Subject to shareholder approval at the 2021 AGM, 84,507 shares, at a deemed price of \$0.71, are to be issued in lieu of a cash payment of \$60,000, being 50% of the Directors' fees payable for the 3-year term of the appointment as Chair of the GLE Governing Board. The deemed price of \$0.71 is based on the 10-trading day volume weighted average price at which the Company's shares traded on the Australian Stock Exchange preceding 17 December 2020.

Additional fees may be payable to non-executive directors should they undertake specific consulting projects for the Company in the areas of their expertise. No additional fees were paid for additional services and consulting rendered during FY2021.

The maximum annual aggregate directors' fee pool limit is \$750,000 and was approved by shareholders at the 2011 AGM.

The current annual fee structure is outlined below:

|                                               | <b>Chair</b> | <b>Member</b> |
|-----------------------------------------------|--------------|---------------|
| <b>Board</b>                                  | 100,000      | 80,000        |
| <b>Audit Committee*</b>                       | 10,000       | 8,000         |
| <b>People &amp; Remuneration Committee*</b>   | 10,000       | 8,000         |
| <b>Other</b>                                  |              |               |
| <b>Global Laser Enrichment Holdings LLC**</b> | 40,000       | -             |

\* Committee fees payable from 1 April 2020.

\*\* Payable from 1 January 2021.

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

**i) Directors' and KMP remuneration**

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

| Name                                           | Year | Fixed remuneration                |                                                |                                            |                          | Variable remuneration   |                                                   |                      | Total     | Perf. Related % |
|------------------------------------------------|------|-----------------------------------|------------------------------------------------|--------------------------------------------|--------------------------|-------------------------|---------------------------------------------------|----------------------|-----------|-----------------|
|                                                |      | Cash salary and fees <sup>1</sup> | Non-monetary benefits - shares <sup>1, 3</sup> | Annual and long service leave <sup>2</sup> | Post-employment benefits | Cash bonus <sup>1</sup> | Performance rights (deferred shares) <sup>3</sup> | Options <sup>3</sup> |           |                 |
|                                                |      | \$                                | \$                                             | \$                                         | \$                       | \$                      | \$                                                | \$                   | \$        | %               |
| <i>Executive directors</i>                     |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
| Dr M P Goldsworthy                             | 2021 | 526,106                           | -                                              | 5,494                                      | 23,894                   | -                       | 43,758                                            | 21,202               | 620,454   | 10%             |
|                                                | 2020 | 528,097                           | -                                              | (62,301)                                   | 21,903                   | -                       | -                                                 | 5,895                | 493,594   | 1%              |
| <i>Non-executive directors<sup>4</sup></i>     |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
| Mr C A Roy                                     | 2021 | 137,358                           | 10,000                                         | -                                          | 3,803                    | -                       | -                                                 | -                    | 151,161   | -               |
|                                                | 2020 | 109,678                           | -                                              | -                                          | 4,750                    | -                       | -                                                 | -                    | 114,428   | -               |
| Ms M K Holzberger                              | 2021 | 98,000                            | -                                              | -                                          | 9,310                    | -                       | -                                                 | -                    | 107,310   | -               |
|                                                | 2020 | 84,500                            | -                                              | -                                          | 8,027                    | -                       | -                                                 | -                    | 92,527    | -               |
| Mr C D Wilks                                   | 2021 | 96,000                            | -                                              | -                                          | 9,120                    | -                       | -                                                 | -                    | 105,120   | -               |
|                                                | 2020 | 84,000                            | -                                              | -                                          | 7,980                    | -                       | -                                                 | -                    | 91,980    | -               |
| <i>Other executive KMP</i>                     |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
| Ms J E Ducie                                   | 2021 | 302,906                           | -                                              | 19,009                                     | 22,094                   | -                       | 20,190                                            | 21,462               | 385,661   | 11%             |
|                                                | 2020 | 302,297                           | -                                              | (35,466)                                   | 22,703                   | 61,600                  | -                                                 | 6,393                | 357,527   | 19%             |
| <b>Total executive directors and other KMP</b> |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
|                                                | 2021 | 829,012                           | -                                              | 24,503                                     | 45,988                   | -                       | 63,948                                            | 42,664               | 1,006,115 |                 |
|                                                | 2020 | 830,394                           | -                                              | (97,767)                                   | 44,606                   | 61,600                  | -                                                 | 12,288               | 851,121   |                 |
| <b>Total NED remuneration</b>                  |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
|                                                | 2021 | 331,358                           | 10,000                                         | -                                          | 22,233                   | -                       | -                                                 | -                    | 363,591   |                 |
|                                                | 2020 | 278,178                           | -                                              | -                                          | 20,757                   | -                       | -                                                 | -                    | 298,935   |                 |
| <b>Total KMP remuneration</b>                  |      |                                   |                                                |                                            |                          |                         |                                                   |                      |           |                 |
|                                                | 2021 | 1,160,370                         | 10,000                                         | 24,503                                     | 68,221                   | -                       | 63,948                                            | 42,664               | 1,369,706 |                 |
|                                                | 2020 | 1,108,572                         | -                                              | (97,767)                                   | 65,363                   | 61,600                  | -                                                 | 12,288               | 1,150,056 |                 |

1. Short-term benefits as per Corporations Regulations 2M 3.03(1) Item 6.

2. Other long-term benefits as per Corporations Regulations 2M 3.03(1) Item 8. The amounts disclosed in this column represent the increase/(decrease) in the associated provisions.

3. Equity-settled share-based payments as per Corporations Regulations 2M.3.03(1) Item 11.

4. Non-executive directors' fees increased due to the reinstatement of Committee Fees from 1 April 2020. In addition, the Company commenced payment of additional directors' fees for the role of Chair of Global Laser Enrichment Holdings LLC to Mr C A Roy from 1 January 2021. Refer to section h) for further details.

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

With respect to FY2021, the STI granted and awarded and LTI granted to the executive KMP are as follows:

| Name               | STI (Rights)        |                        |                       | LTI (Options)         |                       |
|--------------------|---------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                    | Value granted<br>\$ | Rights<br>awarded<br>% | Rights forfeited<br>% | Value granted**<br>\$ | Value exercised<br>\$ |
| Dr M P Goldsworthy | 44,500              | 77%                    | 23%                   | 45,840                | -                     |
| Ms J E Ducie*      | 22,433              | 83%                    | 17%                   | 134,180               | -                     |

\* STI (Rights) Award for CFO/Company Secretary subject to completion of service-based condition expiring 31 July 2021.

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

**k) Terms and conditions of the equity-based payment arrangements**

STI – Performance Rights

Commencing for FY2021, an annual STI in the form of Performance Rights is to be issued to executive KMP. The rights vest at the end of a 12-month performance period subject to the achievement of individually tailored KPIs. Each right that vests is converted into one ordinary share. The rights carry no dividend or voting rights.

The fair value of the rights is determined based on the market price of the Company's shares at the grant date or for those rights which are subject to a market condition, with reference to a Monte Carlo simulation taking into account the volatility of the Company's shares and other factors.

| Grant Date | Vesting date | Value per right<br>grant date | Performance<br>achieved<br>% | Vested*<br>% |
|------------|--------------|-------------------------------|------------------------------|--------------|
| 25/09/2020 | 31/07/2021   | \$0.5650                      | 100%                         | -            |
| 25/09/2020 | 31/07/2021   | \$0.2160                      | 50%                          | -            |
| 23/11/2020 | 30/06/2021   | \$0.5850                      | 95%                          | 95%          |
| 23/11/2020 | 30/06/2021   | \$0.2350                      | 50%                          | 50%          |

\* Award for CFO/Company Secretary subject to completion of service-based condition expiring 31 July 2021.

#### LTI – Options

The number of options over ordinary shares in the Company provided as remuneration to executive KMP is shown below. The options carry no dividend or voting rights. The options are subject to a service-based condition which must be satisfied for the options to vest.

When exercisable, each option is convertible into one ordinary share of Silex Systems Limited. The exercise price of options is based on the volume weighted average price at which the Company's shares are traded on the Australian Stock Exchange for the 10-trading days before the options are granted or for the 10-trading days preceding a Board resolution to grant options. There were no vested options as at 30 June 2021 and therefore no options exercised in FY2021 (or FY2020).

The potential grant of options to our CEO/MD for the FY2021 LTI is subject to shareholder approval at the 2021 AGM. If granted, details will be provided to the ASX and included in the Remuneration Report for the year ending 30 June 2022.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

| Grant Date | Vesting and exercise date | Expiry date | Exercise price | Value per option at grant date | Performance achieved | Vested % |
|------------|---------------------------|-------------|----------------|--------------------------------|----------------------|----------|
| 21/05/2019 | 21/05/2022                | 20/05/2024  | \$0.35         | \$0.1635                       | To be determined     | N/A      |
| 2/12/2019  | 21/05/2022                | 1/12/2024   | \$0.35         | \$0.1589                       | To be determined     | N/A      |
| 1/04/2020  | 1/04/2023                 | 31/03/2025  | \$0.21         | \$0.1458                       | To be determined     | N/A      |
| 23/11/2020 | 23/11/2023                | 22/11/2025  | \$0.57         | \$0.3056                       | To be determined     | N/A      |
| 24/03/2021 | 24/03/2024                | 23/03/2026  | \$1.20         | \$0.6709                       | To be determined     | N/A      |

#### **i) Reconciliation of options, rights and ordinary shares held by KMP**

##### Options held by KMP

The table below shows a reconciliation of options held by each KMP from the beginning to the end of FY2021. There were no vested options as at 30 June 2021.

| Name and grant date | Balance at the start of the year | Granted as compensation | Vested |   | Exercised | Other changes | Balance at end of year |          |
|---------------------|----------------------------------|-------------------------|--------|---|-----------|---------------|------------------------|----------|
|                     |                                  |                         | Number | % |           |               | Vested and exercisable | Unvested |
| Dr M P Goldsworthy  |                                  |                         |        |   |           |               |                        |          |
| 2/12/2019           | 100,000                          | -                       | -      | - | -         | -             | -                      | 100,000  |
| 23/11/2020          | -                                | 150,000                 | -      | - | -         | -             | -                      | 150,000  |
| Ms J E Ducie        |                                  |                         |        |   |           |               |                        |          |
| 21/05/2019          | 100,000                          | -                       | -      | - | -         | -             | -                      | 100,000  |
| 01/04/2020          | 100,000                          | -                       | -      | - | -         | -             | -                      | 100,000  |
| 24/03/2021          | -                                | 200,000                 | -      | - | -         | -             | -                      | 200,000  |

Rights held by KMP

The table below shows a reconciliation of rights held by each KMP from the beginning to the end of FY2021.

| Name and grant date              | Balance at the start of the year | Granted as compensation | Vested* |     | Forfeited |     | Balance at end of year (unvested) |
|----------------------------------|----------------------------------|-------------------------|---------|-----|-----------|-----|-----------------------------------|
|                                  |                                  |                         | Number  | %   | Number    | %   |                                   |
| Dr M P Goldsworthy<br>23/11/2020 | -                                | 100,000                 | 77,000  | 77% | 23,000    | 23% | -                                 |
| Ms J E Ducie<br>25/09/2020       | -                                | 50,000                  | -       | -   | -         | -   | 50,000                            |

Shares held by KMP

The below table shows the number of ordinary shares in the Company that were held during the financial year by KMP of the Company, including by entities related to them:

| Name                       | Balance at the start of the year | Received during the year on the exercise of options | Received on vesting of rights to shares | Other changes during the year | Balance at the end of the year |
|----------------------------|----------------------------------|-----------------------------------------------------|-----------------------------------------|-------------------------------|--------------------------------|
| <i>Directors</i>           |                                  |                                                     |                                         |                               |                                |
| Mr C A Roy                 | 150,000                          | -                                                   | -                                       | 25,000                        | 175,000                        |
| Dr M P Goldsworthy         | 5,979,055                        | -                                                   | -                                       | 20,000                        | 5,999,055                      |
| Ms M K Holzberger          | 27,777                           | -                                                   | -                                       | -                             | 27,777                         |
| Mr C D Wilks               | 2,814,021                        | -                                                   | -                                       | -                             | 2,814,021                      |
| <i>Other executive KMP</i> |                                  |                                                     |                                         |                               |                                |
| Ms J E Ducie               | 20,000                           | -                                                   | -                                       | -                             | 20,000                         |

Securities Trading Policy

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

## 11. Shares under option

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

| Date options granted* | Expiry date | Issue price of shares | Number under option |
|-----------------------|-------------|-----------------------|---------------------|
| 21/05/2019            | 20/05/2024  | \$0.35                | 500,000             |
| 2/12/2019             | 1/12/2024   | \$0.35                | 100,000             |
| 1/04/2020             | 31/03/2025  | \$0.21                | 660,000             |
| 23/11/2020            | 22/11/2025  | \$0.57                | 150,000             |
| 24/03/2021            | 23/03/2026  | \$1.20                | 1,000,000           |

\* The options granted include issues to eligible employees in accordance with the Employee Incentive Plan and includes options granted as remuneration to KMP.

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

## 12. Company secretary

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

## 13. Indemnification and insurance of directors

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

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

## 14. Environmental regulation

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

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

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

## 15. Non-audit services

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

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

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

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

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

|                                                  | 2021<br>\$ | 2020<br>\$ |
|--------------------------------------------------|------------|------------|
| <b>Other assurance services</b>                  |            |            |
| PricewaterhouseCoopers Australian firm           |            |            |
| Total remuneration for other assurance services  | -          | -          |
| <b>Other services</b>                            |            |            |
| Total remuneration for other services            | -          | -          |
| <b>Total remuneration for non-audit services</b> | -          | -          |

## 16. Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29.

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



Dr M P Goldsworthy  
CEO/MD



Mr C A Roy  
Chair

Sydney, 26 August 2021



### **Auditor's Independence Declaration**

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

David Ronald  
Partner  
PricewaterhouseCoopers

Sydney  
26 August 2021

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## **CORPORATE GOVERNANCE STATEMENT**

Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (*4<sup>th</sup> Edition*) published by the ASX Corporate Governance Council. During the year ended 30 June 2021, the Company implemented a number of the new principles and recommendations as contained in the *4<sup>th</sup> Edition*

The 2021 Corporate Governance Statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year. The 2021 Corporate Governance Statement was approved by the Board and lodged with the ASX Appendix 4G on 26 August 2021. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at [www.silex.com.au/Corporate-Governance](http://www.silex.com.au/Corporate-Governance).

**Silex Systems Limited**  
**ABN 69 003 372 067**

**Annual financial report – 30 June 2021**

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This financial report covers the consolidated entity consisting of Silex Systems Limited and its subsidiaries. The financial report is presented in the Australian currency.

Silex Systems Limited is a company limited by its shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Silex Systems Limited  
Building 64  
Lucas Heights Science & Technology Centre  
New Illawarra Road  
Lucas Heights NSW 2234  
Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 4 to 10, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 26 August 2021. The Directors have the power to amend and reissue the financial report.

All announcements, financial reports and other information are available on our website: [www.silex.com.au](http://www.silex.com.au)

**Silex Systems Limited**  
**Consolidated income statement**  
for the year ended 30 June 2021

|                                                                                                                            | Notes | 2021<br>\$         | 2020<br>\$         |
|----------------------------------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| Revenue from contracts with customers                                                                                      | 3     | 1,924,440          | 581,724            |
| Interest revenue                                                                                                           | 3     | 143,435            | 419,482            |
| <b>Revenue from continuing operations</b>                                                                                  |       | <b>2,067,875</b>   | <b>1,001,206</b>   |
| Other income                                                                                                               | 4     | 1,365,733          | 1,238,157          |
| Research and development materials                                                                                         |       | (594,567)          | (292,102)          |
| Development expenditure                                                                                                    |       | (1,601,413)        | (4,547,376)        |
| Finance costs                                                                                                              | 5     | (1,590)            | (9,662)            |
| Depreciation and amortisation expense                                                                                      | 5     | (312,332)          | (356,845)          |
| Employee benefits expense                                                                                                  |       | (4,427,100)        | (3,563,479)        |
| Consultants and professional fees                                                                                          |       | (675,834)          | (769,308)          |
| Printing, postage, freight, stationery and communications                                                                  |       | (46,529)           | (69,439)           |
| Rent, utilities and property outgoings                                                                                     |       | (46,973)           | (24,317)           |
| Net foreign exchange losses                                                                                                |       | (219,823)          | (82,194)           |
| Net impairment losses                                                                                                      |       | (2,665)            | (2,909)            |
| Share of net loss of associates and joint ventures accounted for using the equity method                                   | 14(b) | (2,125,072)        | -                  |
| Other expenses from continuing activities                                                                                  |       | (306,978)          | (326,914)          |
| <b>(Loss) before income tax</b>                                                                                            |       | <b>(6,927,268)</b> | <b>(7,805,182)</b> |
| Income tax expense                                                                                                         | 6     | -                  | -                  |
| Net (loss) from continuing operations                                                                                      |       | (6,927,268)        | (7,805,182)        |
| <b>Net (loss) for the year</b>                                                                                             |       | <b>(6,927,268)</b> | <b>(7,805,182)</b> |
| Net (loss) is attributable to:                                                                                             |       |                    |                    |
| Owners of Silex Systems Limited                                                                                            |       | (6,927,268)        | (7,805,182)        |
|                                                                                                                            |       | <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                                                                                                   | 21    | (4.0)              | (4.5)              |
| Diluted earnings per share                                                                                                 | 21    | (4.0)              | (4.5)              |
| <b>Earnings per share for (loss) attributable to the ordinary equity holders of the company</b>                            |       |                    |                    |
| Basic earnings per share                                                                                                   | 21    | (4.0)              | (4.5)              |
| Diluted earnings per share                                                                                                 | 21    | (4.0)              | (4.5)              |

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

**Silex Systems Limited**  
**Consolidated statement of comprehensive income**  
for the year ended 30 June 2021

|                                                                                                  | 2021<br>\$         | 2020<br>\$         |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Net (loss) for the year</b>                                                                   | <b>(6,927,268)</b> | <b>(7,805,182)</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>(829,010)</b>   | 230,232            |
| <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>2,015,407</b>   | (1,926,619)        |
| <b>Other comprehensive income for the year, net of tax</b>                                       | <b>1,186,397</b>   | (1,696,387)        |
| <b>Total comprehensive income for the year</b>                                                   | <b>(5,740,871)</b> | <b>(9,501,569)</b> |
| Attributable to:                                                                                 |                    |                    |
| Owners of Silex Systems Limited                                                                  | <b>(5,740,871)</b> | (9,501,569)        |
| <b>Total comprehensive income for the year</b>                                                   | <b>(5,740,871)</b> | <b>(9,501,569)</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 30 June 2021

|                                                                   | Notes | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|-------------------------------------------------------------------|-------|--------------------|--------------------|
| <b>ASSETS</b>                                                     |       |                    |                    |
| <b>Current assets</b>                                             |       |                    |                    |
| Cash and cash equivalents                                         | 7(a)  | 6,402,798          | 1,615,034          |
| Other financial assets at amortised cost - term deposits          | 7(b)  | 7,700,000          | 16,800,000         |
| Trade and other receivables                                       | 7(c)  | 2,628,652          | 1,732,168          |
| Other current assets                                              | 7(d)  | 215,743            | 398,121            |
| Financial assets at fair value through other comprehensive income | 7(e)  | 5,799,774          | 8,521,234          |
| <b>Total current assets</b>                                       |       | <b>22,746,967</b>  | <b>29,066,557</b>  |
| <b>Non-current assets</b>                                         |       |                    |                    |
| Investments accounted for using the equity method                 | 14(b) | 916,254            | -                  |
| Right-of-use assets                                               | 9(a)  | 42,041             | 47,738             |
| Property, plant and equipment                                     | 7(f)  | 336,564            | 271,500            |
| <b>Total non-current assets</b>                                   |       | <b>1,294,859</b>   | <b>319,238</b>     |
| <b>Total assets</b>                                               |       | <b>24,041,826</b>  | <b>29,385,795</b>  |
| <b>LIABILITIES</b>                                                |       |                    |                    |
| <b>Current liabilities</b>                                        |       |                    |                    |
| Trade and other payables                                          | 8(a)  | 1,123,767          | 1,095,601          |
| Lease liabilities                                                 | 9(a)  | 36,613             | 43,755             |
| Provisions                                                        | 8(b)  | 770,744            | 750,828            |
| <b>Total current liabilities</b>                                  |       | <b>1,931,124</b>   | <b>1,890,184</b>   |
| <b>Non-current liabilities</b>                                    |       |                    |                    |
| Lease liabilities                                                 | 9(a)  | 1,791              | 4,347              |
| Provisions                                                        | 8(b)  | 37,780             | 25,059             |
| <b>Total non-current liabilities</b>                              |       | <b>39,571</b>      | <b>29,406</b>      |
| <b>Total liabilities</b>                                          |       | <b>1,970,695</b>   | <b>1,919,590</b>   |
| <b>Net assets</b>                                                 |       | <b>22,071,131</b>  | <b>27,466,205</b>  |
| <b>EQUITY</b>                                                     |       |                    |                    |
| Contributed equity                                                | 10(a) | 232,645,003        | 232,645,003        |
| Reserves                                                          | 10(b) | 12,002,259         | 10,470,065         |
| Accumulated losses                                                | 10(c) | (222,576,131)      | (215,648,863)      |
| <b>Total equity</b>                                               |       | <b>22,071,131</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 year ended 30 June 2021

|                                                             | <b>Attributable to owners of Silex Systems Limited</b> |                    |                           |                    |
|-------------------------------------------------------------|--------------------------------------------------------|--------------------|---------------------------|--------------------|
|                                                             | <b>Contributed equity</b>                              | <b>Reserves</b>    | <b>Accumulated losses</b> | <b>Total</b>       |
|                                                             | <b>\$</b>                                              | <b>\$</b>          | <b>\$</b>                 | <b>\$</b>          |
| <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 year                                     | -                                                      | -                  | (7,805,182)               | (7,805,182)        |
| Other comprehensive income                                  | -                                                      | (1,696,387)        | -                         | (1,696,387)        |
| <b>Total comprehensive income for the year</b>              | <b>-</b>                                               | <b>(1,696,387)</b> | <b>(7,805,182)</b>        | <b>(9,501,569)</b> |
| <b>Transactions with owners in their capacity as owners</b> |                                                        |                    |                           |                    |
| Shares issued, net of transactions costs                    | 894,629                                                | -                  | -                         | 894,629            |
| Employee share schemes - value of employee services         | -                                                      | 38,959             | -                         | 38,959             |
|                                                             | <b>894,629</b>                                         | <b>38,959</b>      | <b>-</b>                  | <b>933,588</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 year                                     | -                                                      | -                  | (6,927,268)               | (6,927,268)        |
| Other comprehensive income                                  | -                                                      | 1,186,397          | -                         | 1,186,397          |
| <b>Total comprehensive income for the year</b>              | <b>-</b>                                               | <b>1,186,397</b>   | <b>(6,927,268)</b>        | <b>(5,740,871)</b> |
| <b>Transactions with owners in their capacity as owners</b> |                                                        |                    |                           |                    |
| Shares issued, net of transactions costs                    | -                                                      | -                  | -                         | -                  |
| Employee share schemes - value of employee services         | -                                                      | 345,797            | -                         | 345,797            |
|                                                             | <b>-</b>                                               | <b>345,797</b>     | <b>-</b>                  | <b>345,797</b>     |
| <b>Balance at 30 June 2021</b>                              | <b>232,645,003</b>                                     | <b>12,002,259</b>  | <b>(222,576,131)</b>      | <b>22,071,131</b>  |

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

**Silex Systems Limited**  
**Consolidated statement of cash flows**  
for the year ended 30 June 2021

|                                                                                         | Notes | 2021<br>\$         | 2020<br>\$         |
|-----------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                                             |       |                    |                    |
| Receipts from customers and government grants (inclusive of GST)                        |       | 2,841,240          | 2,172,673          |
| Payments to suppliers and employees (inclusive of GST)                                  |       | (7,874,844)        | (9,653,778)        |
| Interest received                                                                       |       | 260,193            | 649,904            |
| Interest paid                                                                           |       | (1,590)            | (9,662)            |
| <b>Net cash (outflows) from operating activities</b>                                    | 11(a) | <b>(4,775,001)</b> | <b>(6,840,863)</b> |
| <b>Cash flows from investing activities</b>                                             |       |                    |                    |
| Payment for investments accounted for using the equity method                           |       | (3,005,054)        | -                  |
| Proceeds from other financial assets at amortised cost - term deposits                  |       | 9,100,000          | 5,400,000          |
| Payments for property, plant and equipment                                              |       | (182,614)          | (237,405)          |
| Proceeds from sale of property, plant and equipment                                     |       | 1,682              | -                  |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 7(e)  | 3,877,575          | -                  |
| <b>Net cash inflows from investing activities</b>                                       |       | <b>9,791,589</b>   | <b>5,162,595</b>   |
| <b>Cash flows from financing activities</b>                                             |       |                    |                    |
| Proceeds from issue of shares, net of transaction costs                                 |       | -                  | 894,629            |
| Repayment of principal elements of leases                                               |       | (199,337)          | (256,545)          |
| <b>Net cash (outflows)/inflows from financing activities</b>                            |       | <b>(199,337)</b>   | <b>638,084</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                             |       | <b>4,817,251</b>   | <b>(1,040,184)</b> |
| Cash and cash equivalents at the beginning of the financial year                        |       | 1,615,034          | 2,653,590          |
| Effects of exchange rate changes on cash                                                |       | (29,487)           | 1,628              |
| <b>Cash and cash equivalents at end of year *</b>                                       |       | <b>6,402,798</b>   | <b>1,615,034</b>   |
| Non-cash financing and investing activities                                             | 11(b) |                    |                    |
| *Term deposits excluded from Cash and cash equivalents                                  |       | 7,700,000          | 16,800,000         |

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

| Note                                                | Contents                                            | Page |
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**Note 1 Significant changes in the current accounting period**

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% 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 continuation 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. Silex's 51% interest in GLE is accounted for as a joint venture which is further outlined in note 14 to these financial statements.

**Note 2 Segment information**

**(a) Description of segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. Management has determined that there are three operating segments based on the reports reviewed by Management and the Board of Directors to make strategic decisions. These segments are Silex Systems, Translucent and Silex USA. Silex Systems is based in New South Wales and Translucent and Silex USA are based in North Carolina.

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

The segment information provided to Management and the Board of Directors for the reportable segments for the year ended 30 June 2021 is as follows:

| 2021                                                                                        | Silex Systems<br>\$ | Translucent<br>\$ | Silex USA<br>\$    | Total<br>\$        |
|---------------------------------------------------------------------------------------------|---------------------|-------------------|--------------------|--------------------|
| Total segment revenue                                                                       | 1,507,256           | 1,619,261         | -                  | 3,126,517          |
| Inter-segment revenue                                                                       | (105,509)           | (953,133)         | -                  | (1,058,642)        |
| <b>Revenue from external customers</b>                                                      | <b>1,401,747</b>    | <b>666,128</b>    | <b>-</b>           | <b>2,067,875</b>   |
| <b>Segment result</b>                                                                       | <b>(3,791,942)</b>  | <b>663,353</b>    | <b>(3,798,679)</b> | <b>(6,927,268)</b> |
| <b>Other profit and loss disclosures</b>                                                    |                     |                   |                    |                    |
| Depreciation and amortisation                                                               | 312,332             | -                 | -                  | 312,332            |
| Interest expense                                                                            | 1,590               | -                 | -                  | 1,590              |
| Income tax expense                                                                          | -                   | -                 | -                  | -                  |
| Share of net loss of joint venture accounted for using the equity method                    | -                   | -                 | 2,125,072          | 2,125,072          |
| <b>Total segment assets</b>                                                                 | <b>15,422,737</b>   | <b>7,647,681</b>  | <b>971,408</b>     | <b>24,041,826</b>  |
| Total assets include:                                                                       |                     |                   |                    |                    |
| Additions to non-current assets (other than deferred tax and investments in joint ventures) | 372,253             | -                 | -                  | 372,253            |
| Amount invested in joint ventures accounted for using the equity method                     | -                   | -                 | 3,005,054          | 3,005,054          |
| <b>Total segment liabilities</b>                                                            | <b>1,961,692</b>    | <b>9,003</b>      | <b>-</b>           | <b>1,970,695</b>   |

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

**(c) Other segment information**

*(i) Segment revenue*

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

Silex is domiciled in Australia. Segment revenues are allocated based on the country in which the supplier is located. The amount of the Company's revenue from external customers in Australia is \$1,401,747 (2020: \$419,482) and the total segment revenue from external customers in the United States is \$666,128 (2020: \$581,724).

Translucent and Silex USA are domiciled in the United States.

*(ii) Segment result*

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

|                                                                | 2021<br>\$         | 2020<br>\$         |
|----------------------------------------------------------------|--------------------|--------------------|
| Segment result                                                 | (6,927,268)        | (7,805,182)        |
| <b>Net (loss) before income tax from continuing operations</b> | <b>(6,927,268)</b> | <b>(7,805,182)</b> |

*(iii) Segment assets*

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

The total of non-current assets located in Australia is \$340,635 (2020: \$270,816) and the total of these non-current assets located in the United States is \$954,224 (2020: \$48,422).

*(iv) Segment liabilities*

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

**Note 3 Revenue from continuing operations**

|                                            | 2021      | 2020      |
|--------------------------------------------|-----------|-----------|
|                                            | \$        | \$        |
| Recoverable project costs                  | 1,258,312 | -         |
| Royalty revenue - sale of cREO® technology | 666,128   | 581,724   |
|                                            | 1,924,440 | 581,724   |
| Interest revenue                           | 143,435   | 419,482   |
|                                            | 2,067,875 | 1,001,206 |

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

**(a) Revenue is recognised for the major business activities as follows:**

*(i) Recoverable project costs*

Project costs recoverable from GLE for the Company's costs incurred for the SILEX uranium enrichment development program is recorded as Revenue in the month when the related costs are incurred. Revenue recognised in advance is recognised as accrued income. Revenue is recognised at a point in time.

*(ii) Royalty revenue - sale of intellectual property – cREO® technology – accounting policy and significant judgements*

Variable consideration from the sale of Translucent's cREO® technology is required to be estimated in accordance with AASB 15 *Revenue from Contracts with Customers*. In accordance with the Option, License and Assignment Agreement signed with IQE Plc in 2015, IQE is required to make minimum royalty payments for the 6 years ending 31 December 2024. The second annual payment for US\$400,000, which was accrued in the year ended 30 June 2020, was invoiced and received during the year. The Company expects the third minimum annual royalty payment (US\$500,000) will be received in February 2022 and this was accrued during the year ended 30 June 2021. The variable consideration in the form of royalties relating to the sale of the cREO® technology is calculated using the most likely amount method. The revenue is currently recognised at a point in time and estimated at each reporting date.

*(iii) Interest income*

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

**(b) Disaggregation of revenues**

Revenues of \$1,258,312 (2020: \$nil) were derived from GLE for Recoverable project costs on the uranium enrichment project. GLE is based in the US. Royalty revenue of \$666,128 (2020: \$581,724) was derived from IQE Plc in relation to the sale of the cREO® technology. IQE Plc is based in Cardiff, United Kingdom.

**Note 4 Other income**

|                                                    | 2021      | 2020      |
|----------------------------------------------------|-----------|-----------|
|                                                    | \$        | \$        |
| Research and development tax incentive             | 1,087,674 | 841,144   |
| Cooperative Research Centres Project (CRC-P) Grant | 128,927   | 223,963   |
| Government Assistance – COVID-19 related           | 147,450   | 173,050   |
| Profit on sale of property, plant and equipment    | 1,682     | -         |
|                                                    | 1,365,733 | 1,238,157 |

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

(i) Research and development tax incentive income of \$1,087,674 (2020: \$841,144) was recognised as Other income by the Company during the year. The Company has met the conditions of the tax incentive.

(ii) CRC-P Grant income of \$128,927 (2020: \$223,963) was recognised during the year. The Company has met the conditions of the grant.

(iii) Government assistance income (COVID-19 related) in the form of JobKeeper and Cash Boost of \$147,450 (2020: \$173,050) was recognised during the year. JobKeeper and Cash Boost income was accounted for as government grants and disclosed as Other income in accordance with AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*. The Company has met the conditions of the government assistance programs.

**Note 5 Expenses**

|                                                                                          | 2021<br>\$ | 2020<br>\$ |
|------------------------------------------------------------------------------------------|------------|------------|
| Net (loss) from continuing operations before income tax includes the following expenses: |            |            |
| Depreciation of plant and equipment                                                      | 116,996    | 80,386     |
| Depreciation on right-of-use assets – refer note 9(b)                                    | 195,336    | 276,459    |
| Total depreciation and amortisation                                                      | 312,332    | 356,845    |
| Finance costs                                                                            |            |            |
| Interest and finance charges paid/payable                                                | 1,590      | 9,662      |
| Finance costs expensed                                                                   | 1,590      | 9,662      |
| Defined contribution superannuation expense                                              | 213,036    | 187,132    |
| Foreign exchange losses (net)                                                            | 219,823    | 82,194     |

**Note 6 Income tax expense**

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

|                                                                                         | 2021<br>\$  | 2020<br>\$  |
|-----------------------------------------------------------------------------------------|-------------|-------------|
| <b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>    |             |             |
| (Loss) before income tax expense                                                        | (6,927,268) | (7,805,182) |
| Income tax calculated @ 26.0% (2020 - 27.5%)                                            | (1,801,090) | (2,146,425) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |             |             |
| Share based payments                                                                    | 89,907      | 10,714      |
| (Loss) on disposal of financial assets at fair value through other comprehensive income | (92,112)    | -           |
| Research and development tax incentive                                                  | 344,791     | 308,570     |
| Other government assistance – COVID-19 related                                          | (9,750)     | (17,188)    |
| Sundry items                                                                            | 1,552       | 16,955      |
|                                                                                         | (1,466,702) | (1,827,374) |
| Net deferred tax asset not recognised                                                   | 1,388,319   | 1,666,964   |
| Effect of higher rates on overseas income                                               | 78,383      | 160,410     |
| <b>Income tax expense</b>                                                               | -           | -           |

The Australian Government enacted legislation during the year which reduces the corporate tax rate for certain small and medium entities from 27.5% to 26% for FY2021 and to 25% for FY2022 and later income years. The Company expects to qualify for this reduction. As a consequence, the Company has remeasured its deferred tax balances based on the effective tax rate that will apply in the year the temporary differences are expected to reverse.

|                                                                       | 2021<br>\$  | 2020<br>\$  |
|-----------------------------------------------------------------------|-------------|-------------|
| <b>(b) Tax losses</b>                                                 |             |             |
| Unused tax losses for which no deferred tax asset has been recognised | 179,171,210 | 177,880,377 |
| Potential tax benefit at tax rate                                     | 42,917,494  | 43,514,358  |

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

The benefit of a deferred tax asset will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

#### **Note 7 Assets**

This note provides information about the Company's assets.

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

|                          | 2021             | 2020      |
|--------------------------|------------------|-----------|
|                          | \$               | \$        |
| Cash at bank and on hand | <b>6,402,798</b> | 1,615,034 |

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

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

|               | 2021             | 2020       |
|---------------|------------------|------------|
|               | \$               | \$         |
| Bank deposits | <b>7,700,000</b> | 16,800,000 |

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

The bank deposits at 30 June 2021 earn interest at between 0.25% and 1.10% (2020: between 1.00% and 1.90%).

#### **Note 7(c) Trade and other receivables**

|                                                       | 2021             | 2020      |
|-------------------------------------------------------|------------------|-----------|
|                                                       | \$               | \$        |
| Trade receivables from contracts with customers       | <b>504,131</b>   | -         |
| Accrued royalty revenue from sale of cREO® technology | <b>666,128</b>   | 581,724   |
| Accrued income – other                                | <b>1,397,153</b> | 1,052,862 |
| Other receivables                                     | <b>74,563</b>    | 109,216   |
| Loss allowance                                        | <b>(13,323)</b>  | (11,634)  |
|                                                       | <b>2,628,652</b> | 1,732,168 |

#### **(i) Accrued royalty revenue from sale of cREO® technology**

This represents accrued consideration from the sale of cREO® technology (royalties).

#### **(ii) Other receivables**

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

#### **(iii) Accrued income - other**

Accrued income includes accrued research and development tax incentive, accrued COVID-19 related government assistance and accrued interest.

#### **(iv) Impairment of receivables**

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

**(v) Foreign exchange and interest rate risk**

Information concerning the Company's exposure to foreign currency in relation to trade and other receivables is provided in note 13.

**(vi) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. Refer note 13 for information on credit risk.

**Note 7(d) Current assets - Other current assets**

|             | 2021<br>\$ | 2020<br>\$ |
|-------------|------------|------------|
| Prepayments | 215,743    | 398,121    |

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

|                                       | 2021<br>\$ | 2020<br>\$ |
|---------------------------------------|------------|------------|
| <b>Level 1*</b>                       |            |            |
| Listed securities                     |            |            |
| Equity securities – shares in IQE Plc | 5,799,774  | 8,521,234  |

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

During the year, the Company sold 30% of its shares in IQE Plc and received \$3,877,575 (US\$3,018,722). The gain is included in Other comprehensive income. Refer also to point (ii) below.

**(i) Classification and measurement of financial assets at fair value through other comprehensive income**

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

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

**(ii) Amounts recognised in Other comprehensive income**

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

|                                                                              | 2021<br>\$ | 2020<br>\$  |
|------------------------------------------------------------------------------|------------|-------------|
| Profits/(losses) recognised in Other comprehensive income (refer note 10(b)) | 2,015,407  | (1,926,619) |

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

|                                | Plant and<br>equipment<br>\$ | Motor vehicles<br>\$ | Total<br>\$ |
|--------------------------------|------------------------------|----------------------|-------------|
| <b>At 30 June 2019</b>         |                              |                      |             |
| Cost                           | 929,506                      | 53,613               | 983,119     |
| Accumulated depreciation       | (831,204)                    | (37,991)             | (869,195)   |
| Net book amount                | 98,302                       | 15,622               | 113,924     |
| <b>Year ended 30 June 2020</b> |                              |                      |             |
| Opening net book amount        | 98,302                       | 15,622               | 113,924     |
| Exchange differences           | -                            | 557                  | 557         |
| Additions                      | 222,691                      | 14,714               | 237,405     |
| Disposals                      | -                            | -                    | -           |
| Depreciation charge            | (70,126)                     | (10,260)             | (80,386)    |
| Closing net book value         | 250,867                      | 20,633               | 271,500     |
| <b>At 30 June 2020</b>         |                              |                      |             |
| Cost                           | 1,152,197                    | 69,190               | 1,221,387   |
| Accumulated depreciation       | (901,330)                    | (48,557)             | (949,887)   |
| Net book amount                | 250,867                      | 20,633               | 271,500     |
| <b>Year ended 30 June 2021</b> |                              |                      |             |
| Opening net book amount        | 250,867                      | 20,633               | 271,500     |
| Exchange differences           | -                            | (554)                | (554)       |
| Additions                      | 182,614                      | -                    | 182,614     |
| Disposals                      | -                            | -                    | -           |
| Depreciation charge            | (107,373)                    | (9,623)              | (116,996)   |
| Closing net book value         | 326,108                      | 10,456               | 336,564     |
| <b>At 30 June 2021</b>         |                              |                      |             |
| Cost                           | 1,330,804                    | 54,535               | 1,385,339   |
| Accumulated depreciation       | (1,004,696)                  | (44,079)             | (1,048,775) |
| Net book amount                | 326,108                      | 10,456               | 336,564     |

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

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

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

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

The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 23(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

#### **Note 7(g) Deferred tax assets**

|                                                                                    | 2021         | 2020         |
|------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                    | \$           | \$           |
| The balance comprises temporary differences attributable to:                       |              |              |
| <i>Amounts recognised in profit or loss</i>                                        |              |              |
| Provision for employee entitlements, warranties, restructuring and decommissioning | 202,131      | 201,731      |
| Depreciation and amortisation                                                      | 11,198       | 8,151        |
| Payables not deductible                                                            | 572,839      | 1,285,229    |
| Financial assets at fair value through other comprehensive income                  | -            | 189,920      |
| Lease liabilities                                                                  | 9,601        | 12,507       |
| Deferred grant income                                                              | 3,645        | 1,697        |
| Credit losses                                                                      | 3,131        | 2,734        |
| Tax losses                                                                         | 42,917,494   | 43,514,358   |
|                                                                                    | 43,720,039   | 45,216,327   |
| Set-off deferred tax liabilities pursuant to set-off provisions                    | (2,271,892)  | (3,296,473)  |
| Net deferred tax assets not recognised*                                            | (41,448,147) | (41,919,854) |
| Net deferred tax assets                                                            | -            | -            |

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

#### **Note 8 Liabilities**

This note provides information about the Company's liabilities.

##### **Note 8(a) Trade and other payables**

|                                                               | 2021      | 2020      |
|---------------------------------------------------------------|-----------|-----------|
|                                                               | \$        | \$        |
| Trade creditors                                               | 298,426   | 512,221   |
| Unearned income                                               | 614,578   | 306,526   |
| Derivative financial instruments - forward exchange contracts | -         | 91,269    |
| Other payables                                                | 210,763   | 185,585   |
|                                                               | 1,123,767 | 1,095,601 |

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

**(i) Amounts not expected to be settled within the next 12 months**

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

|                                                                         | 2021<br>\$   | 2020<br>\$ |
|-------------------------------------------------------------------------|--------------|------------|
| Current annual leave obligations expected to be settled after 12 months | <b>8,735</b> | 1,535      |

**(ii) Risk exposure**

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

**Note 8(b) Provisions**

|                                        | Current<br>\$  | 2021<br>Non-current<br>\$ | Total<br>\$    | Current<br>\$ | 2020<br>Non-current<br>\$ | Total<br>\$ |
|----------------------------------------|----------------|---------------------------|----------------|---------------|---------------------------|-------------|
| Employee benefits - long service leave | <b>584,663</b> | <b>37,780</b>             | <b>622,443</b> | 564,747       | 25,059                    | 589,806     |
| Warranty provision                     | <b>146,081</b> | -                         | <b>146,081</b> | 146,081       | -                         | 146,081     |
| Make good provision                    | <b>40,000</b>  | -                         | <b>40,000</b>  | 40,000        | -                         | 40,000      |
|                                        | <b>770,744</b> | <b>37,780</b>             | <b>808,524</b> | 750,828       | 25,059                    | 775,887     |

**(i) Amounts not expected to be settled within the next 12 months**

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

|                                                                               | 2021<br>\$     | 2020<br>\$ |
|-------------------------------------------------------------------------------|----------------|------------|
| Current long service leave obligations expected to be settled after 12 months | <b>537,889</b> | 508,272    |

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

|                                      | Warranty<br>\$ |
|--------------------------------------|----------------|
| Carrying amount at start of the year | 146,081        |
| Carrying amount at end of the year   | 146,081        |

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

|                                      | Make good<br>\$ |
|--------------------------------------|-----------------|
| Carrying amount at start of the year | 40,000          |
| Carrying amount at end of the year   | 40,000          |

The Company is required to restore its leased premises under the terms of the lease contracts. A provision has been recognised for the present value of the estimated expenditure required to meet these obligations.

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

|                                                                   | 2021<br>\$         | 2020<br>\$         |
|-------------------------------------------------------------------|--------------------|--------------------|
| The balance comprising temporary differences attributable to:     |                    |                    |
| Foreign currency cash balances and loans                          | 1,635,158          | 3,098,902          |
| Financial assets at fair value through other comprehensive income | 382,896            | -                  |
| Right-of-use assets                                               | 10,510             | 12,412             |
| Accrued income                                                    | 243,328            | 185,159            |
|                                                                   | <u>2,271,892</u>   | <u>3,296,473</u>   |
| Set off deferred tax liabilities pursuant to set-off provisions   | <u>(2,271,892)</u> | <u>(3,296,473)</u> |
| Net deferred tax liabilities                                      | <u>-</u>           | <u>-</u>           |

**Note 9 Leases**

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

**Note 9(a) Amounts recognised in the balance sheet**

The balance sheet shows the following amounts relating to leases:

|                            | 2021<br>\$    | 2020<br>\$    |
|----------------------------|---------------|---------------|
| <b>Right-of-use assets</b> |               |               |
| Buildings                  | 37,940        | 41,177        |
| Equipment                  | 4,101         | 6,561         |
|                            | <u>42,041</u> | <u>47,738</u> |
| <b>Lease liabilities</b>   |               |               |
| Current                    | 36,613        | 43,755        |
| Non-current                | 1,791         | 4,347         |
|                            | <u>38,404</u> | <u>48,102</u> |

Additions to the right-of-use assets during the current year were \$189,639 (2020: \$49,412).

**Note 9(b) Amounts recognised in the income statement**

The income statement shows the following amounts related to leases:

|                                                   | 2021             | 2020           |
|---------------------------------------------------|------------------|----------------|
|                                                   | \$               | \$             |
| <b>Depreciation charge on right-of-use assets</b> |                  |                |
| Buildings                                         | 192,876          | 273,998        |
| Equipment                                         | 2,460            | 2,461          |
|                                                   | <b>195,336</b>   | <b>276,459</b> |
| <br>Interest expense (included in finance costs)  | <br><b>1,590</b> | <br>8,995      |
| (Credit) for rent abatement during COVID-19*      | -                | (45,310)       |

\* Included in other expenses from continuing operations

The total cash outflows for leases during the current year was \$200,827 (2020: \$265,540).

**Note 9(c) The Company's leasing activities and how these are accounted for**

The Company leases buildings and equipment. Rental contracts are generally for fixed periods of 1 year to 3 years but may have extension options. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

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

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

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

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

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

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

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

In response to the effects of COVID-19, the landlord of the Company's Lucas Heights facility graciously granted some rent relief during the current and prior year. In the current year, this has been reflected as a reduction in Depreciation and amortisation expense.

**Note 10 Equity**

The note provides information about the Company's equity.

**Note 10(a) Contributed equity**

|                          | Parent entity      |             | Parent entity      |             |
|--------------------------|--------------------|-------------|--------------------|-------------|
|                          | 2021               | 2020        | 2021               | 2020        |
|                          | Shares             | Shares      | \$                 | \$          |
| <b>(i) Share capital</b> |                    |             |                    |             |
| Ordinary shares          |                    |             |                    |             |
| Fully paid               | <b>172,767,339</b> | 172,767,339 | <b>232,645,003</b> | 232,645,003 |

**(ii) Movements in ordinary share capital**

| Date           | Details                                       | Number of shares   | Issue Price \$ | \$                 |
|----------------|-----------------------------------------------|--------------------|----------------|--------------------|
| 30 June 2019   | Balance                                       | <b>170,467,339</b> |                | <b>231,750,374</b> |
| 7 January 2020 | Issue of shares                               | 2,300,000          | \$0.3913       | 900,000            |
| 7 January 2020 | Less transaction costs arising on share issue | N/A                |                | (5,371)            |
| 30 June 2020   | Balance                                       | <b>172,767,339</b> |                | <b>232,645,003</b> |
| 30 June 2021   | Balance                                       | <b>172,767,339</b> |                | <b>232,645,003</b> |

**(iii) Ordinary shares**

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**(iv) Options**

Information relating to the Silex Systems Limited Employee Incentive Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 19.

**(v) Capital risk management**

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares.

**Note 10(b) Reserves**

|                                                             | 2021<br>\$        | 2020<br>\$        |
|-------------------------------------------------------------|-------------------|-------------------|
| Foreign currency translation reserve                        | (662,095)         | 166,915           |
| Revaluation - Fair value through other comprehensive income | 555,651           | (1,459,756)       |
| Transactions with non-controlling interests                 | (2,906,913)       | (2,906,913)       |
| Share-based payments reserve                                | 15,015,616        | 14,669,819        |
|                                                             | <b>12,002,259</b> | <b>10,470,065</b> |

**Movements in reserves:**

|                                                                      | 2021<br>\$       | 2020<br>\$     |
|----------------------------------------------------------------------|------------------|----------------|
| <b>Foreign currency translation reserve</b>                          |                  |                |
| Balance at the beginning of the financial year                       | 166,915          | (63,317)       |
| Net exchange differences on translation of foreign controlled entity | (829,010)        | 230,232        |
| Balance at the end of the financial year                             | <b>(662,095)</b> | <b>166,915</b> |

|                                                                    | 2021<br>\$     | 2020<br>\$         |
|--------------------------------------------------------------------|----------------|--------------------|
| <b>Revaluation - Fair value through other comprehensive income</b> |                |                    |
| Balance at the beginning of the financial year                     | (1,459,756)    | 466,863            |
| Differences on revaluation                                         | 2,015,407      | (1,926,619)        |
| Balance at the end of the financial year                           | <b>555,651</b> | <b>(1,459,756)</b> |

|                                                    | 2021<br>\$         | 2020<br>\$         |
|----------------------------------------------------|--------------------|--------------------|
| <b>Transactions with non-controlling interests</b> |                    |                    |
| Balance at the beginning of the financial year     | (2,906,913)        | (2,906,913)        |
| Balance at the end of the financial year           | <b>(2,906,913)</b> | <b>(2,906,913)</b> |

|                                                | 2021<br>\$        | 2020<br>\$        |
|------------------------------------------------|-------------------|-------------------|
| <b>Share-based payments reserve</b>            |                   |                   |
| Balance at the beginning of the financial year | 14,669,819        | 14,630,860        |
| Share-based payment expense                    | 345,797           | 38,959            |
| Balance at the end of the financial year       | <b>15,015,616</b> | <b>14,669,819</b> |

**Nature and purpose of reserves:**

**(i) Foreign currency translation reserve**

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

**(ii) Revaluation – Fair value through other comprehensive income**

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

**(iii) Transactions with non-controlling interests**

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

**(iv) Share-based payments reserve**

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of deferred shares (i.e., performance rights) granted to employees but, not yet vested; and
- the grant date fair value of shares to be issued.

**Note 10(c) Accumulated losses**

|                                                             | 2021<br>\$    | 2020<br>\$    |
|-------------------------------------------------------------|---------------|---------------|
| Accumulated losses at the beginning of the financial year   | (215,648,863) | (207,843,681) |
| Net (loss) attributable to members of Silex Systems Limited | (6,927,268)   | (7,805,182)   |
| Accumulated losses at the end of the financial year         | (222,576,131) | (215,648,863) |

**Note 11 Cash flow information**

|                                                                                                           | 2021<br>\$  | 2020<br>\$  |
|-----------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>(a) Reconciliation of net (loss) after income tax to net cash (outflows) from operating activities</b> |             |             |
| Net (loss) after income tax                                                                               | (6,927,268) | (7,805,182) |
| Depreciation and amortisation                                                                             | 312,332     | 356,845     |
| Non cash employee benefits expense - share based payments                                                 | 345,797     | 38,959      |
| (Profit) on sale of plant and equipment                                                                   | (1,682)     | -           |
| Net exchange differences                                                                                  | 24,051      | 32,322      |
| Share of net losses of joint venture                                                                      | 2,125,072   | -           |
| Decrease/(increase) in prepayments and other current assets                                               | 182,378     | (8,527)     |
| (Increase) in trade and other debtors                                                                     | (467,789)   | (93,422)    |
| (Increase)/decrease in accrued income - other                                                             | (428,695)   | 249,832     |
| Increase in trade and other creditors                                                                     | 28,166      | 376,264     |
| Increase in provisions                                                                                    | 32,637      | 12,046      |
| Net cash (outflows) from operating activities                                                             | (4,775,001) | (6,840,863) |

**(b) Non-cash investing and financing activities**

Details regarding Non-cash investing and financing activities are disclosed in other notes. The acquisition of right-of-use assets is detailed in note 9 and options and rights issued under the Silex Systems Limited Employee Incentive Plan in note 19.

**Note 12 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The area involving significant estimates or judgements is the recognition of variable consideration (in the form of revenue royalties) from the sale of the cREO® technology (note 3).

**Note 13 Financial risk management**

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

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

**(a) Derivatives**

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

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

**(b) Market risk**

*(i) Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

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

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

|                                                   | 2021<br>AUD | 2020<br>AUD |
|---------------------------------------------------|-------------|-------------|
| Cash and cash equivalents                         | 4,041,384   | 321,894     |
| Trade and other receivables                       | 616,378     | -           |
| Forward exchange contracts - buy foreign currency | -           | 872,586     |

Profit or loss is sensitive to the value of the AUD compared to the USD.

|                           | Impact on post-tax profit |           | Impact on other components of equity |           |
|---------------------------|---------------------------|-----------|--------------------------------------|-----------|
|                           | 2021                      | 2020      | 2021                                 | 2020      |
|                           | \$                        | \$        | \$                                   | \$        |
| AUD/USD - increase by 15% | (607,534)                 | (155,802) | (607,534)                            | (155,802) |
| AUD/USD - decrease by 15% | 821,958                   | 210,791   | 821,958                              | 210,791   |

The Company owns shares in IQE Plc, a UK based company, resulting from the Option, License and Assignment Agreement signed in September 2015. IQE's shares are listed on the London Stock Exchange (GBP currency) (AIM: IQE). The impact of an increase or decrease in the AUD/GBP would not impact post-tax profits as it is accounted for in Other comprehensive income. The impact of a 15% increase in the AUD/GBP would decrease other components of equity by \$756,492 (2020: \$1,111,465) and a 15% decrease in the AUD/GBP would increase other components of equity by \$1,023,490 (2020: \$1,503,747).

*(ii) Cash flow and fair value interest rate risk*

As the Company has interest-bearing assets, the Company's income and operating cash flows are influenced by changes in market interest rates. Company policy is to maintain the majority of cash and cash equivalents at fixed rates by the use of term deposits.

The Company manages its cash flow interest rate risk by having a spread of maturity dates with different institutions.

As at the reporting date, the Company had the following variable interest rate cash and cash equivalents:

|                           | 30 June 2021                     |            | 30 June 2020                     |            |
|---------------------------|----------------------------------|------------|----------------------------------|------------|
|                           | Weighted average interest rate % | Balance \$ | Weighted average interest rate % | Balance \$ |
| Cash and cash equivalents | -                                | -          | 0.41%                            | 1,244,867  |

Profit or loss is sensitive to higher / lower interest income from cash and cash equivalents as a result of changes in interest rates.

|                                   | Impact on post-tax profit |          | Impact on other components of equity |          |
|-----------------------------------|---------------------------|----------|--------------------------------------|----------|
|                                   | 2021                      | 2020     | 2021                                 | 2020     |
|                                   | \$                        | \$       | \$                                   | \$       |
| Interest rates - increase by 1.0% | -                         | 22,526   | -                                    | 22,526   |
| Interest rates - decrease by 1.0% | -                         | (22,526) | -                                    | (22,526) |

*(iii) Price risk*

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

The impact of an increase or decrease in the IQE share price would not impact post-tax profits as it is accounted for in Other comprehensive income. The impact of a 10% increase in IQE's share price would increase other components of equity by \$579,977 (2020: \$852,123) and a 10% decrease in IQE's share price would reduce other components of equity by \$579,977 (2020: \$852,123). The impact of a 20% increase in IQE's share price would increase other components of equity by \$1,159,955 (2020: \$1,704,247) and a 20% decrease in IQE's share price would reduce other components of equity by \$1,159,955 (2020: \$1,704,247).

**(c) Credit risk**

Credit risk arises from cash and cash equivalents, term deposits, contract assets and receivables. The Company has a concentration of credit risk with its main receipts in recent years coming from IQE Plc (in relation to the licensing and sale of the cREO® technology), banks (interest income), government (Research and development tax incentive, CRC-P grant and COVID-19 related assistance), and more recently Recoverable project costs from GLE.

The Company has policies in place to ensure that transactions are with entities with an appropriate credit history. For banks and financial institutions, only independently rated parties with a minimum rating as approved by the Board are accepted. Cash transactions are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution. As the Company holds a 51% interest in GLE, the credit risk is mitigated.

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

*Impairment of financial assets*

While cash and cash equivalents are subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial. All of the Company's term deposits (disclosed under AASB 9 as Other financial assets at amortised cost) are considered to have low credit risk given the credit ratings of the bank where the deposits are held. The Company has reviewed the credit ratings and corporate default rates of the various banks by credit rating agencies. Applying the expected credit loss model, the identified impairment loss was immaterial at 30 June 2021 and 30 June 2020.

|                                                                                               | 2021<br>\$        | 2020<br>\$        |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Cash and cash equivalents and other financial assets at amortised cost – term deposits</b> |                   |                   |
| ANZ Banking Group Limited                                                                     | 5,617,682         | 4,463,692         |
| National Australia Bank                                                                       | 4,000,000         | 5,000,000         |
| Bendigo and Adelaide Bank Limited                                                             | -                 | 2,500,000         |
| Bank of Queensland                                                                            | 3,500,000         | 6,100,000         |
| Bank of America                                                                               | 985,116           | 351,342           |
|                                                                                               | <b>14,102,798</b> | <b>18,415,034</b> |

Trade and other receivables are also subject to the expected credit loss model. Impairment losses for accrued interest revenue and accrued Research and development tax incentive were also immaterial at 30 June 2021 (and at 30 June 2020) after reviewing the credit ratings of the various banks (interest) and the Federal Government (Research and development tax incentive).

The Company also had accrued royalty revenue at 30 June 2021 of \$666,128 from the sale of the Company's cREO® technology (2020: \$581,724). The accrued royalty revenue relates to minimum royalties for the year ended 31 December 2021 (2020: year ended 31 December 2020). The amount for the current year is expected to be invoiced in January 2022 with payment due in February 2022. Using a 2.0% expected credit loss rate to this current balance, a loss allowance of \$13,323 was booked at 30 June 2021 (2020: 2.0% for \$11,634).

**(d) Liquidity risk**

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

*Financing arrangements*

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

|                                                                            | 2021<br>\$     | 2020<br>\$     |
|----------------------------------------------------------------------------|----------------|----------------|
| Floating rate                                                              |                |                |
| - Expiring within one year (documentary credit facility and visa facility) | 200,000        | 200,000        |
|                                                                            | <b>200,000</b> | <b>200,000</b> |

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

*Maturities of financial liabilities*

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

|                                       | Less<br>than 6<br>months<br>\$ | 6-12 months<br>\$ | Between 1<br>and 2 years<br>\$ | Between 2<br>and 5 years<br>\$ | Over 5<br>years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>Amounts<br>(assets)/<br>liabilities<br>\$ |
|---------------------------------------|--------------------------------|-------------------|--------------------------------|--------------------------------|-----------------------|------------------------------------------|-------------------------------------------------------|
| <b>At 30 June 2021</b>                |                                |                   |                                |                                |                       |                                          |                                                       |
| <b>Non-derivatives</b>                |                                |                   |                                |                                |                       |                                          |                                                       |
| Non-interest bearing                  | 389,409                        | -                 | -                              | -                              | -                     | 389,409                                  | 389,409                                               |
| Lease liabilities                     | 20,759                         | 16,882            | 1,832                          | -                              | -                     | 39,473                                   | 38,404                                                |
| Fixed rate                            | -                              | -                 | -                              | -                              | -                     | -                                        | -                                                     |
| Total non-derivatives                 | 410,168                        | 16,882            | 1,832                          | -                              | -                     | 428,882                                  | 427,813                                               |
| <b>Derivatives</b>                    |                                |                   |                                |                                |                       |                                          |                                                       |
| Forward foreign exchange<br>contracts | -                              | -                 | -                              | -                              | -                     | -                                        | -                                                     |
|                                       | -                              | -                 | -                              | -                              | -                     | -                                        | -                                                     |
|                                       | Less than<br>6 months<br>\$    | 6-12 months<br>\$ | Between 1<br>and 2 years<br>\$ | Between 2<br>and 5 years<br>\$ | Over 5<br>years<br>\$ | Total<br>contractual<br>cash flows<br>\$ | Carrying<br>Amounts<br>(assets)/<br>liabilities<br>\$ |
| <b>At 30 June 2020</b>                |                                |                   |                                |                                |                       |                                          |                                                       |
| <b>Non-derivatives</b>                |                                |                   |                                |                                |                       |                                          |                                                       |
| Non-interest bearing                  | 655,426                        | -                 | -                              | -                              | -                     | 655,426                                  | 655,426                                               |
| Lease liabilities                     | 26,758                         | 18,296            | 2,748                          | 1,832                          | -                     | 49,634                                   | 48,102                                                |
| Fixed rate                            | -                              | -                 | -                              | -                              | -                     | -                                        | -                                                     |
| Total non-derivatives                 | 682,184                        | 18,296            | 2,748                          | 1,832                          | -                     | 705,060                                  | 703,528                                               |
| <b>Derivatives</b>                    |                                |                   |                                |                                |                       |                                          |                                                       |
| Forward foreign exchange<br>contracts | 91,269                         | -                 | -                              | -                              | -                     | 91,269                                   | 91,269                                                |
|                                       | 91,269                         | -                 | -                              | -                              | -                     | 91,269                                   | 91,269                                                |

**(e) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

**Note 14 Interests in other entities**

**(a) Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 23(b).

| Name of entity                         | Place of business/country of incorporation | Class of shares | 2021 %        | 2020 %        |
|----------------------------------------|--------------------------------------------|-----------------|---------------|---------------|
| Translucent Inc                        | USA                                        | Ordinary        | 100.0%        | 100.0%        |
|                                        |                                            | <b>Total</b>    | <b>100.0%</b> | <b>100.0%</b> |
| ChronoLogic Pty Ltd*                   | Australia                                  | Ordinary        | N/A           | 79.6%         |
|                                        |                                            | Preference      | N/A           | 100.0%        |
|                                        |                                            | <b>Total</b>    | <b>N/A</b>    | <b>90.0%</b>  |
| Silex USA LLC                          | USA                                        | Interest        | 100%          | 100%          |
|                                        |                                            | <b>Total</b>    | <b>100%</b>   | <b>100%</b>   |
| Global Laser Enrichment Holdings LLC** | USA                                        | Interest        | N/A           | 100%          |
|                                        |                                            | <b>Total</b>    | <b>N/A</b>    | <b>100%</b>   |

\* ChronoLogic Pty Ltd was deregistered in September 2020.

\*\* Global Laser Enrichment Holdings LLC (GLE Holdco) was incorporated on 13 February 2020 as a subsidiary of Silex USA LLC for the purpose of for the purposes of acquiring a 51% interest in GLE on behalf of Silex Systems Limited. On 31 January 2021, Cameco Corporation indirectly acquired a 49% interest in Global Laser Enrichment Holdings LLC reducing Silex's interest to 51%. In addition, Global Laser Enrichment Holdings LLC acquired a 100% interest in GLE on 31 January 2021. From 31 January 2021, Global Laser Enrichment Holdings LLC has become a joint venture for the Company.

**(b) Interests in joint ventures**

Set out below are details of the GLE Holdco joint venture as at 30 June 2021 which is material to the Company:

| Name of entity                        | Place of business/country of incorporation | % of ownership interest |       | Nature of relationship | Measurement method | Carrying amount |      |
|---------------------------------------|--------------------------------------------|-------------------------|-------|------------------------|--------------------|-----------------|------|
|                                       |                                            | 2021                    | 2020  |                        |                    | 2021            | 2020 |
| Global Laser Enrichment Holdings LLC* | USA                                        | 51%                     | 100%* | Joint venture          | Equity method      | 916,254         | -    |

\*Global Laser Enrichment Holdings LLC (GLE Holdco) was a subsidiary at 30 June 2020. It became a joint venture on 31 January 2021. Immediately prior to becoming a joint venture, GLE Holdco had \$nil net assets therefore no gain or loss was required to be booked following Cameco's acquisition of its 49% interest.

GLE Holdco acquired Global Laser Enrichment LLC (GLE) on 31 January 2021. GLE holds the exclusive worldwide license to commercialise the SILEX technology for uranium enrichment. GLE's current focus is to complete the full-scale demonstration of the technology utilising a pilot plant currently being built in Wilmington, NC.

*(i) Significant judgement: existence of joint control*

In accordance with the Amended and Restated Limited Liability Company Agreement of GLE Holdco, decisions of the Governing Board are based on the voting of percentage of interests held by the GLE Holdco Board Members. Silex's Governing Board Members hold 51% interest and the Cameco Governing Board Members, 49%. The affirmative vote of Governing Board members representing greater than 51% of the total percentage interests is required for an affirmative vote. Therefore, Silex has joint control of GLE Holdco with Cameco.

(ii) *Commitments and contingent liabilities in respect of the GLE Holdco joint venture*

|                                                                                  | 2021      | 2020 |
|----------------------------------------------------------------------------------|-----------|------|
|                                                                                  | \$        | \$   |
| <i>Commitments - joint ventures</i>                                              |           |      |
| Commitment to provide funding for joint venture's capital commitments, if called | 3,717,586 | -    |
| <i>Contingent liabilities - joint venture</i>                                    |           |      |
| Share of joint venture's contingent liabilities                                  | -         | -    |

(iii) *Summarised financial information for GLE Holdco joint venture*

The tables below provide summarised financial information for the GLE Holdco joint venture. The information disclosed reflects the amounts presented in the financial statements of GLE Holdco and not Silex's share of those amounts. The information has been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

**Summarised balance sheet**

|                                                  | 2021      | 2020 |
|--------------------------------------------------|-----------|------|
|                                                  | \$        | \$   |
| <b>Current assets</b>                            |           |      |
| Cash and cash equivalents                        | 3,486,276 | -    |
| Other current assets                             | 305,190   | -    |
| <b>Total current assets</b>                      | 3,791,466 | -    |
| <b>Non-current assets</b>                        | 7,423,570 | -    |
| <b>Current liabilities</b>                       |           |      |
| Financial liabilities (excluding trade payables) | 720,889   | -    |
| Other current liabilities                        | 1,729,474 | -    |
| <b>Total current liabilities</b>                 | 2,450,363 | -    |
| <b>Non-current liabilities</b>                   |           |      |
| Financial liabilities (excluding trade payables) | 6,961,436 | -    |
| Other current liabilities                        | 6,661     | -    |
| <b>Total non-current liabilities</b>             | 6,968,097 | -    |
| <b>Net assets</b>                                | 1,796,576 | -    |

|                                           | 2021        | 2020 |
|-------------------------------------------|-------------|------|
|                                           | \$          | \$   |
| <b>Reconciliation to carrying amounts</b> |             |      |
| Opening net assets                        | -           | -    |
| Additional capital contributed            | 5,895,282   | -    |
| (Loss) for the period                     | (4,166,808) | -    |
| Other comprehensive income                | 68,102      | -    |
| <b>Closing net assets</b>                 | 1,796,576   | -    |
| <br>Company's share in %                  | 51%         | 100% |
| Company's share in \$                     | 916,254     | -    |
| Carrying amount                           | 916,254     | -    |

|                                                     | 2021               | 2020 |
|-----------------------------------------------------|--------------------|------|
|                                                     | \$                 | \$   |
| <b>Summarised statement of comprehensive income</b> |                    |      |
| Revenue                                             | -                  | -    |
| Interest income                                     | -                  | -    |
| Depreciation and amortisation                       | 440,407            | -    |
| Interest expense                                    | 62,928             | -    |
| Income tax expense                                  | -                  | -    |
| <b>(Loss) from continuing operations</b>            | <b>(4,166,808)</b> | -    |
| <b>(Loss) for the period</b>                        | <b>(4,166,808)</b> | -    |
| Other comprehensive income                          | 68,102             | -    |
| <b>Total comprehensive income</b>                   | <b>(4,098,706)</b> | -    |

**(c) Transactions with non-controlling interests**

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

**Note 15 Contingent liabilities**

At 30 June 2020, a contingent liability of US\$1 million was disclosed in relation to a potential termination fee if Silex terminated the Membership Interest Purchase Agreement (MIPA) without cause. Following completion of the GLE acquisition on 31 January 2021 this contingent liability no longer exists. Refer also to note 14 for details of the Company's interest in GLE.

**Note 16 Commitments for expenditure and guarantees**

The Company did not have any Capital expenditure contracted at the reporting date that was not recognised as liabilities (2020: \$nil). The Company has not provided any guarantees as at 30 June 2021 (2020: \$nil).

**Note 17 Events occurring after reporting date**

There continues to be significant uncertainty associated with the potential impacts of the COVID-19 pandemic. The Company continues to review the evolving COVID-19 situation in line with NSW Government advice. Consideration with respect to the continuing impact of the pandemic is ongoing.

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to in this report.

**Note 18 Related party transactions**

**(a) Subsidiaries**

Interests in subsidiaries are set out in note 14(a).

**(b) Key management personnel compensation**

|                              | 2021             | 2020             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,160,370        | 1,170,172        |
| Post-employment benefits     | 68,221           | 65,363           |
| Long-term benefits           | 24,503           | (97,767)         |
| Share-based payments         | 116,612          | 12,288           |
|                              | <u>1,369,706</u> | <u>1,150,056</u> |

**(c) Transactions with other related parties**

The following transactions occurred with related parties:

|                                                              | 2021           | 2020           |
|--------------------------------------------------------------|----------------|----------------|
|                                                              | \$             | \$             |
| Contributions to superannuation funds on behalf of employees | <u>225,136</u> | <u>197,732</u> |

**Note 19 Share-based payments**

**(a) Silex Systems Limited Employee Incentive Plan**

The Silex Systems Limited Employee Incentive Plan (the Plan) was established in May 2019 by a resolution of the Silex Board and was approved by Shareholders at the 2019 Annual General Meeting. All full-time and part-time staff and executive directors of the consolidated entity are eligible to participate in the Plan. The Company established the Plan to encourage employees to share in the ownership of the Company, to promote the long-term success of the Company as a goal shared by all employees. In accordance with the Plan, an award of options, performance rights or exempt share awards may be granted.

Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

**(b) Options**

Under the Plan, options issued were granted for no consideration. The options were granted for a five-year period and become exercisable after three years of the date of the grant. The options lapse if the holder ceases to be an eligible employee other than by reason of death or permanent disablement, unless the Board determines otherwise in its absolute discretion. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the volume weighted average price at which the Company's shares are traded on the Australian Stock Exchange for the 10-trading days before the options are granted or for the 10-trading days preceding a Board resolution to grant options. Amounts received on the exercise of options are recognised as share capital.

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

**Consolidated and parent entity - 2021**

| Grant date                      | Expiry date | Exercise price (cents) | Balance at start of year (Number) | Issued during the year (Number) | Lapsed/forfeited during the year (Number) | Exercised during the year (Number) | Balance at end of the year (Number) | Exercisable at the end of the year (Number) |
|---------------------------------|-------------|------------------------|-----------------------------------|---------------------------------|-------------------------------------------|------------------------------------|-------------------------------------|---------------------------------------------|
| 21/5/2019                       | 20/05/2024  | 35                     | 500,000                           | -                               | -                                         | -                                  | 500,000                             | -                                           |
| 2/12/2019                       | 01/12/2024  | 35                     | 100,000                           | -                               | -                                         | -                                  | 100,000                             | -                                           |
| 01/04/2020                      | 31/03/2025  | 21                     | 660,000                           | -                               | -                                         | -                                  | 660,000                             | -                                           |
| 23/11/2020                      | 22/11/2025  | 57                     | -                                 | 150,000                         | -                                         | -                                  | 150,000                             | -                                           |
| 24/03/2021                      | 23/03/2026  | 120                    | -                                 | 1,000,000                       | -                                         | -                                  | 1,000,000                           | -                                           |
|                                 |             |                        | <u>1,260,000</u>                  | <u>1,150,000</u>                | <u>-</u>                                  | <u>-</u>                           | <u>2,410,000</u>                    | <u>-</u>                                    |
| Weighted average exercise price |             |                        | \$0.28                            | \$1.12                          | -                                         | -                                  | \$0.68                              | -                                           |

**Consolidated and parent entity – 2020**

| Grant date | Expiry date | Exercise price (cents) | Balance at start of year (Number) | Issued during the year (Number) | Lapsed/ forfeited during the year (Number) | Exercised during the year (Number) | Balance at end of the year (Number) | Exercisable at the end of the year (Number) |
|------------|-------------|------------------------|-----------------------------------|---------------------------------|--------------------------------------------|------------------------------------|-------------------------------------|---------------------------------------------|
| 21/5/2019  | 20/05/2024  | 35                     | 500,000                           | -                               | -                                          | -                                  | 500,000                             | -                                           |
| 2/12/2019  | 01/12/2024  | 35                     | -                                 | 100,000                         | -                                          | -                                  | 100,000                             | -                                           |
| 01/04/2020 | 31/03/2025  | 21                     | -                                 | 660,000                         | -                                          | -                                  | 660,000                             | -                                           |
|            |             |                        | 500,000                           | 760,000                         | -                                          | -                                  | 1,260,000                           | -                                           |

|                                 |        |        |   |   |        |   |
|---------------------------------|--------|--------|---|---|--------|---|
| Weighted average exercise price | \$0.35 | \$0.23 | - | - | \$0.28 | - |
|---------------------------------|--------|--------|---|---|--------|---|

The market price of shares under option at 30 June 2021 was \$0.90 (2020: \$0.78). The weighted average remaining contractual life of share options outstanding at the end of the period was 4.0 years (2020: 4.4 years).

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

**Fair value of options granted**

The assessed fair value at grant date of options was \$0.306 for the options issued 23 November 2020 and \$0.671 for the options issued 24 March 2021 (2020: \$0.159 for the options issued 2 December 2019 and \$0.145 for the options issued 1 April 2020). The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2021 (with the 23 November 2020 issue listed first and the 24 March 2021 issue listed second) included:

- (i) Options are granted for no consideration and 100% vest after three years for both issues
- (ii) Exercise price \$0.57 and \$1.20 (2020: \$0.35 and \$0.21)
- (iii) Grant date: 23 November 2020 and 24 March 2021 (2020: 2 December 2019 and 1 April 2020)
- (iv) Expiry date: 22 November 2025 and 23 March 2026 (2020: 1 December 2024 and 31 March 2025)
- (v) Share price at grant date: \$0.585 and \$1.255 (2020: \$0.335 and \$0.26)
- (vi) Expected volatility of the Company's shares: 72% and 73% (2020: 66% and 68%)
- (vii) Expected dividend yield: nil (2020: nil)
- (viii) Risk-free interest rate: 0.1% and 0.1% (2020: 0.5% and 0.25%)

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

**Options to be granted (subject to shareholder approval)**

750,000 options may be granted to the CEO/MD in the event shareholder approval is granted at the 2021 AGM. The options will have an exercise price of \$0.94. The exercise price was determined based on the volume weighted average price at which the Company's shares were traded on the Australian Stock Exchange for the 10-trading days up to and including 24 June 2021.

If approved by shareholders, the options will vest as follows:

- with respect to FY2021, 150,000 will vest on 25 June 2024 and will have an expiry date of 5 years after grant date;
- with respect to FY2022, 150,000 will vest on 30 June 2024 and will have an expiry date of 5 years after grant date;
- with respect to FY2023, 150,000 will vest on 30 June 2025 and will have an expiry date of 6 years after grant date;
- with respect to FY2024, 150,000 will vest on 30 June 2026 and will have an expiry date of 7 years after grant date; and
- with respect to FY2025, 150,000 will vest on 30 June 2027 and will have an expiry date of 8 years after grant date.

In accordance with AASB 2 *Share-based Payment*, the Company has estimated the grant date fair value of the options as at 30 June 2021. The fair value has been calculated at \$0.493 per option, \$0.493 per option, \$0.540 per option, \$0.580 per option and \$0.614 per option respectively.

**(c) Performance Rights**

The Performance Rights issued during year were in accordance with the Company's short-term incentive scheme. The rights were subject to performance-based and service-based vesting conditions. Rights convert into one ordinary share each on vesting at an exercise price of nil, subject to the satisfaction of vesting conditions. If an employee ceases to be employed by the Company during the vesting period, the rights will be forfeited, except in limited circumstances that are at the discretion of the Board.

Set out below are summaries of performance rights granted under the plan:

| Grant date | Exercise Price | Balance at start<br>of year<br>(Number) | Issued during the<br>year<br>(Number) | Lapsed during the<br>year<br>(Number) | Exercised<br>during the<br>year (Number) | Balance at end<br>of the year<br>(Number) |
|------------|----------------|-----------------------------------------|---------------------------------------|---------------------------------------|------------------------------------------|-------------------------------------------|
| 25/09/2020 | Nil            | -                                       | 390,000                               | -                                     | -                                        | 390,000                                   |
| 23/11/2020 | Nil            | -                                       | 100,000                               | -                                     | -                                        | 100,000                                   |
|            |                | -                                       | 490,000                               | -                                     | -                                        | 490,000                                   |

The fair value of rights granted on 25 September 2020 that do not have market conditions was \$0.565 and the fair value of rights granted on 23 November 2020 that do not have market conditions was \$0.585. The fair values were estimated taking the market price of the Company's shares on the grant date and noting that no dividends were expected to be received during the vesting period.

The fair value of rights granted on 25 September 2020 and 23 November 2020, that have market conditions was \$0.216 and \$0.235 respectively.

The model inputs for the rights granted during the year ended 30 June 2021 (with the 25 September 2020 issue listed first and the 23 November 2020 issue listed second) included:

- (i) Rights are granted for no consideration for both issues
- (ii) Exercise price \$nil and \$nil
- (iii) Grant date: 25 September 2020 and 23 November 2020
- (iv) Vesting date: 31 July 2021 and 30 June 2021
- (v) Share price at grant date: \$0.565 and \$0.585
- (vi) Expected volatility of the Company's shares: 77% and 77%
- (vii) Expected dividend yield: nil and nil
- (viii) Risk-free interest rate: 0.13% and 0.06%

A Monte Carlo simulation approach was used to value the rights that are subject to market conditions.

**Performance rights to be issued (subject to shareholder approval)**

412,500 performance rights may be granted to the CEO/MD in the event shareholder approval is granted at the 2021 AGM. Rights automatically convert into one ordinary share each on vesting at an exercise price of nil, subject to the satisfaction of vesting conditions. In the event the CEO/MD ceases to be employed by the Company during the vesting period, the rights will be forfeited, except in limited circumstances that are at the discretion of the Board. In accordance with AASB 2 *Share-based Payment*, the Company has estimated the grant date fair value of the performance rights as at 30 June 2021 being \$0.90 per right (based on the share price on 30 June 2021).

**(d) Shares to be granted to the Chair (subject to shareholder approval)**

The Silex Chair will serve as the Chair of the new Governing Board for the restructured GLE until 31 December 2023. In view of the extra work load and responsibility associated with the role of GLE Chair, it was resolved to pay additional Directors' fees from 1 January 2021. 50% of the annual fees payable are proposed to be paid by the issue of Silex shares (as announced to the ASX on 25 February 2021 in the Company's Operational Update).

Subject to shareholder approval at the 2021 AGM, 84,507 shares are proposed to be issued for the 3 years ending 31 December 2023 at the 10-trading day volume weighted average price at which the Company's shares traded on the Australian Stock Exchange preceding 17 December 2020, being \$0.71. The shares will be subject to an escrow period ending 31 December 2023 and a proportion of the shares will vest annually in line with the completion of each year of service. Should shareholder approval be granted, the shares issued will be disclosed in the financial report for the year ending 30 June 2022.

**(d) Expenses arising from share-based transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of remuneration expense were as follows:

|                                                 | 2021           | 2020          |
|-------------------------------------------------|----------------|---------------|
|                                                 | \$             | \$            |
| Options granted and to be granted               | 137,975        | 38,959        |
| Performance rights granted and to be granted    | 197,822        | -             |
| Shares to be granted in lieu of Directors' fees | 10,000         | -             |
|                                                 | <b>345,797</b> | <b>38,959</b> |

**Note 20 Remuneration of auditors**

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

|                                             | 2021           | 2020          |
|---------------------------------------------|----------------|---------------|
|                                             | \$             | \$            |
| <b>Auditors of the Company – PwC</b>        |                |               |
| Audit and review of financial reports       |                |               |
| Company                                     | 104,000        | 78,750        |
| Controlled entities and joint ventures      | 12,000         | -             |
| Total audit and review of financial reports | <b>116,000</b> | <b>78,750</b> |
| <b>Total services provided by PwC</b>       | <b>116,000</b> | <b>78,750</b> |

**Note 21 Earnings per share**

**(a) Basic earnings per share**

|                                                                                           | 2021         | 2020         |
|-------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                           | Cents        | Cents        |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | <b>(4.0)</b> | <b>(4.5)</b> |

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**(b) Diluted earnings per share**

|                                                                                             | 2021         | 2020         |
|---------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                             | Cents        | Cents        |
| Total diluted earnings per share attributable to the ordinary equity holders of the Company | <b>(4.0)</b> | <b>(4.5)</b> |

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

|                                                                                                                | 2021<br>\$         | 2020<br>\$  |
|----------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| <i>Basic earnings per share</i>                                                                                |                    |             |
| (Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share | <b>(6,927,268)</b> | (7,805,182) |
| <i>Diluted earnings per share</i>                                                                              |                    |             |
| (Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share | <b>(6,927,268)</b> | (7,805,182) |

**(d) Weighted average number of shares used in the denominator**

|                                                                                                            | 2021<br>Number     | 2020<br>Number |
|------------------------------------------------------------------------------------------------------------|--------------------|----------------|
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:   | <b>172,767,339</b> | 171,567,066    |
| Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share: | <b>172,767,339</b> | 171,567,066    |

**(e) Information concerning the classification of securities**

Options and performance rights granted in the current and prior years were not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2021. The options and performance rights could potentially dilute basic earnings per share in the future.

Further information about options and performance rights is included in note 19.

**Note 22 Parent entity financial information**

**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

|                                   | 2021<br>\$           | 2020<br>\$    |
|-----------------------------------|----------------------|---------------|
| <b>Balance Sheet</b>              |                      |               |
| Current assets                    | <b>15,044,132</b>    | 19,439,751    |
| Total assets                      | <b>15,956,274</b>    | 19,753,180    |
| Current liabilities               | <b>2,453,923</b>     | 1,633,109     |
| Total liabilities                 | <b>2,493,494</b>     | 1,662,515     |
| <b>Net assets</b>                 | <b>13,462,780</b>    | 18,090,665    |
| Shareholders' equity              |                      |               |
| Issued capital                    | <b>232,645,003</b>   | 232,645,003   |
| Reserves                          |                      |               |
| Share based payments              | <b>14,820,742</b>    | 14,474,945    |
| Accumulated losses                | <b>(234,002,965)</b> | (229,029,283) |
| Total equity                      | <b>13,462,780</b>    | 18,090,665    |
| <b>Net (loss) for the period</b>  | <b>(4,973,682)</b>   | (8,139,415)   |
| <b>Total comprehensive income</b> | <b>(4,973,682)</b>   | (8,139,415)   |

The Net (loss) for the period above differs from the segment result disclosed in note 2 as the segment result excludes exchange gains and losses on intercompany loans (which eliminate on consolidation), write-downs of intercompany loans (which eliminate on consolidation) and impairment charges for investments in subsidiaries (which eliminate on consolidation).

**(b) Guarantees entered into by the parent company**

The parent has provided \$nil (2020: \$nil) guarantees.

**(c) Contractual commitments for the acquisition of property, plant or equipment**

As at 30 June 2021 (and 30 June 2020), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

**(d) Basis of preparation**

This parent entity financial information has been prepared on the same basis as the consolidated financial statements except as set out below:

*Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Silex Systems Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

**Note 23 Summary of significant accounting policies**

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

**(a) Basis of preparation**

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

*(i) Compliance with IFRS*

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

*(ii) Historical cost convention*

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

*(iii) New and amended standards adopted by the Company*

The Company has applied the following standards and amendments for the first time for the annual reporting period 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 recognised in prior periods and are not expected to significantly affect the current or future periods.

*(iv) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted early by the Company. There are no standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**(b) Principles of consolidation and equity accounting**

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silex Systems Limited (the parent entity) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Silex Systems Limited and its subsidiaries together are referred to in this financial report as the Company, Silex, the consolidated entity or the group.

Subsidiaries are all those entities over which the Company has control, being the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Company.

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

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

*(ii) Joint arrangements*

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company's investment in GLE Holdco is a joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

*(iii) Equity method of accounting for joint ventures*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in Other comprehensive income of the investee in Other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 23(h).

*(iv) Changes in ownership interests*

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

When the Company ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in Other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in Other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in Other comprehensive income are reclassified to profit or loss where appropriate.

**(c) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Silex Systems Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

*(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in Other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in Other comprehensive income. The Company's funding of its investment in its subsidiaries has been deemed part of its net investment. When a foreign operation is sold or borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

**(d) Revenue recognition**

The accounting policies for the Company's revenue from contracts with customers are explained in note 3.

**(e) Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Note 4 provides further information on how the Company accounts for government grants.

**(f) Income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(g) Leases**

The Company's leasing policy is described in note 9(c).

**(h) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**(i) Investments and other financial assets**

*(i) Classification*

The Company classifies its financial assets in the following categories:

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

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

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

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

*(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

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

*Debt instruments*

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

- (a) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest revenue from these financial assets is included in revenue using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- (b) **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- (c) **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

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

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

*(iv) Impairment*

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

**(j) Measurement and fair value estimation**

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**(k) Employee benefits**

*(i) Wages and salaries, annual leave and personal leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Retirement benefit obligations*

Employees of the Company are entitled to benefits on retirement, disability or death from the Company's defined contribution retirement plans. The fund receives fixed contributions from the Company and the Company's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as they become payable.

*(iv) Share-based payments*

Share-based compensation benefits have been provided to employees via the Silex Systems Limited Employee Incentive Plan (the Plan) which was established in May 2019.

*Options*

The fair value of options granted under the Plan are recognised as an employee benefit expense with a corresponding increase in equity in the share-based payments reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the relevant balance of the share-based payments reserve is transferred to share capital.

*Performance Rights*

Performance Rights granted under the Plan are a right to acquire fully paid ordinary shares in the Company for \$nil consideration, subject to meeting certain pre-determined key performance indicators and vesting conditions. These may be used as a short-term or long-term incentive vehicle. For Performance Rights with non-market vesting conditions, the estimated number of rights that will vest are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payments reserve. For Performance Rights with market vesting conditions, the fair value at grant date is calculated using a Monte Carlo simulation and recognised in profit or loss. No adjustment is made for the estimated number of rights that will vest at each reporting date as this has already been factored into the grant date fair value of the rights.

The fair value is recognised over the relevant service period.

*(v) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(m) Research and development costs**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other expenditure that does not meet these expenditure criteria are recognised as an expense as incurred. Given the stage of development of the Company's technologies, research and development costs are expensed as incurred.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 69 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 23(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Dr M P Goldsworthy  
CEO/MD

Mr C A Roy  
Chair

Sydney

26 August 2021



## Independent auditor's report

To the members of Silex Systems Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### Basis for opinion

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

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

#### Independence

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

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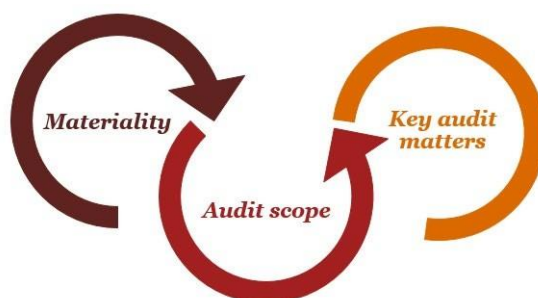
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## Our audit approach

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

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



| Materiality                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Audit scope                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$0.37 million, which represents approximately 5% of the Group's loss before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group's operational and financial processes are managed by a corporate function in Sydney, where substantially all of our audit procedures are performed.</li> </ul> |

## Key audit matters

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

## Key audit matter

## How our audit addressed the key audit matter

### **Revenue recognition with respect to the sale of cREO® technology** (Refer to note 3) (\$666k)

In March 2018, IQE Plc elected to acquire the 'Rare Earth Oxide' (cREO®) technology of the Company's subsidiary Translucent Inc and as a result, a perpetual royalty at least 3% will be payable to Translucent on the sale of any IQE products that will utilize the cREO® technology, with payment of minimum royalties commencing in FY2020 and continuing to FY2025.

Judgment is involved in the recognition of revenue related to these royalties as revenue is accrued in accordance with "most likely amount method" outlined in the accounting standard.

We considered this matter a key audit matter because of the judgment involved in accurately recognizing the revenue for the variable consideration from sale of cREO® technology.

### **Accounting for GLEH equity-investment** (Refer to note 14) (\$916k)

Silex Systems Limited, Cameco Corporation and GE- Hitachi Nuclear Energy signed a Membership Interest Purchase Agreement (MIPA) on 13 December 2019 for the joint purchase of the GE - Hitachi Nuclear Energy (GEH) equity interests in Global Laser Enrichment LLC (GLE).

The transaction settled on 31 January 2021 and GLE is now a 100% owned subsidiary of Global Laser Enrichment Holdings LLC (GLEH), with Silex Systems Limited indirectly holding a 51% equity interest in GLEH through its wholly owned U.S. subsidiary Silex USA LLC. Canadian listed company Cameco Corporation indirectly holds a 49% equity interest in GLEH through its wholly owned U.S. subsidiary Cameco Enrichment Holdings II LLC.

We consider this to be a key audit matter because of the judgment involved in determining if Silex controls GLEH individually or jointly.

Our audit procedures included:

- reading the Option, License and Assignment Agreement dated 15 September 2015, among the company, Translucent Inc and IQE Plc, and the Deed of IP Assignment dated 12 April 2018, between Translucent Inc and IQE Plc
- assessing whether the Group's accounting policy is in accordance with *Australian Accounting Standards*
- agreeing the income recorded to the Group's calculation in accordance with the schedule of minimum royalty payments included in the agreement
- considering the judgment applied by the Group in the recognition of this revenue.

Our audit procedures included

- reading the Membership Interest Purchase Agreement dated 13 December 2019, among the company, Cameco Corporation and GE - Hitachi Nuclear Energy
- assessing whether the Group's accounting policy is in accordance with *Australian Accounting Standards*
- assessing management's determination of control and considering this against the requirements of AASB 128 – *Investment in Associates and Joint Ventures*
- agreeing the consideration paid under the MIPA to bank statements

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.



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

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

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

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### *Responsibilities of the directors for the financial report*

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

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

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### *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

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### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 14 to 26 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Silex Systems Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



### *Responsibilities*

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

PricewaterhouseCoopers

PricewaterhouseCoopers

David Ronald

David Ronald  
Partner

Sydney  
26 August 2021

## Shareholders' information

Information relating to shareholders as at 13 August 2021

### (a) Distribution of equity securities

| Holding                        | Class of equity security: Ordinary |                |                |                |                    |                |
|--------------------------------|------------------------------------|----------------|----------------|----------------|--------------------|----------------|
|                                | Shares                             |                | Options        |                | Performance rights |                |
|                                | No. of holders                     | % of shares    | No. of holders | % of options   | No. of holders     | % of rights    |
| 1 - 1,000                      | 2,036                              | 0.60%          | -              | -              | -                  | -              |
| 1,001 - 5,000                  | 2,284                              | 3.51%          | -              | -              | -                  | -              |
| 5,001 - 10,000                 | 740                                | 3.40%          | -              | -              | -                  | -              |
| 10,001 - 100,000               | 968                                | 17.15%         | 7              | 19.92%         | 16                 | 100.00%        |
| 100,001 and over               | 224                                | 75.34%         | 11             | 80.08%         | -                  | -              |
| <b>Total number of holders</b> | <b>6,252</b>                       | <b>100.00%</b> | <b>18</b>      | <b>100.00%</b> | <b>16</b>          | <b>100.00%</b> |

There were 1,157 holders of less than a marketable parcel of ordinary shares.

### (b) Names of twenty largest quoted equity security holders as at 13 August 2021

| Name                                                      | Number of securities | Percentage held |
|-----------------------------------------------------------|----------------------|-----------------|
| Jardvan Pty Ltd                                           | 29,801,030           | 17.25%          |
| Majenta Holdings Pty Ltd                                  | 5,703,923            | 3.30%           |
| Polly Pty Ltd                                             | 4,073,863            | 2.36%           |
| Hillboi Nominees Pty Ltd                                  | 3,980,026            | 2.30%           |
| Throvena Pty Ltd                                          | 2,978,203            | 1.72%           |
| Hamlac Pty Ltd                                            | 2,525,937            | 1.46%           |
| Mr Christopher David Wilks                                | 2,405,070            | 1.39%           |
| HSBC Custody Nominees (Australia) Limited                 | 2,324,710            | 1.35%           |
| Silicon Quantum Computing Pty Ltd                         | 2,300,000            | 1.33%           |
| Quintal Pty Ltd                                           | 2,002,952            | 1.16%           |
| Spar Nominees Pty Ltd                                     | 1,960,000            | 1.13%           |
| Sporran Lean Pty Ltd                                      | 1,799,000            | 1.04%           |
| Deering Nominees Pty Ltd                                  | 1,700,000            | 0.98%           |
| RD Super Pty Ltd                                          | 1,460,000            | 0.85%           |
| BNP Paribas Nominees Pty Ltd                              | 1,417,892            | 0.82%           |
| Mr Peter James Thomas + Ms Helen Thomas                   | 1,371,157            | 0.79%           |
| Mr Xiangyang Wu                                           | 1,294,400            | 0.75%           |
| Eugob Nominees Pty Ltd                                    | 1,225,000            | 0.71%           |
| Morgan Stanley Australia Securities (Nominee) Pty Limited | 1,192,000            | 0.69%           |
| McCusker Holdings Pty Ltd                                 | 1,150,000            | 0.67%           |
|                                                           | <b>72,665,163</b>    | <b>42.06%</b>   |

### (c) Substantial holders

|                 | Number of securities | Percentage held |
|-----------------|----------------------|-----------------|
| Jardvan Pty Ltd | 29,801,030           | 17.25%          |

**(d) Voting rights**

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

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

**(e) Securities subject to voluntary escrow as at 13 August 2021**

As at 13 August 2021, 2,300,000 shares were subject to voluntary escrow. The escrow period ends 6 January 2022.

**(f) Unquoted equity securities as at 13 August 2021**

|                                                                                   | Number on issue | Number of holders |
|-----------------------------------------------------------------------------------|-----------------|-------------------|
| Options issued under the Silex Systems Limited Employee Incentive Plan            | 2,410,000       | 18                |
| Performance rights issued under the Silex Systems Limited Employee Incentive Plan | 490,000         | 16                |