

**CAP-XX Limited**  
**ABN 47 050 845 291**

**Interim report**  
**For the half-year ended 31 December 2007**

**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 2007 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 2007.

### **Directors**

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

Michael Quinn	Chairman
Anthony Kongats	Chief Executive Officer
Christer Harkonen	
John Murray	
Brett Sandercock	
Graham Titcombe	

### **Review of operations**

The Group experienced net losses of \$4,472,881 during the half-year ended 31 December 2007 (2006: loss of \$4,706,234).

Production and sales increased in line with management expectations. The Group continued to focus its efforts on improving manufacturing processes to produce reliable product volumes suitable for the mobile handset and handheld electronic markets. Good progress was made in these areas and production capability is to be enhanced with the installation of additional manufacturing equipment which is expected to be on stream by the end of the financial year.

### **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 2007.

### **Subsequent events**

On 25 March 2008, the Group signed a Letter of Intent with Murata Manufacturing Company Ltd (Murata). Murata is a leading Japanese company with global operations. The intention is to enter a comprehensive partnership to provide high performance supercapacitors to the mobile hand-set industry and for other applications. Under the proposed licence, CAP-XX will receive licence fees and a royalty based on the volume of sales of supercapacitors.

A definitive agreement is expected to be signed before the end of the current financial year.

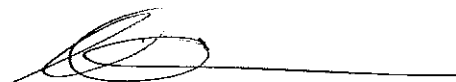
### **Rounding of amounts**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### **Unaudited Results**

These results were not subject to an independent audit review.

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



Michael Quinn  
Director

Sydney  
31 March 2008

# CAP-XX Limited

## Interim financial report

### 31 December 2007

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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:  
Level 3  
685 Pittwater Road  
Dee Why NSW 2099

The interim financial report was authorised for issue by the directors on 31 March 2008. 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](http://www.cap-xx.com).

**CAP-XX Limited**  
**Income statement**  
**For the half-year ended 31 December 2007**

	Consolidated	
	Half-year 2007	Half-year 2006
<i>Currency: Australian Dollars</i>	\$ ' 000	\$ ' 000
Revenue from sale of goods	2,631	2,384
Cost of sale of goods	(3,115)	(3,098)
<b>Gross margin (loss) on sale of goods</b>	<b>(484)</b>	<b>(714)</b>
Other income	237	559
General and administrative expenses	(1,895)	(1,813)
Process and engineering expenses	(447)	(432)
Selling and marketing expenses	(854)	(658)
Research and development expenses	(893)	(1,330)
Foreign exchange losses	(111)	(150)
Other expenses	(14)	(168)
<b>(Loss) before income tax</b>	<b>(4,461)</b>	<b>(4,706)</b>
Income tax benefit/(expense)	(12)	-
<b>Net (loss) for the half year</b>	<b>(4,473)</b>	<b>(4,706)</b>
<b>(Loss) attributable to members of CAP-XX Limited</b>	<b>(4,473)</b>	<b>(4,706)</b>
<b>Earnings per share for (loss) attributable to the ordinary equity holders of the company</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(9.1)	(9.7)
Diluted earnings per share	(9.1)	(9.7)

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

**CAP-XX Limited**  
**Balance sheet**  
**As at 31 December 2007**

	Consolidated		
	31 December 2007	30 June 2007	31 December 2006
<i>Currency: Australian Dollars</i>	\$ ' 000	\$ ' 000	\$ ' 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5,551	10,744	15,385
Receivables	1,390	958	993
Inventories	1,423	920	281
Other	177	94	125
<b>Total current assets</b>	<b>8,541</b>	<b>12,716</b>	<b>16,784</b>
<b>Non-current assets</b>			
Property, plant and equipment	3,073	2,779	2,297
Other	208	153	156
<b>Total non-current assets</b>	<b>3,281</b>	<b>2,932</b>	<b>2,453</b>
<b>Total assets</b>	<b>11,822</b>	<b>15,648</b>	<b>19,237</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,782	1,622	1,245
Provisions	499	507	663
<b>Total current liabilities</b>	<b>2,281</b>	<b>2,129</b>	<b>1,908</b>
<b>Non-current liabilities</b>			
Provisions	169	124	105
<b>Total non-current liabilities</b>	<b>169</b>	<b>124</b>	<b>105</b>
<b>Total liabilities</b>	<b>2,450</b>	<b>2,253</b>	<b>2,013</b>
<b>Net assets</b>	<b>9,372</b>	<b>13,395</b>	<b>17,224</b>
<b>EQUITY</b>			
Contributed equity	75,786	75,722	75,639
Reserves	1,419	1,033	660
Accumulated losses	(67,833)	(63,360)	(59,075)
<b>TOTAL EQUITY</b>	<b>9,372</b>	<b>13,395</b>	<b>17,224</b>

*The above balance sheets should be read in conjunction with the accompanying notes.*

**CAP-XX Limited**  
**Statements of changes in equity**  
**For the half-year ended 31 December 2007**

	Consolidated	
	Half-year 2007	Half-year 2006
	\$ ' 000	\$ ' 000
<i>Currency: Australian Dollars</i>		
Total equity at the beginning of the half year	13,395	21,633
Exchange differences on translation of foreign operations	20	40
Net (loss) recognised directly in equity	20	40
(Loss) for the half year	(4,473)	(4,706)
Total recognised income and expenses for the half year	(4,453)	(4,666)
Transactions with equity holders in their capacity as equity holders:		
Employee share options	366	206
Exercise of options	64	51
	430	257
Total equity at the end of the half-year	9,372	17,224

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

**CAP-XX Limited**  
**Cash flow statements**  
**For the half-year ended 31 December 2007**

	Consolidated	
	Half-year 2007	Half-year 2006
<i>Currency: Australian Dollars</i>	\$ ' 000	\$ ' 000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	2,303	2,411
Payments to suppliers and employees (inclusive of goods and services tax)	(7,120)	(6,527)
	<u>(4,817)</u>	<u>(4,116)</u>
Interest received	232	388
<b>Net cash (outflow) inflow from operating activities</b>	<u><b>(4,585)</b></u>	<u><b>(3,728)</b></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(672)	(1,045)
<b>Net cash (outflow) inflow from investing activities</b>	<u><b>(672)</b></u>	<u><b>(1,045)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	64	51
<b>Net cash inflow from financing activities</b>	<u><b>64</b></u>	<u><b>51</b></u>
Net increase (decrease) in cash and cash equivalents	(5,193)	(4,722)
Cash and cash equivalents at the beginning of the half-year year	10,744	20,107
<b>Cash and cash equivalents at the end of the half-year year</b>	<u><b>5,551</b></u>	<u><b>15,385</b></u>

*The above cash flow statements 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 2007**

**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 2007 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 2007 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 2007 the Group incurred an operating loss before tax and net cash outflows from financing activities as disclosed in the income statement and the cash flow statement respectively. The ability of the Group to continue as a going concern and to meet their debts and commitments as they fall due is dependent upon the following factors:

- i) Successful conclusion of the licensing agreement as described in Note 5.
- ii) Close and effective monitoring of the Group's cash flows, including the Group's ability to undertake appropriate cost saving initiatives if revenue and production volumes are not achieved and to align resources with the relevant business conditions.
- iii) Significantly higher revenues being generated from existing and new customers or from technology licensing agreements. The Group's operating results are likely to continue to depend on a small number of customers, and in turn on those customers ability to sell their own products which incorporate the Group's products to end users.
- iv) Continuity of timely production from internal and external manufacturing resources. The Group relies on a third party manufacturer to produce most of its products. Dependency on the third party manufacturer involves certain risks such as capacity shortages and an inability to renegotiate price decreases on volume production.
- v) The ability of the Group to raise additional funds from its shareholders, new investors or from other funding sources to meet any operating expenses or where sales do not reach anticipated levels.
- vi) The market in which the Group operates is competitive and is characterised by technological change and innovation. Uncertainties surrounding the adoption and timing of new technology have been present since the company's inception and continue to exist in the Group's field of technology and potential markets.

As a result of these matters, there is uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

However, the directors believe that the company will be successful in the above matters 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 2007.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2007.

**CAP-XX Limited**  
**Notes to the financial statements**  
**31 December 2007**

**Note 2 Segment information**

**Business segments – primary reporting**

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

**Note 3 Profit for the half-year**

Profit for the half-year does not include any items that are unusual because of their nature, size or incidence.

**Note 4 Contributed equity**

**Movement in ordinary share capital:**

Date	Details	Number of shares	Issue price	\$ ' 000
1 July 2006	Opening balance	48,641,011		75,588
20 July 2006	Exercise of stock options	14,437	\$0.47	7
21 July 2006	Exercise of stock options	8,250	\$0.47	4
22 September 2006	Exercise of stock options	14,726	\$0.47	7
14 November 2006	Exercise of stock options	71,250	\$0.47	33
31 December 2006	<b>Balance</b>	<b>48,749,674</b>		<b>75,639</b>
1 July 2007	Opening balance	48,926,559		75,722
2 July 2007	Exercise of stock options	2,147	\$0.47	1
6 July 2007	Exercise of stock options	7,437	\$0.47	3
7 November 2007	Exercise of stock options	96,000	\$0.23	22
11 December 2007	Exercise of stock options	68,648	\$0.47	32
19 December 2007	Exercise of stock options	12,000	\$0.47	6
31 December 2007	<b>Balance</b>	<b>49,112,791</b>		<b>75,786</b>

**Note 5 Events occurring after the balance sheet date**

On 25 March 2008, the Group signed a Letter of Intent with Murata Manufacturing Company Ltd (Murata). Murata is a leading Japanese company with global operations. The intention is to enter a comprehensive partnership to provide high performance supercapacitors to the mobile hand-set industry and for other applications. Under the proposed licence, CAP-XX will receive licence fees and a royalty based on the volume of sales of supercapacitors.

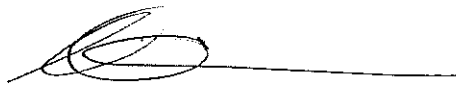
A definitive agreement is expected to be signed before the end of the current financial year

## 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 2007 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.



Michael Quinn  
Director

Sydney  
31 March 2008