

CAP-XX Limited
ABN 47 050 845 291

Interim report
For the half-year ended 31 December 2014

Interim report

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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 2014 and any public announcements made by CAP-XX Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CAP-XX Limited (the Company or CAP-XX) and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

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

| | |
|-----------------|-------------------------|
| Patrick Elliott | Chairman |
| Bruce Grey | Non-Executive Director |
| Anthony Kongats | Chief Executive Officer |

Review of operations

The Group recorded a net loss of \$873,104 during the half-year ended 31 December 2014 (2013: loss of \$1,222,130).

The year on year improvement is result of the improvement in gross margin due to the realisation of operational cost savings, lower administration expenditure and the associated translation benefits from a stronger USD.

Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs during the half-year ended 31 December 2014.

Subsequent events

Nil to report.

Unaudited Results

These results were not subject to an independent audit review.

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

Patrick Elliott
Director

Sydney
5th March 2015

CAP-XX Limited

Interim financial report

31 December 2014

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This interim financial report covers the consolidated entity consisting of CAP-XX Limited and its subsidiaries. The interim financial report is presented in the **Australian currency**.

CAP-XX Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal place of business is:

Units 9-10
12 Mars Road
Lane Cove NSW 2066

Its registered office is:

Suite 126
117 Old Pittwater Road
Brookvale NSW 2100
Australia

The interim financial report was authorised for issue by the directors on 5th March 2015. The company has the power to amend and reissue the interim financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Investors' Centre on our website: www.cap-xx.com.

CAP-XX Limited
Consolidated statement of profit or loss
For the half-year ended 31 December 2014

| | | Consolidated | |
|---|--------------|-----------------------|-----------------------|
| | Notes | Half-year 2014 | Half-year 2013 |
| | | \$ | \$ |
| Currency: Australian Dollars | | | |
| Revenue from sale of goods and services | 3 | 2,265,654 | 2,222,376 |
| Cost of sale of goods and services | | (1,608,662) | (1,654,152) |
| Gross margin (loss) on sale of goods and services | | 656,992 | 568,224 |
| Other revenue | 3 | 6,769 | 29,899 |
| Other income | | 573,996 | 543,525 |
| General and administrative expenses | | (953,764) | (1,138,007) |
| Process and engineering expenses | | (299,873) | (221,569) |
| Selling and marketing expenses | | (254,982) | (238,784) |
| Research and development expenses | | (568,495) | (738,304) |
| Other expenses | | (33,747) | (27,114) |
| (Loss) before income tax | | (873,104) | (1,222,130) |
| Income tax benefit/(expense) | | - | - |
| Net (loss) for the half year | | (873,104) | (1,222,130) |
| (Loss) attributable to members of CAP-XX Limited | 4 | (873,104) | (1,222,130) |
| Earnings (loss) per share attributable to the ordinary equity holders of the company | | Cents | Cents |
| Basic earnings per share | | (0.76) | (1.07) |
| Diluted earnings per share | | (0.76) | (1.07) |

The above statement of profit or loss should be read in conjunction with the accompanying notes.

CAP-XX Limited
Consolidated statement of comprehensive income
For the half year ended 31 December 2014

| | Notes | Consolidated | |
|---|-------|-------------------------|--------------------|
| | | 2014 \$ | 2013 \$ |
| Currency: Australian Dollars | | | |
| Loss for the year | | (873,104) | (1,222,130) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (85,432) | (25,531) |
| Other comprehensive income for the year, net of tax | | <u>(85,432)</u> | <u>(25,531)</u> |
| Total comprehensive income for the year attributable to owners of CAP-XX Limited | | <u>(958,536)</u> | <u>(1,247,661)</u> |

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

CAP-XX Limited
Consolidated statement of financial position
As at 31 December 2014

| | Notes | 31 December 2014 | Consolidated 30 June 2014 | 31 December 2013 |
|--------------------------------------|-------|------------------|------------------------------|------------------|
| <i>Currency: Australian Dollars</i> | | \$ | \$ | \$ |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 546,466 | 900,397 | 2,729,595 |
| Receivables | | 594,730 | 558,805 | 567,514 |
| Inventories | | 934,914 | 770,626 | 678,940 |
| Other | | 531,821 | 1,244,045 | 586,096 |
| Total current assets | | 2,607,931 | 3,473,873 | 4,562,145 |
| Non-current assets | | | | |
| Property, plant and equipment | | 375,147 | 377,163 | 394,116 |
| Other | | 236,507 | 236,507 | 236,507 |
| Total non-current assets | | 611,654 | 613,670 | 630,623 |
| TOTAL ASSETS | | 3,219,585 | 4,087,543 | 5,192,768 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | | 785,684 | 829,188 | 749,542 |
| Provisions | | 923,679 | 963,246 | 866,369 |
| Total current liabilities | | 1,709,363 | 1,792,434 | 1,615,911 |
| Non-current liabilities | | | | |
| Provisions | | 36,838 | 39,847 | 127,106 |
| Total non-current liabilities | | 36,838 | 39,847 | 127,106 |
| TOTAL LIABILITIES | | 1,746,201 | 1,832,281 | 1,743,017 |
| NET ASSETS | | 1,473,384 | 2,255,262 | 3,449,751 |
| EQUITY | | | | |
| Contributed equity | 5 | 90,405,581 | 90,293,839 | 90,293,840 |
| Reserves | | 3,656,263 | 3,676,779 | 3,550,337 |
| Accumulated losses | | (92,588,460) | (91,715,356) | (90,394,426) |
| TOTAL EQUITY | | 1,473,384 | 2,255,262 | 3,449,751 |

The above statement of financial position should be read in conjunction with the accompanying notes.

CAP-XX Limited
Consolidated statements of changes in equity
For the half-year ended 31 December 2014

| | Consolidated | | | |
|---|--------------------------------------|-----------------------|--------------------------------------|---------------------|
| | Contributed Equity \$ | Reserve \$ | Accumulated losses \$ | Total \$ |
| Balance at 1 July 2013 | 87,932,560 | 3,461,424 | (89,044,081) | 2,349,903 |
| Adjustment for correction of error (Note 1 c) | | | (128,215) | (128,215) |
| Profit for the period as reported in the 2014 financial statements | - | | (2,543,060) | (2,543,060) |
| Other comprehensive income | - | 9,271 | - | 9,271 |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs and tax | 2,361,279 | | | 2,361,279 |
| Employee share options - value of employee services | - | 206,084 | - | 206,084 |
| | 2,361,279 | 206,084 | - | 2,567,363 |
| Balance at 30 June 2014 | 90,293,839 | 3,676,779 | (91,715,356) | 2,255,262 |
| Profit for the period as reported in the 2015 interim financial statements | - | - | (873,104) | (873,104) |
| Other comprehensive income | - | (85,432) | - | (85,432) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity, net of transaction costs and tax | 111,742 | - | - | 111,742 |
| Employee share options - value of employee services | - | 64,916 | - | 64,916 |
| | 111,742 | 64,916 | - | 176,658 |
| Balance at 31 December 2014 | 90,405,581 | 3,656,263 | (92,588,460) | 1,473,384 |

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

CAP-XX Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2014

| | Consolidated | |
|---|---------------------------|---------------------------|
| | Half-year 2014 | Half-year 2013 |
| Currency: Australian Dollars | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 2,492,221 | 2,087,948 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (3,963,024) | (3,804,513) |
| | (1,470,803) | (1,716,565) |
| Tax credit received | 1,172,447 | 1,003,493 |
| Interest received | 6,769 | 29,899 |
| Net cash (outflow) from operating activities | (291,587) | (683,173) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (88,654) | (28,504) |
| Net cash (outflow) from investing activities | (88,654) | (28,504) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 111,742 | 2,361,280 |
| Net cash inflow from financing activities | 111,742 | 2,361,280 |
| Net increase (decrease) in cash and cash equivalents | (268,499) | 1,649,603 |
| Cash and cash equivalents at the beginning of the half-year | 900,397 | 1,105,523 |
| Effects of exchange rate changes on cash and cash equivalents | (85,432) | (25,531) |
| Cash and cash equivalents at the end of the half-year | 546,466 | 2,729,595 |

The above statements of cash flow should be read in conjunction with the accompanying notes.

CAP-XX Limited
Notes to the interim financial statements
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CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 1 Significant accounting policies

a) Basis of preparation of half-year report

This general purpose interim financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated interim financial statements and notes comply with International Financial Reporting Standards (IFRSs).

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 2014 and any public announcements made by CAP-XX Limited during the interim reporting.

b) Continuation as a going concern

During the half year ended 31 December 2014, the Group incurred an operating loss before tax and net cash outflows from operating activities as disclosed in the statement of profit or loss and the statement of cash flows, respectively. The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful with respect to the following factors:

- i. The ability of the Group to raise additional funds from shareholders and new investors. The Group has successfully conducted equity placements over the last five years;
- ii. Increasing prospects from existing and emerging markets are realised both from the small and large supercapacitor product range into sales revenue. The Group will need to ensure that product development and manufacturing capacity is available to satisfy the customers product specifications and timing demands;
- iii. Ongoing technology license discussions with numerous customers need to be finalised to ensure that ongoing revenue and cash flow is generated in a timely manner;
- iv. Continue the close and effective monitoring of the Group's operating expenditure, including the realisation of identified operating cost initiatives. The Board approves an annual budget and regularly receives forecasts from management to monitor performance against budget and to consider longer term prospects;
- v. The Group receiving the proceeds from the R&D Tax concession which will be lodged with the Australian Taxation Office by September 2015. The quantum of the rebate is estimated to be similar to previous years;

As a result, there is material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

However, the Directors believe that the Group will be successful in achieving favourable outcomes on the above matters and that it will have sufficient funds to pay its debts and meet its commitments for at least the next 12 months from the date of this financial report, and accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2014. As such, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Group not continue as a going concern.

CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 1 Significant accounting policies (Continued)

c) Restatement of comparatives

An adjustment has been made to the value of the make good provision recorded in previous periods. Having revisited the information available at the inception of the lease, it has been found that the present value of the costs to restore the premises at Lane Cove to its original condition at the end of the lease exceeded the provision recognised. This resulted in the make good provision being understated as at 1 July 2012 and as at 30 June 2013. This error has been corrected and is reflected in the relevant balances recorded at 30 June 2014. The re-stated comparative data as at December 31, 2013 is reflected below

Extracts, being only those line items affected, are disclosed below:
Consolidated Statement of profit or loss

| | 2013 Reported \$ | Consolidated Adjustment \$ | 2013 Restated \$ |
|---|---------------------------------|---|---------------------------------|
| Extract | | | |
| Expenses | | | |
| Other expenses | 3,326 | (30,440) | (27,114) |
| Loss before income tax | (1,191,690) | (30,440) | (1,222,130) |
| Income tax benefit | - | - | - |
| Net loss for the year | (1,191,690) | (30,440) | (1,222,130) |
| Loss attributable to the owners of CAP-XX Limited | (1,191,690) | (30,440) | (1,222,130) |
| | Cents Reported | Adjustment | Cents Restated |
| Earnings per share for (loss) attributable to the ordinary equity holders of the Company | | | |
| Basic earnings per share | (1.04) | (0.03) | (1.07) |
| Diluted earnings per share | (1.04) | (0.03) | (1.07) |

CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 1 Significant accounting policies (Continued)

Consolidated Statement of financial position at the end of the earliest comparative period – 30 June 2013

| Extract | 30/06/2013 Reported | Consolidated Adjustment | 30/06/2013 Restated |
|----------------------------|--------------------------------|------------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Current liabilities | | | |
| Provisions | 800,644 | 128,215 | 928,859 |
| Total current liabilities | 2,018,851 | 128,215 | 928,859 |
| Total liabilities | 2,054,777 | 128,215 | 2,182,992 |
| Net assets | 2,349,903 | (128,215) | 2,221,688 |
| Equity | | | |
| Accumulated losses | (89,044,081) | (128,215) | (89,172,296) |
| Total equity | 2,349,903 | (128,215) | 2,221,688 |

Consolidated Statement of financial position at the end of the earliest comparative period – 31 December 2013

| Extract | 31/12/2013 Reported | Consolidated Adjustment | 31/12/2013 Restated |
|----------------------------|--------------------------------|------------------------------------|--------------------------------|
| | \$ | \$ | \$ |
| Current liabilities | | | |
| Provisions | 707,714 | 158,655 | 866,369 |
| Total current liabilities | 1,457,256 | 158,655 | 1,615,911 |
| Total liabilities | 1,584,362 | 158,655 | 1,743,017 |
| Net assets | 3,608,406 | (158,655) | 3,449,751 |
| Equity | | | |
| Accumulated losses | (90,235,771) | (158,655) | (90,394,426) |
| Total equity | 2,255,262 | (158,655) | 2,096,607 |

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2014.

CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 2 Segment information

Business segments – primary reporting

Management has determined the operating segment based on the reports reviewed by the Board that are used to make strategic decisions. Management has identified one reportable segment which is the development, manufacture and sale of supercapacitors.

Although the Group is managed on a global basis, it generates revenue in 3 main geographical areas being Asia Pacific, North America and Europe. Segment revenues are allocated based on the country in which the user is located

| | Geographical Segments | | | |
|--|------------------------------|------------------|----------------------|------------------|
| | Asia Pacific | Europe | North America | Total |
| | \$ | \$ | \$ | \$ |
| 31 December 2014 | | | | |
| Revenue | 538,219 | 1,601,192 | 126,243 | 2,265,654 |
| Cost of sales | (1,608,663) | - | - | (1,608,662) |
| Gross Profit/(Loss) | (1,070,444) | 1,601,192 | 126,243 | 656,992 |
| Interest revenue | 6,769 | - | - | 6,769 |
| Other income | 573,996 | - | - | 573,996 |
| General and administrative expenses | (953,764) | - | - | (953,764) |
| Process and engineering expenses | (299,873) | - | - | (299,873) |
| Selling and marketing expenses | (254,982) | - | - | (254,982) |
| Research and development expenses | (568,495) | - | - | (568,495) |
| Other expenses | (33,747) | - | - | (33,747) |
| Profit/ (Loss) before income tax | (2,600,540) | 1,601,192 | 126,243 | (873,104) |
| Income tax benefit | | | | |
| Net profit/(loss) for the year | (2,600,540) | 1,601,192 | 126,243 | (873,104) |
| Other comprehensive income | | | | |
| Exchange differences arising in translation of foreign operations | (85,432) | - | - | (85,432) |
| Total comprehensive income, net of tax | (2,685,972) | 1,601,192 | 126,243 | (958,536) |
| Total assets | 3,219,585 | - | - | 5,192,768 |
| Total liabilities | 1,746,201 | - | - | 1,743,017 |
| Profit/(Loss) before income tax includes the following specific expenses: | | | | |
| Interest expense | - | - | - | - |
| Depreciation | 85,514 | - | - | 85,514 |
| Share based payments | 64,916 | - | - | 64,916 |

CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 2 Segment Information (continued)

31 December 2013

| | Geographical Segments | | | Total \$ |
|--|-----------------------|--------------|------------------------|-------------|
| | Asia Pacific \$ | Europe \$ | North America \$ | |
| Revenue | 926,783 | 1,112,872 | 182,721 | 2,222,376 |
| Cost of sales | (1,654,152) | - | - | (1,654,142) |
| Gross Profit/(Loss) | (448,539) | 1,112,872 | 2,185,508 | 568,224 |
| Interest revenue | 29,899 | - | - | 29,899 |
| Other income | 543,525 | - | - | 543,525 |
| General and administrative expenses | (1,138,007) | - | - | (1,138,007) |
| Process and engineering expenses | (221,569) | - | - | (221,569) |
| Selling and marketing expenses | (238,784) | - | - | (238,784) |
| Research and development expenses | (78,304) | - | - | (738,304) |
| Other expenses | (27,114) | - | - | (27,114) |
| Profit/ (Loss) before income tax | (4,519,510) | 1,112,872 | 2,185,508 | (1,221,130) |
| Income tax benefit | | | | |
| Net profit/(loss) for the year | (4,519,510) | 1,112,872 | 2,185,508 | (1,221,130) |
| Other comprehensive income | | | | |
| Exchange differences arising in translation of foreign operations | (57,501) | - | - | (57,501) |
| Total comprehensive income, net of tax | (4,577,011) | 1,112,872 | 2,185,508 | (1,278,631) |
| Total assets | 5,192,768 | - | - | 5,192,768 |
| Total liabilities | 1,584,362 | - | - | 1,584,362 |
| Profit/(Loss) before income tax includes the following specific expenses: | | | | |
| Interest expense | - | - | - | - |
| Depreciation | 136,356 | - | - | 136,356 |
| Share based payments | 114,444 | - | - | 114,444 |

The consolidated entity operates in a single business segment which is the development, manufacture and sale of super capacitors.

CAP-XX Limited
Notes to the financial statements
31 December 2014

Note 3 Revenue

| | Consolidated | |
|----------------------|---------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Sales revenue | | |
| Sale of Goods | <u>2,265,654</u> | <u>2,222,376</u> |
| | <u>2,265,654</u> | <u>2,222,376</u> |
| Other revenue | | |
| Interest | <u>6,769</u> | <u>29,899</u> |
| | <u>6,769</u> | <u>29,899</u> |
| Total revenue | <u>2,272,423</u> | <u>2,252,275</u> |

Note 4 Profit for the half-year

Profit for the half-year includes the benefits of the Australian Taxation Offices R&D cash offset incentive. The amount included in the December 2014 accounts is \$475k (2013: \$450k). CAP-XX successfully lodged their initial claim for this incentive in relation to the FY2014 year and received \$1.2m in October 2014. (2013:\$1.00m)

Note 5 Contributed equity

Movement in ordinary share capital:

| Date | Details | Number of shares | Issue price | \$ |
|------------------|----------------------|-------------------------|--------------------|-------------------|
| 1 July 2013 | Opening balance | 86,277,430 | | 87,932,560 |
| 30 August 2013 | Issue of Shares | 28,181,819 | \$0.09 | 2,560,713 |
| 30 August 2014 | Share Issuance Costs | | | (199,434) |
| 30 June 2014 | Balance | <u>114,459,249</u> | | <u>90,293,839</u> |
| 1 July 2014 | Opening balance | 114,459,249 | | 90,293,839 |
| 30 October 2014 | Issue of Shares | <u>1,768,116</u> | \$0.06 | <u>111,742</u> |
| 31 December 2014 | Balance | <u>116,227,365</u> | | <u>90,405,581</u> |

CAP-XX Limited
Notes to the financial statements
31 December 2014

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-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; and

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

Patrick Elliott
Director

Sydney
5th March, 2015