



Silex

ASX: SLX OTCQX: SILXY

Silex Systems Limited

ABN 69 003 372 067

Appendix 4D

ASX Half-year information – 31 December 2021

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2021 Annual Report and the full financial report for the year ending 30 June 2021.

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Silex Systems Limited
half-year ended 31 December 2021
(Previous corresponding period:
half-year ended 31 December 2020)

Results for announcement to the market

	31 December 2021 \$	30 June 2021 \$	Movement \$	Movement %	
Cash and cash equivalents and Term deposits	49,208,278	14,102,798	35,105,480	248.9%	↑

	Half-year ended 31 December 2021 \$	Half-year ended 31 December 2020 \$	Movement \$	Movement %	
Revenue from ordinary activities	2,123,916	105,836	2,018,080	1906.8%	↑
Other income	1,296,225	644,962	651,263	101.0%	↑
Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)	(4,290,239)	(3,811,034)	(479,205)	12.6%	↑
Net loss from ordinary activities after tax attributable to members	(4,463,677)	(3,813,282)	(650,395)	17.1%	↑
Net loss for the period attributable to members	(4,463,677)	(3,813,282)	(650,395)	17.1%	↑

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

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 is being undertaken jointly 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 was restructured in January 2021 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.

In addition, Silex's semiconductor material technology known as cREO® was purchased by UK-based IQE Plc in 2018. This technology is currently being developed by IQE for application in the 5G mobile communications industry under a license and royalty agreement. Minimum annual royalties commenced being paid for the year ended 31 December 2019. The third minimum annual royalty for CY2021 of US\$500k is due for receipt by the end of February 2022.

Silex Systems Limited

Results for announcement to the market (continued)

As at 31 December 2021, the Company's balance sheet had total assets of \$57.8m and net assets of \$55.0m, which included \$49.2m in cash and term deposits, IQE shares of \$4.2m and receivables of \$2.6m.

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

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

The net loss from ordinary activities increased by \$0.7m compared to the previous corresponding period. This was mainly due to an increase in activities at GLE during the half-year. From closing of the GLE restructure, 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 \$3.9m for the current period. This compares to \$1.4m in the previous corresponding period which was recognised as Development expenditure up to closing of the GLE restructure in January 2021. In addition, Employee benefits expense increased \$0.7m and Research and development materials increased \$0.3m in the current period as the Company's technology development activities increased. The increase in expenditure for the period was partly offset by an increase in revenue of \$2.0m. Recoverable project costs were \$2.1m in the current period compared to \$nil in the prior corresponding period. Recoverable project costs, which are the reimbursement of allowable costs on the uranium enrichment project incurred by Silex, recommenced following the closing of the restructure of GLE.

Cash and cash equivalents & Term Deposits

The cash and term deposits balance as at 31 December 2021 was \$49.2m, an increase of \$35.1m during the half-year. Silex completed an equity raise by way of a placement which was followed by a Share Purchase Plan during the half-year. The net proceeds from the issue of shares were \$38.4m.

Net cash inflows from operating activities for the half-year to 31 December 2021 were \$0.8m compared to outflows of \$3.0m for the half-year ended 31 December 2020. Receipts from Customers and government grants increased by \$2.0m compared to the previous corresponding period, mainly due to receipt of \$1.9m of Recoverable project costs from GLE. Payments to suppliers and employees decreased by \$2.0m. This was mainly due to the payments to fund GLE's activities being classified as investing activities during the current period. Payments for investments accounted for using the equity method (i.e., payments to fund the Company's investment in GLE) were \$3.9m in the current period (\$nil in the prior corresponding period).

Revenue from ordinary activities

There was a \$2.0m increase in revenue from ordinary activities during the half-year. Since the completion of the restructure of GLE on 31 January 2021, Silex has recommenced being reimbursed by GLE for its costs on the uranium project. Recoverable project costs were \$2.1m in the current period compared to \$nil in the prior corresponding period.

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

EBITDA from continuing operations for the half-year ended 31 December 2021 was a loss of \$4.3m. This comprises a loss from continuing operations of \$4.5m adjusted for net interest income of \$0.05m and depreciation and amortisation of \$0.2m.

Explanation of dividends

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

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021, the full financial report for the year ending 30 June 2021 and any public announcements made by Silex Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Silex Systems Limited 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 half-year ended 31 December 2021.

1. Directors

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

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

Ms M K Holzberger was a director from the beginning of the half-year until her resignation on 14 October 2021.

Ms H G Cook was appointed as a director on 14 October 2021 and continues in office at the date of this report.

2. Dividend

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

3. Review of operations and activities

The Consolidated income statement on page 8 of this report sets out the main revenue and expense items for the half-year ended 31 December 2021 with comparatives for the half-year ended 31 December 2020. A summary is shown below:

	6 months ended 31 December 2021	6 months ended 31 December 2020
	\$	\$
Revenue from continuing operations	2,123,916	105,836
Other Income	1,296,225	644,962
(Loss) before tax	(4,463,677)	(3,813,282)
Income tax expense	-	-
Net (loss) from continuing operations	(4,463,677)	(3,813,282)
Net (loss) for the half-year	(4,463,677)	(3,813,282)
(Loss) is attributable to:		
Owners of Silex Systems Limited	(4,463,677)	(3,813,282)

The Company incurred a loss attributable to owners of Silex Systems Limited for the half-year ended 31 December 2021 of \$4.5m (loss of \$3.8m for the previous corresponding period). The increase in loss was mainly due to the increase in activities at GLE during the half-year. The Company's share of losses of GLE's operations (including the reimbursement to Silex for its Recoverable project costs) was \$3.9m in the current period. In the prior corresponding period, (and prior to the Company acquiring its 51% interest in GLE), the Company had Development expenditure of \$1.4m which represented Silex's obligation to reimburse GE-Hitachi Nuclear Energy (GEH) for our share of GLE's Wilmington activities. Employee benefits expense increased \$0.7m and Research and development materials increased \$0.3m in the current period as the Company's technology development activities increased. The increase in expenditure for the period was partly offset by an increase in revenue of \$2.0m. Recoverable project costs, which recommenced following the closing of the restructure of GLE, were \$2.1m in the current period compared to \$nil in the prior corresponding period.

The cash and term deposits balance as at 31 December 2021 was \$49.2m, an increase of \$35.1m during the half-year. Silex completed an equity raise by way of a placement which was followed by a Share Purchase Plan. The net proceeds from the issue of shares were \$38.4m.

Net cash inflows from operating activities for the half-year to 31 December 2021 were \$0.8m compared to outflows of \$3.0m for the half-year ended 31 December 2020. Receipts from Customers and government grants increased by \$2.0m compared to the previous corresponding period, mainly due to receipt of \$1.9m of Recoverable project costs from GLE. Payments to suppliers and employees decreased by \$2.0m. This was mainly due to the payments to fund GLE's activities being classified as investing activities during the current period. Payments for investments accounted for using the equity method (i.e., the Company's investment in GLE) were \$3.9m in the current period (\$nil in the prior corresponding period).

The value of Financial assets at fair value through other comprehensive income (shares in IQE Plc) decreased by \$1.6m during the period as a result of the decrease in the IQE share price.

Further information on the operations and position of the Company is included in the Operational Update and presentation that is released to the ASX on the same day as this Appendix 4D, and in the 2021 Annual Report.

4. Subsequent events

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

5. Auditor's independence declaration

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

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



Dr M P Goldsworthy
CEO/MD



Mr C A Roy
Chair

Sydney, 24 February 2022



Auditor's Independence Declaration

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

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

A handwritten signature in black ink, appearing to read 'Aishwarya Chandran', with a horizontal line underneath.

Aishwarya Chandran
Partner
PricewaterhouseCoopers

Sydney
24 February 2022

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Silex Systems Limited
Consolidated income statement
for the half-year ended 31 December 2021

	Note	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Revenue from contracts with customers	3(a)	2,069,104	-
Interest revenue	3(a)	54,812	105,836
Revenue from continuing operations		2,123,916	105,836
Other income	3(b)	1,296,225	644,962
Research and development materials		(479,171)	(143,429)
Development expenditure		-	(1,436,697)
Finance costs		(694)	(975)
Depreciation and amortisation expense		(227,556)	(107,109)
Employee benefits expense		(2,716,369)	(2,045,737)
Consultants and professional fees		(318,306)	(318,359)
Printing, postage, freight, stationery and communications		(46,203)	(30,903)
Property outgoings		(30,125)	(19,684)
Net foreign exchange losses		-	(323,684)
Share of net loss of associates and joint ventures accounted for using the equity method		(3,913,323)	-
Other expenses from continuing activities		(152,071)	(137,503)
(Loss) before income tax expense		(4,463,677)	(3,813,282)
Income tax expense		-	-
Net (loss) from continuing operations		(4,463,677)	(3,813,282)
Net (loss) for the half-year		(4,463,677)	(3,813,282)
(Loss) is attributable to:			
Owners of Silex Systems Limited		(4,463,677)	(3,813,282)
		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(2.4)	(2.2)
Diluted earnings per share		(2.4)	(2.2)
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(2.4)	(2.2)
Diluted earnings per share		(2.4)	(2.2)

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

Silex Systems Limited
Consolidated statement of comprehensive income
for the half-year ended 31 December 2021

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Net (loss) for the half-year	(4,463,677)	(3,813,282)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	241,466	(984,105)
<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 (loss)/income	(1,750,182)	4,554,501
Other comprehensive (loss)/income for the half-year, net of tax	(1,508,716)	3,570,396
Total comprehensive (loss)/income for the half-year	(5,972,393)	(242,886)
Attributable to:		
Owners of Silex Systems Limited	(5,972,393)	(242,886)
Total comprehensive (loss)/income for the half-year	(5,972,393)	(242,886)
Total comprehensive (loss)/income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(5,972,393)	(242,886)

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

Silex Systems Limited
Consolidated balance sheet
as at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		9,208,278	6,402,798
Other financial assets at amortised cost - term deposits		40,000,000	7,700,000
Trade and other receivables	4	2,609,620	2,628,652
Other current assets		551,804	215,743
Financial assets at fair value through other comprehensive income	5	4,245,236	5,799,774
Total current assets		56,614,938	22,746,967
Non-current assets			
Investments accounted for using the equity method	6	852,100	916,254
Right-of-use assets		18,047	42,041
Property, plant and equipment		342,627	336,564
Total non-current assets		1,212,774	1,294,859
Total assets		57,827,712	24,041,826
LIABILITIES			
Current liabilities			
Trade and other payables	7	2,007,657	1,123,767
Lease liabilities		18,017	36,613
Provisions		785,444	770,744
Total current liabilities		2,811,118	1,931,124
Non-current liabilities			
Lease liabilities		454	1,791
Provisions		40,766	37,780
Total non-current liabilities		41,220	39,571
Total liabilities		2,852,338	1,970,695
Net assets		54,975,374	22,071,131
EQUITY			
Contributed equity	8	271,326,431	232,645,003
Reserves		10,688,751	12,002,259
Accumulated losses		(227,039,808)	(222,576,131)
Total equity		54,975,374	22,071,131

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

Silex Systems Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2021

	Attributable to owners of Silex Systems Limited			
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 30 June 2020	232,645,003	10,470,065	(215,648,863)	27,466,205
Net (loss) for the half-year	-	-	(3,813,282)	(3,813,282)
Other comprehensive income	-	3,570,396	-	3,570,396
Total comprehensive income for the half-year	-	3,570,396	(3,813,282)	(242,886)
Transactions with owners in their capacity as owners:				
Employee share scheme - value of employee services	-	98,907	-	98,907
	-	98,907	-	98,907
Balance at 31 December 2020	232,645,003	14,139,368	(219,462,145)	27,322,226
Balance at 30 June 2021	232,645,003	12,002,259	(222,576,131)	22,071,131
Net (loss) for the half-year	-	-	(4,463,677)	(4,463,677)
Other comprehensive income	-	(1,508,716)	-	(1,508,716)
Total comprehensive income for the half-year	-	(1,508,716)	(4,463,677)	(5,972,393)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transactions costs	38,467,500	-	-	38,467,500
Employee share scheme - value of employee services	-	409,136	-	409,136
Transfer from share-based payments reserve	213,928	(213,928)	-	-
	38,681,428	195,208	-	38,876,636
Balance at 31 December 2021	271,326,431	10,688,751	(227,039,808)	54,975,374

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

Silex Systems Limited
Consolidated cash flow statement
for the half-year ended 31 December 2021

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	3,605,288	1,598,278
Payments to suppliers and employees (inclusive of GST)	(2,797,731)	(4,785,159)
Interest received	23,274	161,692
Interest paid	(694)	(975)
Net cash inflows/(outflows) from operating activities	830,137	(3,026,164)
Cash flows from investing activities		
Payment for investments accounted for using the equity method	(3,861,060)	-
Payments for financial assets at amortised cost – term deposits	(33,300,000)	-
Proceeds from financial assets at amortised cost – term deposits	1,000,000	6,100,000
Payments for property, plant and equipment	(77,903)	(83,155)
Net cash (outflows)/inflows from investing activities	(36,238,963)	6,016,845
Cash flows from financing activities		
Proceeds from issues of shares (net of transaction costs)	38,354,683	-
Repayment of principal elements of leases	(173,608)	(51,468)
Net cash inflows/(outflows) from financing activities	38,181,075	(51,468)
Net increase in cash and cash equivalents	2,772,249	2,939,213
Cash and cash equivalents at the beginning of the half-year	6,402,798	1,615,034
Effects of exchange rate changes on cash	33,231	(163,202)
Cash and cash equivalents at end of half-year *	9,208,278	4,391,045

*Term deposits excluded from Cash and cash equivalents	40,000,000	10,700,000
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The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2021

Note 1 Significant changes in the current accounting period

On 27 September 2021, Silex announced that it had completed an equity raise by way of a placement. 25,972,391 ordinary shares were issued to raise \$31.4m (net of transaction costs). A Share Purchase Plan was also offered to eligible shareholders and a further 5,343,812 shares were issued to raise \$7m. Total cash received from the placement and Share Purchase Plan, net of transaction costs, was \$38.4m

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 the Board of Directors

Half-year ended 31 December 2021	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment revenue	2,144,556	518,383	-	2,662,939
Inter-segment revenue	(20,640)	(518,383)	-	(539,023)
Revenue from external customers	2,123,916	-	-	2,123,916
Segment result	(707,807)	14,589	(3,770,459)	(4,463,677)

Half-year ended 31 December 2020	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment revenue	169,482	489,255	-	658,737
Inter-segment revenue	(63,646)	(489,255)	-	(552,901)
Revenue from external customers	105,836	-	-	105,836
Segment result	(2,330,255)	293	(1,483,320)	(3,813,282)

The Board of Directors assesses the performance of the operating segments based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation. The segment result reconciles to the Net (loss) from continuing operations.

	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment assets				
31 December 2021	51,545,502	5,276,583	1,005,627	57,827,712
30 June 2021	15,422,737	7,647,681	971,408	24,041,826

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

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2021 (continued)

	Silex Systems \$	Translucent \$	Silex USA \$	Total \$
Total segment liabilities				
31 December 2021	2,841,811	10,527	-	2,852,338
30 June 2021	1,961,692	9,003	-	1,970,695

Note 3 Revenue and Other income

(a) Revenue

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Recoverable project costs	2,069,104	-
Interest revenue	54,812	105,836
	2,123,916	105,836

Project costs recoverable from GLE for the Company's costs incurred for the SILEX uranium enrichment development program are 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.

(b) Other income

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Research and development tax incentive	687,324	432,674
Government Assistance - COVID-19 related	-	147,450
Cooperative Research Centres Projects (CRC-P) Grant	207,315	64,838
Other income - project subsidy	150,160	-
Net foreign exchange gains	251,426	-
	1,296,225	644,962

Note 4 Trade and other receivables

	31 December 2021 \$	30 June 2021 \$
Trade receivables from contracts with customers	353,226	504,131
Accrued royalty revenue from sale of cREO® technology	688,598	666,128
Accrued income - other	1,111,591	1,397,153
Derivative financial instruments - forward exchange contracts (refer note 11)	65,794	-
Other receivables	404,183	74,563
Loss allowance	(13,772)	(13,323)
	2,609,620	2,628,652

Note 5 Financial assets at fair value through other comprehensive income

	31 December 2021 \$	30 June 2021 \$
Listed securities		
Equity securities – shares in IQE Plc	4,245,236	5,799,774

The value of the shares at 31 December 2021 was impacted by a significant decrease in the IQE share price during the half-year.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2021 (continued)

Note 6 Investments accounted for using the equity method

Set out below are details of the Global Laser Enrichment Holdings LLC (GLE Holdco) joint venture as at 31 December 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	
		31 December 2021	30 June 2021			31 December 2021	30 June 2021
Global Laser Enrichment Holdings LLC	USA	51%	51%	Joint venture	Equity method	852,100	916,254

On 31 January 2021, Cameco Corporation indirectly acquired a 49% interest in GLE Holdco from Silex USA LLC and GLE Holdco acquired a 100% interest in Global Laser Enrichment LLC (GLE). From 31 January 2021, GLE Holdco became a joint venture for the Company. GLE holds the exclusive worldwide license to commercialise the SILEX technology for uranium enrichment. GLE's current focus is on construction of full-scale laser and separator equipment which will be deployed in GLE's Test Loop facility in Wilmington, NC, with the aim of completing a commercial pilot (TRL-6) demonstration of the SILEX uranium enrichment technology by the mid-2020's.

	31 December 2021	30 June 2021
	\$	\$
Commitments - joint ventures		
Commitment to provide funding for joint ventures capital commitments, if called	12,305,523	3,717,586

Summarised balance sheet

	31 December 2021	30 June 2021
	\$	\$
Current assets		
Cash and cash equivalents	4,506,111	3,486,276
Other current assets	175,436	305,190
Total current assets	4,681,547	3,791,466
Non-current assets	7,263,050	7,423,570
Current liabilities		
Financial liabilities (excluding trade payables)	769,990	720,889
Other current liabilities	2,379,069	1,729,474
Total current liabilities	3,149,059	2,450,363
Non-current liabilities		
Financial liabilities (excluding trade payables)	7,109,605	6,961,436
Other non-current liabilities	15,149	6,661
Total non-current liabilities	7,124,754	6,968,097
Net assets	1,670,784	1,796,576

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2021 (continued)

	6 months ended 31 December 2021	6 months ended 31 December 2020
	\$	\$
Reconciliation to carrying amounts		
Opening net assets	1,796,576	-
Additional capital contributed	7,582,815	-
(Loss) for the period	(7,673,183)	-
Other comprehensive income	(35,424)	-
Closing net assets	1,670,784	-
Company's share in %	51%	100%
Company's share in \$	852,100	-
Carrying amount	852,100	-

Note 7 Trade and other payables

	31 December 2021	30 June 2021
	\$	\$
Trade creditors	802,046	298,426
Unearned income	921,035	614,578
Other payables	284,576	210,763
	2,007,657	1,123,767

Note 8 Equity

(a) Share capital:	31/12/2021	30/06/2021	31/12/2021	30/06/2021
	Shares	Shares	\$	\$
Ordinary shares, fully paid	204,549,989	172,767,339	271,326,431	232,645,003

(b) Movements in ordinary share capital:

Details	Number of shares	Total \$
Opening balance 1 July 2021	172,767,339	232,645,003
Issue of share - capital raise	25,972,391	32,984,937
Issue of shares - share purchase plan	5,343,812	7,000,001
Issue of shares - performance rights	381,940	213,928
Issue of shares – other *	84,507	112,817
	204,549,989	272,956,686
Less: Transaction costs arising on share issues		(1,630,255)
Balance 31 December 2021	204,549,989	271,326,431

* Relates to the issue of shares to our Non-executive Director and Chair, Mr Craig Roy. Shareholders approved the issue of 84,507 shares to Mr Roy in lieu of Directors' fees payable for his 3-year term as Chair of GLE Holdco at the 2021 Annual General Meeting held on 14 October 2021. The shares issued are subject to escrow and the periodic release of escrow coincides with Mr Roy's completion of his term as Chair of GLE Holdco.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2021 (continued)

(c) Movements in share options:

Grant date	Expiry date	Exercise price (cents)	Balance at 1 July 2021 (Number)	Issued during (Number)	Lapsed / forfeited (Number)	Exercised (Number)	Balance at 31 December 2021 (Number)
21/05/2019	20/05/2024	35	500,000	-	-	-	500,000
02/12/2019	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
29/10/2021	Various	94	-	1,050,000	-	-	1,050,000
			2,410,000	1,050,000	-	-	3,460,000

(d) Movements in performance rights:

Grant date	Exercise Price (cents)	Balance at 1 July 2021 (Number)	Issued (Number)	Lapsed / forfeited (Number)	Vested (Number)	Balance at 31 December 2021 (Number)
25/09/2020	Nil	390,000	-	(85,060)	(304,940)	-
23/11/2020	Nil	100,000	-	(23,000)	(77,000)	-
25/10/2021	Nil	-	320,000	-	-	320,000
29/10/2021	Nil	-	487,500	-	-	487,500
		490,000	807,500	(108,060)	(381,940)	807,500

Note 9 Net tangible asset backing

	31 December 2021 \$	30 June 2021 \$	31 December 2020 \$
Net tangible asset backing per ordinary security	26.88 cents	12.78 cents	15.81 cents

Note 10 Events occurring after reporting date

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

Note 11 Fair value measurement

Derivatives

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

The Company's policy is to hedge a proportion of its anticipated USD cash flows. The Board monitors the Company's hedging strategy on a continuing basis. At 31 December 2021, the Company held US\$1,500,000 forward exchange contracts (30 June 2021: US\$nil). The fair value of derivative contracts outstanding at 31 December 2021 totalled \$65,794 (30 June 2020: \$nil). The \$65,794 was recorded in Current assets – trade and other receivables at 31 December 2021.

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021, the full financial report for the year ended 30 June 2021 and any public announcements made by Silex Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Company

The Company was not required and did not change its accounting policies or make retrospective adjustments as a result of adopting amended standards.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date: and
- (b) there are reasonable grounds to believe that Silex Systems Limited will be able to pay its debts as and when they become due and payable.

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



Dr M P Goldsworthy
CEO/MD



Mr C A Roy
Chair

Sydney
24 February 2022

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Silex Systems Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the half-year financial report

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Aishwarya Chandran' in a cursive, flowing script.

Aishwarya Chandran
Partner

Sydney
24 February 2022

Forward Looking Statements and Risk Factors:

About Silex Systems Limited (ASX: SLX) (OTCQX: SILXY)

Silex Systems Limited ABN 69 003 372 067 (Silex or Company) 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 100% ownership of subsidiary Translucent Inc. The cREO® technology developed by Translucent has been acquired by IQE Plc based in the UK. IQE is developing the cREO® technology towards potential 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 as applied to uranium enrichment and Zero-Spin Silicon production, 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 are strongly cautioned not to place reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by COVID-19 and other economic risk factors, 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 statements expressed herein do not necessarily reflect the views of the Company's various commercialisation partners and stakeholders. The Company's management believes that there are reasonable grounds to make such statements. Actual operations, results, performance, targets or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.

Except as required by law or regulation (including the ASX Listing Rules and OTCQX Rules for U.S. Companies), Silex does not intend, and is not obligated, to update the forward-looking statements and Silex disclaims any obligation or undertaking to update forward-looking statements in this Report to reflect any changes in expectations.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company or any of its advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this Report will actually occur.

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; decisions made or 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.