14 July 2003

Silex
SYSTEMS LIMITED A.C.N 003 372 067

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Mr Sean Ward
Companies Advisor
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**Re: Price Query**

We refer to your letter dated 11 July 2003 and respond to each question as follows:

1. ***Is the company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in securities of the company?***

   No the company is not aware of any such information.

2. ***If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that the announcement will be made?***

   Not applicable

3. ***Is there any reason to think that there may be a change in the operating profit before abnormal Items and income tax so that the figure for the financial year ended 30 June 2003 would vary from the previous financial year by more than 15%? If so, please provide details as to the extent of the likely variation.***

   Silex Systems Limited is a technology research and development company, and at this stage has no significant revenue stream. The company is therefore probably valued in the market place based on the potential of its technology rather than its reported results. The financial results for the year ended June 2003 have not yet been finalised and therefore it is difficult to determine whether or not the result will vary by more than 15%. In any case, we do not believe that the financial results will have a significant impact on the value of the company or its share price.

4. ***Is there any reason to think that the company may record any material abnormal or extraordinary profit for the financial year ended 30 June 2003? If so, please provide details.***

   No, the company has no reason to believe that it will record any material abnormal or extraordinary profit for the financial year ended 30 June 2003.

5. ***Is there any other explanation that the company may have for the price change and increase in volume in the securities of the company?***

   We believe the following issues may have had some influence on the volatility in price and volume with respect to recent trading in the securities of the company:

   5.1 On the 1st of May 2003 the company announced USEC's withdrawal from the Uranium Enrichment Program. As a consequence of this announcement, the company's share price fell dramatically (from $1.14 to $0.40 in 1 day). USEC's withdrawal from this program was unexpected, and in our view, was motivated by factors other than technical or economic, given that the uranium project has been making steady positive progress. Consequently, Silex management believes the company's shares were oversold in response to this announcement, and that the market is coming to a similar view.

5.2 On the 4th of June the company provided an update to the market detailing, amongst other things, the status of its various technology development projects. The recent upward movement in the company's share price may reflect, in addition to the issues discussed in 5.1 above, the market's re-assessment of the very significant value that could be generated if one or more of these projects were successful. The update also made it clear that the company is in a sound financial position with over $39m in cash reserves, sufficient to continue funding all of our current activities.

5.3 We believe that prior to June 30, there was significant tax loss selling as a consequence of the fall in the company's share price referred to in 5.1 above. Post June 30, the selling pressure appears to have been largely removed from the market, providing additional upward movement in share price. We note that our share price is still only half its value in mid-April 2003, and less than one fifth of its value in mid-2002.

6. ***Please confirm that the company is in compliance with listing rules and, in particular, listing rule 3.1.***

The company understands its continuous disclosure obligations and believes that it is in compliance with listing rule 3.1.

We trust that this response satisfies your query. Further information on the Company's activities can be found on the Silex website: www.silex.com.au or by contacting the persons listed below.

Yours sincerely

**Chris Wilks**
Company Secretary

**Contacts:**

| | |
|---|---|
| **Dr Michael Goldsworthy** | **(02) 9532 1331** |
| **Mr Chris Wilks** | **(02) 9855 5555** |

ASX
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11 July 2003

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Chris Wilks
Company Secretary
Silex Systems Limited
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By Facsimile: (02) 9878 5066

Dear Chris

Silex Systems Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from a low of $0.39 on 3 July 2003 to a high of $0.61 today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating profit before abnormal items and income tax so that the figure for the financial year ended 30 June 2003 would vary from the previous financial year by more than 15%? If so, please provide details as to the extent of the likely variation.

4. Is there any reason to think that the Company may record any material abnormal or extraordinary profit for the financial year year ended 30 June 2003? If so, please provide details.

5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at or by facsimile on **facsimile number 02 9241 7620**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9.30 a.m. E.S.T.**) on Monday, 14 July 2003.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

## Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

## Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours faithfully,

Sean Ward
<u>Senior Companies Advisor</u>
Direct Line: 02 9227 0656