CAP-XX Limited
ABN 47 050 845 291

Annual report 2021

Contents

Corporate directory

Directors	Patrick Elliott *Chairman* Bruce Grey *Non-Executive Director* Anthony Kongats *Managing Director*
Secretaries	Robert Buckingham Michael Taylor
Notice of annual general meeting	The annual general meeting of CAP-XX Limited **will be held at:** CAP-XX Limited Unit 1 13A Stanton Road Seven Hills NSW 2147 Australia **time:** 6.00pm **date:** 27th October 2021
Registered office	Suite 126 117 Old Pittwater Road Brookvale NSW 2100 Australia
Principal place of business	Unit 1 13A Stanton Road Seven Hills NSW 2147
Registrars to shares	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford Victoria 3067 Australia
Registrars to depositary interests	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 6ZY United Kingdom

Corporate directory (continued)

Nominated adviser and joint broker to the Company	Allenby Capital 5 St Helen's Place London EC3A 6AB
Joint broker to the Company	Cenkos Securities plc 6 7 8 Tokenhouse Yard London EC2R 7AS
Auditor	BDO Level 11 1 Margaret Street Sydney NSW 2000 Australia
Solicitors to the Company as to Australian law	Dentons 77 Castlereagh Street Sydney New South Wales 2000 Australia
Solicitors to the Company as to English law	DAC Beachcroft 100 Fetter Lane London EC4A 1BN United Kingdom
Bankers	Commonwealth Bank of Australia 120 Pitt Street Sydney, NSW 2000 Australia
Stock exchange listings	Shares are quoted on AIM, a market operated by London Stock Exchange plc under the code CPX
Website address	www.cap-xx.com

Chairman's Report

It has been a very busy but ultimately highly successful year for CAP-XX, with progress in a broad range of areas setting the Company on a path to achieving sustained and growing profitability. I am pleased to report that the commissioning of the ex-Murata Coating, DMF and DMT production lines in Sydney has been successfully completed on budget. Efforts to build sales are bearing fruit, with product sales up 30% year-on-year and the sales order book has increased by more than 160% from July 2020 to July 2021. All of this was achieved against a backdrop of a very challenging global environment as we work hard to mitigate the negative impact of the COVID-19 pandemic. The new financial year has started well. Trading is in line with market expectations.

The Board remains of the view that the installation of the additional production facilities at the Seven Hills facility will be transformational for the Company's sales and profitability. At full capacity, the lines will be able to produce around 4.8 million DMF or DMT products per year and more than 2.4 million DMH products per year, all at a much lower unit cost than the prismatic parts which the Company currently manufactures in Malaysia. While full production capacity of the coating, DMF and DMT production lines has not yet been reached, the Board is very pleased with the demand expressed by both pre-existing Murata customers and new customers.

Demand from the top 10 potential customers already exceeds the annual capacity of the production lines at the Seven Hills facility Orders and shipments for these products continue to increase. As the Board expected, the early product shipments have been to former Murata customers. The Board expects that more than 75% of Murata's former customers by value will be retained. These early sales have been for smart meters, security products and medical devices. Importantly, we are increasing new business in consumer products and Internet of Things (IoT) sensor applications. As demand builds, the Board will look at how to best grow sales, potentially by adding new capacity and/or new product lines, in line with the Company's plan. This includes the DMH line which is scheduled to be commissioned in 2022 subject to customer pull and available CAP-XX resources. Customer enquiries for DMH products are primarily for applications such as gaming, tracking, electronic shelf labels, medical devices, IoT sensors and smart credit cards.

During the year ended 30 June 2021 and subsequently, CAP-XX has announced a number of commercial engagements where customers, including Spire Health, RGM SpA, Sensys Networks, Everactive, Jack (a start-up of AGC Automotive Europe), VAIMOO, Portal Instruments and Epishine, have selected its supercapacitors for healthcare, automotive, monitoring and solar end-use applications.

Like most businesses, the Company has experienced impacts due to COVID-19. Local lockdowns in the Sydney area have meant that all non-essential staff have had to work from home for most of the year. The Company has also had to close production at Seven Hills for short periods of time to reduce the risk of the spread of COVID-19. Pleasingly, our production staff have now received at least their first vaccination, and many have received their second. Recruitment of engineers and technicians in Sydney has been delayed due to Public Health Orders banning travel by candidates, which has in turn delayed some production initiatives. Production efficiency and output from Malaysia has been impacted by COVID-19. The ban on CAP-XX engineers travelling to Malaysia; the compulsory shut down of businesses there and a ban on bringing additional labour into the country, have negatively impacted the Company's output. This has also delayed production of our 3 Volt products, which requires CAP-XX staff on site. On the demand side, a small but reducing number of former Murata customers have advised the Company that they are still holding large inventories of our products, due to the combination of a short-term reduction in end customer demand for their products, coupled with large final purchases made from Murata before the production lines were closed for transfer. Nevertheless, the Board believes that the Company has weathered these impacts relatively well with product sales up 30% on the previous year.

Licensing is also an important revenue stream for CAP-XX and the Company continues to vigorously defend its intellectual property. During the year, the Company investigated its options to recover the US$4.95 million damages, plus legal fees awarded to the Company against Ioxus, Inc. Ultimately, the Board decided that the prospects for any recovery from the bankruptcy of Ioxus, Inc. or related parties was very remote and didn't warrant further expenditure. However, we will be alert for any breaches of the Company's intellectual property by the new owner of the Ioxus assets. CAP-XX continues to pursue a similar patent infringement action against Maxwell Technologies, now a wholly owned subsidiary of Tesla Inc., with the court-ordered mediation expected to commence in the next few months. During the year the Company also signed a licence agreement with Panasonic covering two expired patents for a one-off fee. The level of the royalty payment received from Panasonic was commensurate with Panasonic's modest sales of supercapacitors and the royalty rates for other CAP-XX licence agreements granted. The Company is now additionally in dispute with one of its licencees over underpayment of royalties. The Company is steadfast in its goal to be paid the royalties it believes it is entitled to and will continue to pursue payment as an integral part of vigorously defending its intellectual property. In the meantime, the Company continues to develop new intellectual property concerning supercapacitors and energy storage devices.

Total Company sales revenue for the year to 30 June 2021 increased by 14% to A$4.1 million (2020: A$3.6 million). Pleasingly, product sales were up 30% from FY 2020, which is a direct result of the strong pipeline of opportunities which have been commented upon in prior year reports, recent trading updates and the various announcements the Company has made. Licensing and royalty revenues were down for the reasons mentioned above. The reported EBITDA loss for the year to 30 June 2021 was a loss of A$2.5 million (2020: loss of A$4.2 million), which includes the amortisation of share-based payment expenses, Murata project expenses, legal expenses for patent infringement and the adoption of AASB16 in the prior year. When adjusted for these one-off factors, the like for like comparison is an adjusted EBITDA Loss of A$0.4 million (2020: loss of A$1.6 million).

During the year, 15 million employee share options were due to expire. These options were all held in a single holding by the Trustee of the Company's Employee Option Plan. This trust structure had been set up in 2015 to provide legitimate tax benefits to the Company's employees. At the expiry date, the Company's share price was close to the option exercise price. As a result, the Trustee and the employees agreed to exercise and sell the resulting shares to minimise any cash calls on employees. In the process of marketing the new shares resulting from the exercise of the employee share options, the Company's joint broker, Cenkos, identified extra demand for the Company's shares from institutional investors. As a consequence, the Company agreed, following the period end and in conjunction with the sale of the new shares resulting from the exercise of options, to raise an additional £2.6 million (net of expenses) through a placing of additional shares. The funds from this placing will be used to commission the DMH line, for new product development, new supply chain capability and legal fees associated with patent infringement and licencing.

The Board is confident that the successful commissioning of the former Murata production lines will transform the Company's sales and cash flow position.

Patrick Elliott
Chairman

29 September 2021

Business Review

Review of Operations and Activities

The Reported EBITDA loss for the year to 30 June 2021 was a loss of A$2.5 million (2020: loss of A$4.2 million), which includes the amortisation of share-based payment expenses. This loss also includes A$2.8 million in Murata project expenses (a net figure of A$1.6 million after the expected incremental R&D tax rebate) (2020: A$2.1 million), A$0.3 million in legal expenses for patent infringement, and approximately A$0.2 million for a one-off increase in the bad debt provision. When adjusted for these one-off factors, the like for like comparison was an adjusted EBITDA loss of A$0.4 million (2020: loss of A$1.6 million).

Cash reserves as at 30 June 2021 were A$0.2 million, down from A$2.9 million as at 30 June 2020.
The cash reserves were lower than expected due to underpayment of royalties by a licencee, the sale of the employee share options being delayed to after 30th June 2021, and an increase in legal expenses in the last quarter related to patent infringement and licencing. The 2021 year end cash position excludes the proceeds after expenses of the recent capital raise (£2.6 million net of expenses) and cash receipts following the exercise of employee share options (£0.4 million). In addition, the Board anticipates that the Company will be in receipt of a Federal Government R&D tax rebate of approximately A$3.0 million, with these funds expected to be received before the end of the current calendar year. The Company continues to explore options to use a debt facility to fund the Company's growth. However, in the current climate the Board considers that many available debt-funding options are too expensive. The Company does have a revolving line of credit secured by the R&D tax rebate. There was A$1.4 million of this line of credit outstanding as at 30 June 2021, with the proceeds from the recent capital raising being used to pay down this facility.

As disclosed last year, two accounting adjustments need to be taken into account when analysing the financial results for FY 2021. The first relates to the Company adopting AASB 16 from 1 July 2019. This standard replaces AASB 117 and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition has been replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). A full explanation of this adjustment can be found in Note 14 in the Notes to the Financial Statements. The second adjustment relates to the higher than historical Research and Development expenditure, which is a direct result of the costs incurred in the relocation and commissioning of the acquired Murata plant and equipment. A material percentage of the expenditure incurred can be claimed as eligible Research and Development expenditure under the current Australian Taxation Office guidelines and is subject to a rebate. The amount of eligible Research and Development expenditure for FY 2021 totalled A$7.0 million (2020: A$7.4 million) which will generate an expected Government rebate of approximately A$3.0 million (2020: A$3.2 million) which is anticipated to be received before the end of the current calendar year.

The Company's sales pipeline is robust with many of the opportunities being converted to sales orders. The outstanding sales order book as at 30 June 2021 was more than 160% higher than at the same time in the previous year. Total product sales revenue for the year to 30 June 2021 was A$3.5 million (2020: A$2.7 million) which represents a 30% year-on-year increase. The contributing factors underlying this increase were sales of DMF and DMT products manufactured by CAP-XX at Seven Hills and sales of cylindrical can supercapacitors. These increases offset the contribution from Licensing and Royalties which was down from the previous year.

Operational expenditure, excluding the direct costs of the Murata project, decreased by 10% from A$6.7 million to A$6.0 million. The decrease in expenditure is attributable to lower travel expenses across all departments due to the COVID-19 restrictions and a decrease in legal expenses principally associated with patent infringement cases.

Research and Development expenditure has been held steady in FY 2021, with the focus being the development of new intellectual property around supercapacitors, energy storage and related applications.

Business Environment

The Board believes that CAP-XX's technology provides a significant competitive advantage over existing supercapacitor manufacturers such as TDK Corporation, Skeleton, Eaton, LSMtron, Nippon Chemicon Corporation and other Chinese and Korean competitors. The Board believes that these companies are unable to match the CAP-XX technology in terms of thinness, power density, energy density and reliability. Most of the Company's competitors only manufacture higher-capacity cylindrical cells used in large package modules and focus on applications where the combination of thinness, energy density and power density are not important considerations for the customer. These competitor products usually prove unsuitable for the various markets collectively labelled the Internet of Things (IoT) market, which is the key area that CAP-XX is targeting with the former Murata products and CAP-XX's existing prismatic products.

As reported previously, IoT applications, one of the fastest growing segments of the electronics market, provide one of the greatest opportunities for CAP-XX's products. Driven by customer requests, manufacturers are constantly moving to new wireless protocols and adding to the functions and applications available on IoT enabled devices. Some of these new functions require high electrical power within the actual IoT device. Examples are e-locks, drug dispensing, facial recognition, and haptic feedback. Other devices are powered by energy harvesting and are battery-less. Others use low power batteries such as 3 Volt coin cell batteries. All of this means that power management continues to be an increasingly important consideration. The other important factor is size, as devices have tended to become smaller whilst their electrical power demands have increased. The Company has been successful in winning new business from a range of these markets, such as industrial actuators, e-locks, agricultural sensors, wireless displays, smart-meters, payment and handheld terminals, medical wearables, automotive dashcams and communication systems.

In the past, CAP-XX has faced competition in various markets from cheaper cylindrical supercapacitors where our thin form factor, high power and long life are not valued as highly as lower initial cost components from competitors. To counteract this, the Company released a range of cylindrical cells. Modest sales revenue for these products was first recorded during FY 2019. Since then, sales have continued to grow strongly on a year-on-year basis, with the Company being successful in winning a number of large volume orders. Several new large volume opportunities are currently being evaluated by customers.

As previously articulated, automotive applications such as truckStart, Stop-Start systems, regenerative energy capture or KERS (Kinetic Energy Recovery Systems), distributed power, hybrid electric vehicles and electric vehicles still present substantial opportunities for large supercapacitors. A number of CAP-XX's competitors are active in these markets, and the Board believes that the Company has significant advantages over the competition in certain applications. However, because of the significant resources that each project requires and the long time lag between product evaluation and mass production, the Board has taken the decision to focus the Company's resources on IoT applications and take a lower risk, longer-term, more patient approach to the opportunities for large supercapacitors with the focus being on a small number of key automotive projects.

Opportunities

The overall direct sales pipeline for CAP-XX's supercapacitors continues to be large in quantum and varied in terms of the targeted markets. The key IoT target markets remain similar to the previous year, with IoT wearables, health, automotive, security, smart-metering, energy harvesting and consumer products having the most appeal and presenting the largest volume opportunities. While many applications are strictly confidential and cannot be disclosed, the Company has, over the last year, announced details of several customers applications with the approval of those customers.

Our customers' markets are constantly evolving as new products and technologies threaten the incumbents. In this environment, CAP-XX needs to always remain alert and be flexible to changing business conditions and market needs. This creates opportunities to offer products that address what our markets want.

CAP-XX is continuing to refine the products that it offers for the various IoT applications and other markets. The Company has introduced the Murata range of DMF and DMT thin prismatic supercapacitors to address the space-constrained and/or power-hungry needs of many IoT products. These products are already being shipped from the Company's new Seven Hills factory. The Company plans to commission and commence shipments of the very thin DMH supercapacitor by next year. At only 400 microns in thickness, the Board believes that this is the best performing supercapacitor in its class.

The Company also plans to use its 3 Volt chemistry in certain models of supercapacitors currently made in Malaysia. Assuming that sales of these 3 Volt products are as expected, the Company will eventually look to produce 3 Volt products on the DMF line at Seven Hills. The development of the 3 Volt product has been targeted to meet demand for small, inexpensive, energy efficient power solutions for thin wearables, key FOBs and other IoT devices, especially those using 3 Volt coin cell lithium ion batteries, such as the CR2032 battery.

In the future, there is an opportunity to migrate this same 3 Volt technology into larger prismatic supercapacitors, automotive modules and other products for high-energy, high-power applications. As already noted, CAP-XX is concentrating on a small number of automotive opportunities. To further increase the Company's likelihood of success, the Board is investigating a strategy of partnering with automotive and military Tier-1/Tier-2 suppliers, through either a new license agreement or a joint venture, to supply the automotive markets. The Board believes that such partnerships will be beneficial for all parties involved.

The Company intends to continue using its intellectual property to develop additional substantial and recurring income. A significant benefit of the existing licencing agreements is that they validate CAP-XX's technology leadership in the field of supercapacitors and energy storage, and the potential for supercapacitors as a mainstream consumer electronics technology. Our licensees' product lines and sales activities are also increasing our exposure to markets and customers that were previously beyond the Company's reach. It is also important to note that the strategy of our licensees is to offer product ranges targeted at certain end markets. As such, none of them meet the product type or size requirements for all markets and all applications, leaving scope for CAP-XX to supply these other markets directly using products made by CAP-XX and its contract manufacturers.

There remain several additional opportunities for the Company to pursue new licencing arrangements. Some of these are at differing stages of discussions. Others may require the Company to enforce its patent rights through court action, as already noted in the Chairman's statement.

Strategies for Growth

Given the increasing levels of market interest in CAP-XX's technology and its high-performance supercapacitors, the Company believes that the IoT markets, in particular, offer significant opportunities for growth and to reach the key strategic objective of CAP-XX achieving profitability and positive cashflow.

The Company continues to engage in discussions aimed at securing business in the IoT space with a significant number of global original equipment manufacturers (OEMs). CAP-XX is strengthening its relationships with these organisations and has regular engineering meetings with design teams, manufacturing groups and contract manufacturers. The Company is unable to comment on specific clients, but the Board is pleased with the overall progress and is confident that the available market for supercapacitors is increasing as manufacturers become more familiar with the technology.

Over the last year, the Company has aligned its marketing activities to specifically focus on a number of different IoT markets, such as asset tracking, automotive, e-locks, medical devices, handheld terminals, smart meters, wearables and wireless sensors.

The efforts to date have produced a significant increase in visits to the Company's webpages and sales enquiries. The Board expects for this growth to continue. CAP-XX's strong environmental credentials, which have been recognised by the London Stock Exchange providing the Company with its Green Economy Mark, are consistent with this strategy.

The Company will continue to monitor new opportunities to increase its sales, through its current distributors, via direct sales to customers and new product offerings. These offerings may take the form of complementary energy storage devices and modules. The Company is also increasing the size of its own sales force and adding new distributors to ensure that global coverage and penetration is maximised.

It is important that the Company is able to benefit from the large investment made over many years in building its patent portfolio. Where third parties are found to be infringing these patent rights, the Company has and will continue to vigorously defend its rights, even if this means pursuing legal action as it did successfully against Ioxus.

Research and Development

The markets in which the Company operates are competitive and are characterised by rapid technological change. CAP-XX has a strong competitive position in prismatic supercapacitors in all of its target markets as a result of its capability to produce supercapacitors with a high energy and power density in a small, conveniently sized, flat package. CAP-XX's devices are also lightweight, work over a broad temperature range and have an operating lifetime measured in years.

To stay ahead of the competition, the Company is developing a strong pipeline of new products to follow the 3 Volt products already discussed. CAP-XX's R&D efforts are focused on a mix of short, medium and long-term opportunities, covering new products, cost reductions and improved product performance. CAP-XX has a research facility within its Seven Hills site in Sydney, Australia, where a team of six scientists work to maintain CAP-XX's leading technology position in electrodes, separators and electrolyte materials and their assembly into supercapacitor devices. This team is supported by 12 engineers. During 2021, significant progress has been made in a number of key areas including improvements on the ex-Murata coating, DMF and DMT lines, new cell chemistries, improving the life of cells, developing new packaging concepts, reducing the cost per cell and developing new electronics to optimise the performance of the Company's modules. CAP-XX has also signed numerous collaboration agreements with leading research institutions, whilst the Company's Scientific Advisory Board provides CAP-XX with clear direction on commercially relevant technologies for its ongoing R&D programme.

The Company's success depends on its ability to protect and prevent any infringements of its intellectual property. To protect this important asset, the Company has considerable intellectual property embodied in its patents covering the design, manufacture and use of its high-performance supercapacitors. The CAP-XX patent portfolio currently consists of nine patent families, with 19 granted national patents with an additional four patent applications pending in various jurisdictions. The Company's intellectual property strategy has been to build value by focusing on opportunities to capture market share and exclude competition, with an IP portfolio capable of generating licensing revenue. The Directors believe that comprehensive embodiments and interlocking patent groups, combined with a 'quick to file, quick to abandon' policy, have given the Company a strong and focused IP portfolio.

Outlook

The major focus for CAP-XX continues to be to become profitable and cashflow positive as soon as possible by leveraging the successful commissioning of the newly installed former Murata production equipment to facilitate increased product sales.

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 year ended 30 June 2021.

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

Patrick Elliott	Chairman
Bruce Grey	Non-Executive Director
Anthony Kongats	Managing Director

Principal activities
The Group's principal continuing activities during the financial year consisted of the development, manufacture and sale of supercapacitors. There have been no significant changes in the nature of the Group's activities.

Dividends
No dividends were paid, declared or recommended during the financial year or since 30 June 2021.

Review of operations
The Group experienced net losses of $3,530,818 during the year ended 30 June 2021 (2020: loss of $4,908,715). Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 6 to 8 of this Annual Report.

Significant changes in the state of affairs
There were no significant changes in the group's state of affairs during the financial year ended 30 June 2021.

Matters subsequent to the end of the financial year
The impact of the Coronavirus COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by authorities in countries where the Group operates such as speed and effectiveness of the vaccine rollout, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group completed a capital raise (£2.6 million) and the sale of employee options (£0.4 million) in mid-August which has resulted in net proceeds of £3.0 million (AUD $5.6 million) being raised and received.

The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2021 financial year has been lodged with the relevant Government authorities and is expected to be received before the end of the current calendar year. The rebate is expected to be approximately AUD $3.1 million.

There were no other matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the Group's operations and expected results of operations have been discussed in the Chairman's Statement and Business Review.

Environmental regulation
The Group holds an Environment Protection licence and is subject to standard waste management environmental regulations in respect of its research and manufacturing activities conducted at Seven Hills, Sydney, Australia. The licence requires discharges to air and water to be below specified levels of contaminants, and solid wastes to be removed to an appropriate disposal facility. These requirements arise under the Clean Air Act 1961, Clean Waters Act 1970, Pollution Control Act 1970, Noise Control Act 1975 and the Waste Minimisation & Management Act 1995.

During the year there were no breaches of the regulatory requirements.

Directors' report (continued)

Information on directors

Patrick Elliott *Non-executive director. Age 69.*

Experience and qualifications

Pat is a company director specialising in the resources sector with over 40 years' experience in investment and corporate management. His early career was at Consolidated Gold Fields Australia Limited and covered investment analysis and management, minerals marketing (copper, tin, rutile and zircon). In 1979 he went into investment banking and became Head of Corporate Finance for Morgan Grenfell Australia Limited in 1982. Pat subsequently became Managing Director of Natcorp Investments Ltd in 1986 which owned a number of manufacturing businesses. After its takeover he became an active early stage venture capital investor with an emphasis on resources. He is Chairman of Argonaut Resources NL and Tamboran Resources Limited. He is also a director of ioneer Limited, Rockfire Resources PLC and Kirrama Resources Pty. Limited as well as a number of privately owned companies. Pat holds an MBA in Mineral Economics (Macquarie University) and B Comm. (University NSW).

Specific Board responsibilities
Chairman of Audit Committee, Member of the Remuneration Committee

Interests in shares and options
9,064,012 ordinary shares in CAP-XX Limited (including shares held by Panstyn Investments Pty Limited).

1,600,000 options over ordinary shares in CAP-XX Limited.

Anthony Kongats *Managing Director. Age 63.*

Experience and qualifications
Anthony founded the Company in 1997. Prior to CAP-XX, he was the managing director of a manufacturer of passive components before selling the business to a competitor. Previously, Anthony worked as a management consultant with McKinsey & Company and held various engineering positions in Australia and Europe. He has a Bachelor of Engineering degree (honours) in engineering from the University of New South Wales, a Bachelor of Science degree from the University of Sydney and an MBA from the Australian Graduate School of Management.

Specific Board responsibilities
Nil.

Interests in shares and options

14,695,183 ordinary shares in CAP-XX Limited (including shares held by Ducon Management Pty Limited and Management Matters Pty Limited).

4,800,000 options over ordinary shares in CAP-XX Limited.

Directors' report (continued)

Bruce Grey *Non-executive director. Age 75.*

Experience and qualifications
Bruce most recently was Managing Director of the Advanced Manufacturing Cooperative Research Centre and previously Managing Director of the Bishop Technology Group Limited. Bruce was Chairman of Advanced Braking Technology Limited listed on the ASX from 2013 to 2018. Bruce has been an Executive Director of two Australian public companies and for 10 years until 2009, was Chairman of a German joint venture between Bishop and Mercedes-Benz Lenkungen GmbH. Bruce has more than 25 years experience in managing industry R&D and 30 plus years experience in international commercialisation of Australian innovation and has been directly responsible for creating new manufacturing facilities in Germany, Thailand and South Korea and indirectly the US, all based on Australian innovation. Bruce was Group General Manager of Clyde Industries Limited from 1985 until 1995. In 2005 Bruce was appointed Chairman of the Federal Government's Advanced Manufacturing Action Agenda.

Bruce was a director of the Murdoch Children's Research Institute and Chairman of the IP and commercialisation committee and a member of the audit, finance and risk committee from 2011 to 2018. In 2012 Bruce was appointed to the Australian Federal Government's Clean Technology Investment Committee. Bruce is a Fellow of the Australian Academy of Technological Sciences and Engineering.

Specific Board responsibilities
Member of the Audit Committee
Member of the Remuneration Committee

Interests in shares and options

7,906,852 ordinary shares in CAP-XX Limited (including shares held by Grey Invest Pty Limited).

1,600,000 options over ordinary shares in CAP-XX Limited.

Company Secretaries

The Company Secretary is Robert Buckingham.
Robert is Managing Partner of Allan Hall Partnership, Chartered Accountants, a position he has held since 1989. He has a Bachelor of Commerce degree (honours) from the University of New South Wales and is a member of the Institute of Chartered Accountants in Australia and a Member of CPA Australia.

On 25 November, 2008, Michael Taylor, Chief Financial Officer, was appointed as Co- Company Secretary.
Michael graduated from Kuring-Gai College with a Bachelor of Business and from Macquarie University with a Master of Applied Finance. He is a Member of CPA Australia.

Directors' report (continued)

Meetings of Directors
The number of meetings of the Company's board of directors and of each board committee held, during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Meetings of Directors		Audit Committee Meetings		Remuneration Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**
Patrick Elliott	7	7	2	2	2	2
Bruce Grey	7	7	2	2	2	2
Anthony Kongats	7	7	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Directors' remuneration
Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2021, are set out in the following table. The cash bonuses are dependent on the satisfaction of performance conditions. All other elements of remuneration are not directly related to performance.

Directors of CAP-XX Limited

2021	**Primary**			**Post-employment**		**Equity**	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	322,103	-	-	30,600	-	28,136	380,839
Non-executive directors							
Patrick Elliott	-	-	47,365	-	-	9,379	56,744
Bruce Grey	-	-	47,364	-	-	9,379	56,743
Total	322,103	-	94,729	30,600	-	46,894	494,326

Details of the remuneration of each director of CAP-XX Limited, for the year ended 30 June 2020, are set out in the following table. The cash bonuses are dependent on the satisfaction of performance conditions. All other elements of remuneration are not directly related to performance.

Directors of CAP-XX Limited

2020	**Primary**			**Post-employment**		**Equity**	
Name	**Cash salary and accrued fees $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Executive directors							
Anthony Kongats	322,103	100,000	-	40,100	-	74,562	536,765
Non-Executive directors							
Patrick Elliott	-	-	49,372	-	-	24,854	74,226
Bruce Grey	-	-	49,372	-	-	24,854	74,226
Total	322,103	100,000	98,744	40,100	-	124,270	685,217

Directors' report (continued)

Loans to directors and executives
The Group has no loans to directors and/or executives.

Share options granted to directors and the most highly remunerated officers
No options over unissued ordinary shares of CAP-XX have been granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the Company and Group as part of their remuneration.

Shares under option
Unissued ordinary shares of CAP-XX Limited under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Shares	Number Under Option
11 December 2017	11 December 2022	£0.115	14,775,000
			14,775,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Indemnification
CAP-XX has agreed to indemnify the current directors and executive officers of the Group and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No indemnities have been given to any person who is or has been an auditor of the Group.

Proceedings on behalf of the Company
No person has applied to the court under section 237 of the Corporations Act 2001, for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group, for all or part of those proceedings.

Insurance Premiums
The directors have not included details of the nature of the liabilities covered nor the amount of the premium paid in respect of the Directors' and Officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

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 15.

Non-audit Services

It is the Group’s policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice where BDO is awarded assignments on a competitive basis. It is the Group’s policy to seek competitive tenders for all major consulting projects.

Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services provided, during the year, are set out in Note 24 to the financial statements.

The Directors are of the opinion that the services disclosed in Note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

(a) all non-audit services have been reviewed and approved to ensure that they do not impact on the integrity and objectivity of the auditor; and
(b) none of the services undermine the general principles relating to auditor independence set out in APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company, or jointly sharing economic risks and rewards.

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

Patrick Elliott
Director

Sydney
29th September 2021

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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF CAP-XX LIMITED

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

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cap-XX Limited and the entities it controlled during the period.

Martin Coyle
Director

BDO Audit Pty Ltd

Sydney, 29 September 2021

Corporate Governance Statement

THE QUOTED COMPANY ALLIANCE (QCA) CODE

The Directors recognise the importance of good corporate governance and have chosen to adopt and apply the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

To determine how the Company addresses the key governance principles defined in the QCA code please refer to the below table.

Pat Elliott, Non-executive Chairman

THE PRINCIPLES OF THE QUOTED COMPANY ALLIANCE (QCA) CODE

DELIVER GROWTH

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
1. Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	The Company's overall business strategic objective is to obtain at a minimum, an operating cash breakeven position by increasing the adoption of the Company's intellectual property and products, both large and small, into key target markets via future license deals; joint ventures and direct product sales. Once this has been achieved, the Company will continue to further develop and drive the adoptions of its intellectual property so that the Company achieves significant profit levels. The key challenges to the business and how these are mitigated is detailed on pages 6 to 8 of the Group's Annual Report and Accounts for the year ended 30 June 2021 under the "Business Review" heading.
2. **Seek to understand and meet shareholder needs and expectations**	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	The CAP-XX Board is aware of the need to protect the interests of all shareholders, balancing the interest of minority shareholders with those of institutional shareholders. The Board regards regular communications with shareholders as one of its key responsibilities. CAP-XX is committed to engaging with shareholders and this effort is led by the Chief Executive Officer. In order to gauge shareholder sentiment, CAP-XX meets with key

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
		institutional shareholders typically every six months and when necessary solicits feedback from its larger shareholders via its broker. CAP-XX welcomes shareholder contact at any time and communications should be sent in the first instance to mailto:investor.relations@cap-xx.com. CAP-XX will generally exercise discretion responding to individual shareholders correspondence but will update the market via regulatory and non-regulatory announcements and via its annual and interim financial reports. CAP-XX holds an open Q&A session at every Annual General Meeting and attends investor events to engage with retail shareholders. This communication allows the CAP-XX board to understand the shareholder's views and to ensure that the strategies and objectives of the Company are aligned with shareholders. In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate and in accordance with its statutory and fiduciary duties). The Board believes the Company's mode of engaging with shareholders is adequate and effective.
3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	The Directors are aware of the Company's corporate social responsibilities and the impact the CAP-XX business activities have on the communities in which CAP-XX's businesses operate. On the basis of the Directors' experience and their operational knowledge of the Company, the Directors believe that the key resources and relationships on which the Company relies are the Company's employees, partners, suppliers, regulatory authorities and contractors. The Company's operations and working methodologies take into account the requirement to balance the needs of all these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Company for the benefits of its shareholders. The executive member of the Board holds regular staff group and individual update meetings in order to communicate CAP-XX's strategy, progress versus targets and to receive feedback and solicit opinion.

Corporate Governance Statement (continued)

QCA Code Principle	Application (as set out by QCA)	What we do and why
		The Company endeavours to take account of feedback received from stakeholders, making necessary amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Company's long-term strategy. The CAP-XX Board considers the feedback of relevant stakeholders in its decision-making and in the formulation of strategy. However, no material changes to the Company's processes were required for the year ended 30 June 2021, or more recently, as a result of feedback that has been received by the Company from the stated key resources and relationships on which the business relies. The Company takes due account of any impact that its activities may have on the environment and seeks to minimise this impact whenever possible. Through various procedures and systems that the Company operates, especially in the manufacturing process, the Company ensures full compliance with health and safety and environmental legislation relevant to its activities. CAP-XX is certified to IOS9001:2015.
4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	The Board has a number of responsibilities specifically relating to risk including: - • Monitoring the effectiveness of CAP-XX's risk management systems, including compliance with regulatory requirements; • Satisfying itself through regular reporting and oversight that appropriate internal and external control mechanisms are in place and are being implemented; and • Approving CAP-XX's financial statements and monitoring financial performance against the approved budget. The Board has established Audit and Remuneration Committees. Full details of which are contained in the Corporate Governance sections of the Company's website. The Board receives regular feedback from its external auditors on the state of its risk management and internal controls. The Board does not

QCA Code Principle	Application (as set out by QCA)	What we do and why
		consider it would be appropriate to have its own internal audit function at the present time, given the Company's size and nature of its current operations. The Group does complete regular fraud and internal risk questionnaires which are completed and reviewed on a six-monthly basis. At present the internal audit of financial controls form part of the responsibilities of the Group's finance function.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

QCA Code Principle	Application (as set out by QCA)	What we do and why
5. **Maintain the board as a well- functioning, balanced team led by the chair**	The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non- executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfill their roles.	The Board comprises of three directors, two of whom are independent non-executive directors. Although the non-executive directors are shareholders of the Company, given the size of their shareholding and that none of the non-executive directors have any day-to-day involvement in the running of the business, the Company considers the non-executive directors to be independent. The Chairman of the CAP-XX Board is Mr Patrick Elliott who was first elected to the Board in July 2011. All of the non-executive Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and at least one third of the Board must retire and seek re-election at every Annual General Meeting. All Directors are expected to devote the necessary time commitments required by their position and where possible should attend all Board meetings. The Board meets at regular scheduled intervals and follows a formal agenda, papers and reports are sent to the Directors in a timely manner, prior to the Board meetings. It also meets as and when required. During the financial year ended 30 June 2021, seven Board meetings were held as well as two Audit Committee meetings and two Remuneration Committee meetings

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
		The Company's Corporate Governance Statement (available on the CAP-XX website) provides further details, including how the Board evaluates its own performance. The CAP-XX Annual Report and Accounts for the year ended June 2021 also explains the governance framework and provides data on the number of Board and Committee meetings (and Director attendance at the same)
6. **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. Full biographical details of the directors are included on the CAP-XX Website (https://www.cap-xx.com/key-personnel/) and also on pages 10 and 11 the CAP-XX Annual Report and Accounts for the year ended June 2021. The Company encourages continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Company. As noted above the Company has put in place an Audit Committee and a Remuneration Committee. The responsibilities of both Committees are set out in the Corporate Governance Statement on the CAP-XX website (https://www.cap-xx.com/the-company/corporate-governance/) and the terms of reference .
7. **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.	At the highest level, the CAP-XX Board judges its own performance by reference to the Company's progress against targets set out in the Company's strategic plan. The Board formally evaluates its own performance as a unit at least once a year with an assessment of its effectiveness. Areas are identified where improvements can be made, and active steps are taken to make improvements accordingly. This assessment is led by CAP-XX Chairman. The Board's annual effectiveness review was conducted and high level recommendations were

QCA Code Principle	Application (as set out by QCA)	What we do and why
		discussed and agreed. These recommendations and the associated improvements are consistently being monitored at the regular Board meetings. The performance of the individual Directors including the Chairman are monitored on an ongoing basis. On an annual basis, the Remuneration Committee evaluates the individual Director's performance as part of the review of remuneration and share equity grants. Given the scale and scope of the current operation and the risk management framework, the Directors are of the view that a formal evaluation process of the effectiveness of both the Audit and Remuneration Committees is not required at this stage. The need for an evaluation process is monitored on an on-going basis. The Board and the Remuneration Committee will also regularly discuss the Board's balance, the Board's current skills set and remuneration to ensure that the Board structure is fit for purpose and is appropriate for the next phase of CAP-XX's development and growth. The composition of the Company's Board including individual directors has not changed materially over the previous years, on the basis that the Board are of the view that the above processes are appropriate for the Company's requirements, given the size and nature of the CAP-XX business. The Board uses the results of its evaluation process when considering the adequacy of the composition of the Board and any succession planning requirements. However, there are no plans at present for changes or additions to the Board and the Directors believe that the current Board meets the needs of the Company's current and medium-term requirements.
8. **Promote a corporate culture that is based on ethical values and behaviours**	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset	The CAP-XX Board considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	**What we do and why**
	and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.	their commercial dealings on CAP-XX's behalf. CAP-XX has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors. CAP-XX has adopted, amongst other policies to promote ethical and responsible decision making, a code of conduct which applies to all directors, officers, employees, consultants and contractors of CAP-XX, which the Board and Management will seek to enforce where appropriate. The CAP-XX Board and management conduct themselves ethically at all times and promote a culture that is in line with standards set out on the website. CAP-XX values its reputation for ethical behaviour and has a set of values that are at the core of its business philosophy.
9. **Maintain governance structures and processes that are fit for purpose and support good decision- making by the board**	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.	CAP-XX's Corporate Governance Statement on pages 17 to 25 of the Company's Annual Report for the year ended 30 June 2021 explains the structures which are in place at Board and Committee level and how these interact, including the roles which individual Directors fulfil on the Board. At present, the Board is satisfied with the Company's corporate governance, given the Company's size and the nature of its operations, and as such there are no specific plans for changes to the Company's corporate governance arrangements in the shorter term. There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman has overall responsibility for corporate governance matters in the Company, leadership of the board and ensuring its effectiveness on all aspects of its role. The Chief Executive Officer leads the executive team and is responsible for implementing those actions required to deliver on the agreed strategy. The matters reserved as the responsibilities of the CAP-XX board include:- • Developing, providing input into and final approval of the Company's strategic plan; • Evaluating, approving and monitoring the strategic and

Corporate Governance Statement (continued)

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
		financial plans and performance objectives of the Company; • Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance; • Evaluating and monitoring annual budgets and business plans; • Ensuring appropriate resources are available to senior management; • Approving all accounting policies, financial reports and external communications by the Company; • Appointing, re-appointing or removing CAP-XX's external auditors; and • Appointing, monitoring and managing the performance and remuneration of executive directors and senior executives. Details of the Company's audit and remuneration committees, including their terms of reference can be found here: https://www.cap-xx.com/aim-rule-26/ Beneath the Board there is an operational governance framework which facilitates the effective management of the business by an Executive Committee. This organisation structure is kept under continual review and evolves as the needs and requirements of the business changes as it grows and develops.

BUILD TRUST

QCA Code Principle	**Application** (as set out by QCA)	What we do and why
10. **Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structure should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the board; and	The Company's governance structure is explained through the Corporate Governance Statement which is available on the CAP-XX website and is supplemented by the disclosures provided in this compliance statement and explanations set out in the "Corporate Governance" section of the CAP-XX Annual Report for the year ended 30 June 2021. The communication and interaction between CAP-XX and its shareholders are explained in the disclosure above (see principle 2) .

	• the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).	Audit and Remuneration Committee's membership and responsibilities are included in the CAP-XX Annual Report for the year ended 30 June 2021 as well as the full disclosure of CAP-XX Directors remuneration. Historical Annual and Interim Reports with all notices, circulars and results of resolutions since the Company's ordinary shares were admitted to trading on in April 2006 can also be found on the CAP-XX website (available here https://www.cap-xx.com/investors/financial-performance/ The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

CAP-XX Limited
Financial statements - 30 June 2021

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This financial report covers the Group consisting of CAP-XX Limited and its subsidiaries. The financial report is presented in Australian Dollars.

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

Unit1
13 A Stanton Road
Seven Hills NSW 2147

Its registered office is:

Suite 126
117 Old Pittwater Road
Brookvale NSW 2100

A description of the nature of the Group's operations and its principal activities is included in the Chairman's Statement on page 5, Business Review on pages 6 to 8 and in the directors' report on pages 9 to 15, all of which are not part of this financial report.

The financial report was authorised for issue by the directors on 29th September 2021. The Directors have the power to amend and reissue the 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 Group. 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 year ended 30 June 2021

		Consolidated	
		2021	2020
Currency: Australian Dollars	**Notes**	**$**	$
Revenue from contracts with customers	5	**4,100,853**	3,587,957
Cost of sales	7	**(2,341,474)**	(1,721,152)
Gross Profit		**1,759,379**	1,866,805
Other revenue	5	**522**	24,075
Other income	6	**3,435,402**	3,692,290
General and administrative expenses		**(2,385,905)**	(2,819,282)
Process and engineering expenses		**(576,825)**	(906,693)
Selling and marketing expenses		**(902,950)**	(884,646)
Research and development expenses		**(1,484,203)**	(1,496,001)
Project Expenses		**(2,766,537)**	(3,728,633)
Share Based Payment Expense		**(105,113)**	(279,886)
Other expenses	7	**(504,588)**	(376,744)
Loss before income tax		**(3,530,818)**	(4,908,715)
Income tax benefit	8	-	-
Net loss for the year		**(3,530,818)**	(4,908,715)
Loss attributable to owners of CAP-XX Limited		**(3,530,818)**	(4,908,715)
Earnings per share for loss attributable to the ordinary equity holders of the Company		**Cents**	Cents
Basic loss per share	32	**(0.8)**	(1.3)
Diluted loss per share	32	**(0.8)**	(1.3)

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

CAP-XX Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2021

		Consolidated	
Currency: Australian Dollars	**Notes**	**2021** **$**	2020 $
Loss for the year		**(3,530,818)**	(4,908,715)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	22	**38,766**	(22,894)
Other comprehensive income for the year, net of tax		**38,766**	(22,894)
Total comprehensive (loss)/income for the year attributable to owners of CAP-XX Limited		**(3,492,052)**	(4,931,609)

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

CAP-XX Limited
Consolidated statement of financial position
As at 30 June 2021

Currency: Australian Dollars	Notes	Consolidated 2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	9	**182,601**	2,895,482
Receivables	10	**802,299**	576,665
Inventories	11	**1,066,265**	1,290,248
Other	12	**3,196,976**	3,613,230
Total current assets		**5,248,141**	8,375,625
Non-current assets			
Property, plant and equipment	13	**3,039,208**	1,557,015
Right of use assets	14	**2,906,473**	3,198,340
Other	15	**204,808**	204,808
Total non-current assets		**6,150,489**	4,960,163
Total assets		**11,398,630**	13,335,788
LIABILITIES			
Current liabilities			
Payables	16	**980,708**	1,720,179
Lease liabilities	17	**165,852**	135,272
Provisions	18	**734,051**	641,358
Interest bearing liabilities	19	**1,400,000**	-
Total current liabilities		**3,280,611**	2,496,809
Non-current liabilities			
Lease liabilities	17	**2,414,646**	2,524,557
Provisions	20	**746,734**	727,268
Total non-current liabilities		**3,161,380**	3,251,825
Total liabilities		**6,441,991**	5,748,634
Net assets		**4,956,639**	7,587,154
EQUITY			
Contributed equity	21	**108,766,530**	108,010,106
Reserves	22	**6,433,864**	6,289,985
Accumulated losses	22	**(110,243,755)**	(106,712,937)
TOTAL EQUITY		**4,956,639**	7,587,154

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

CAP-XX Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021

Currency: Australian Dollars	Notes	Consolidated Contributed Equity $	 Reserves $	 Accumulated losses $	 Total $
Balance as 1 July 2019		101,915,665	6,032,993	(101,804,222)	6,144,436
Loss for the year		-	-	(4,908,715)	(4,908,715)
Other comprehensive income		-	(22,894)	-	(22,894)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	6,094,441	-	-	6,094,441
Employee share options - value of employee services	22	-	279,886	-	279,886
		6,094,441	279,886	-	6,374,327
Balance at 30 June 2020		**108,010,106**	**6,289,985**	**(106,712,937)**	**7,587,154**
Loss for the year		-	**-**	**(3,530,818)**	**(3,530,818)**
Other comprehensive income		-	**38,766**	**-**	**38,766**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	21	756,424	-	-	756,424
Employee share options - value of employee services	22	-	105,113	-	105,113
Balance at 30 June 2021		**108,766,530**	**6,433,864**	**(110,243,755)**	**4,956,639**

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

CAP-XX Limited
Consolidated statement of cash flows
For the year ended 30 June 2021

Currency: Australian Dollars	Notes	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,892,287**	3,645,279
Payments to suppliers and employees (inclusive of goods and services tax)		**(10,044,227)**	(9,822,550)
		(6,151,940)	(6,177,271)
Tax credit received		**3,142,561**	1,590,983
Grants received		**387,902**	207,904
Interest paid on lease liabilities		**(229,010)**	(102,220)
Interest received		**522**	24,075
Net cash (outflow)/inflow from operating activities	29	**(2,849,965)**	(4,456,529)
Cash flows from investing activities			
Payments for property, plant and equipment	13	**(1,708,614)**	(1,083,862)
Net cash (outflow) from investing activities		**(1,708,614)**	(1,083,862)
Cash flows from financing activities			
Proceeds from issue of shares (net of costs)	21	**613,224**	6,094,441
Proceeds from borrowings	19	**1,329,530**	
Principal repayments for lease liabilities		**(135,822)**	(64,830)
Net cash inflow from financing activities		**1,806,932**	6,029,611
Net increase/(decrease) in cash and cash equivalents		**(2,751,647)**	489,220
Cash and cash equivalents at the beginning of the financial year		**2,895,482**	2,429,156
Effects of exchange rate changes on cash and cash equivalents		**38,766**	(22,894)
Cash and cash equivalents at the end of the financial year	9	**182,601**	2,895,482

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

Contents of the notes to the financial statements

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of CAP-XX Limited and its subsidiaries.

All amounts shown are in Australian Dollars, rounded to the nearest Dollar, unless otherwise stated.

(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*. CAP-XX Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the CAP-XX Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

b) Continuation as a going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. During the year ended 30 June 2021, the Group incurred a net loss of $3,530,818 (2020: $4,908,715). In the same period, the Group had negative operating cash outflows of $2,849,965 (2020: $4,456,529). As at 30 June 2021, the Group holds cash and cash equivalents of $182,601. (2020: $2,895,482). The Group undertook a capital raise and the sale of employee options in mid-August with net proceeds of $5.6 million being raised and received. Furthermore, the group expects to receive approximately $3.0 million subsequent to year end relating to the 2021 Research and Development incentive grant. These cash inflows are considered sufficient to sustain the ongoing operations of the Group for at least the 12-month period from the date of authorisation of this financial report.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CAP-XX Limited ("Company" or "Parent Entity") as at 30 June 2021 and the results of all subsidiaries for the year then ended. CAP-XX Limited and its subsidiaries together are referred to in this financial report as the "Group" or the "Consolidated Entity".

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the entity to affect those returns through its power to direct the activities of the entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 1 Summary of significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative transaction differences recognised in equity.

The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(d) Segment reporting

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.

(e) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group'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 CAP-XX 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 statement of profit or loss on a net basis within other income or other expenses.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss 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.

(e) Foreign currency translation

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

Note 1 Summary of significant accounting policies (continued)

(f) Revenue recognition

The Group applies the principles outlined within AASB 15 “Revenue from contracts with customers” . The core principle of AASB 15 is that revenue should only be recognised as the entity receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the entity expects to be entitled for the transfer of the goods or services. A practical expedient has been adopted whereby the impact of significant financing components have not been considered as the Group expected, at contract inception, that the period between the transfer of the good or service and when the customer pays for that good or service is less than one year.

Determining the transaction price

The Group’s revenue is derived from fixed price agreements and therefore the amount of revenues to be earned from each agreement is determined by reference to those fixed prices. There is no variable consideration within these agreements.

Allocation of amounts to performance obligations

For most agreements, there is only one performance obligation and a fixed unit price for the good or service provided. As such, there is no judgement involved in the allocation of amounts to specific performance obligations. In those instances where there is more than one performance obligation, the unit price is clearly defined and is allocated against the specific performance obligation. Some goods sold by the Group include warrantees which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with AASB 15, such assurance warranties are not accounted for as separate obligations and hence no revenue is allocated to them.

Sale of goods revenue is recognised at a point in time when the Group have met all of their performance obligations including delivery, if applicable. There is limited judgement in identifying the point control passes; once the goods have left the warehouse or when the goods are delivered, depending on the type of good.

Royalty agreements are in place, whereby customers are required to pay the Group a portion of sales revenue, in return for the use of patented software. Revenue is recognised at a point in time when the underlying goods are sold. Fixed rate royalties are recognised over the period of the underlying agreement.

Licence revenue in relation to the contracted use of the Group’s patents or technology is recognised at a point in time when the licence agreement is signed and the Group has the present right to payment.

(g) Government grants

Grants from the government, including the R&D Tax incentive, 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. Income from government grants, including the R&D tax incentive, is recognised in the statement of profit or loss when the right to receive the payment is established.

(h) Income tax

The income tax expense or benefit 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 or substantively 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.

Note 1 Summary of significant accounting policies (continued)

(h) Income tax (continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

Tax consolidation legislation

CAP-XX Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, CAP-XX Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, CAP-XX Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Tax funding agreements are currently not in place. Amounts assumed are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

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

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any allowance for expected credit loss. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by directly reducing the carrying amount. An allowance for expected credit loss is specifically recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for both current and forward-looking information on macroeconomic factors affecting the Group's customers.

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a basis of first in first out. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials held for development purposes are also stated at the lower of cost and net realisable value, hence are generally recognised in the statement of profit or loss as an expense when received.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

(n) Property, plant and equipment

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.

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. Capital work in progress is not depreciated until the asset is installed and ready for use.

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

Furniture and fittings	2-10 years
Plant and equipment – Manufacturing	2-10 years
Plant and equipment – Research & Development	2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 (note 1(i)).

Note 1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss**.**

(o) Right of use Asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

(p) Research & Development

Research expenditure is recognised as an expense as 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, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 55 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(t) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other provisions 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.

Note 1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(ii) Long service leave
The liability for long service leave is recognised as part of the provision for employee benefits and measured at 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
The Group does not maintain a Group superannuation plan. The Group makes defined fixed percentage contributions for all Australian resident employees to complying third party superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution complying third party superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the CAP-XX Limited Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan. Information relating to these schemes is set out in note 30.

The fair value of options granted under the CAP-XX Limited Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. 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 Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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.

Non marketing vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan are both administered by the Board of Directors of CAP-XX Limited. When options are exercised, the entity transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transactions costs are credited directly to equity.

(v) Bonus plans
The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(u) Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 1 Summary of significant accounting policies (continued)

(v) Contributed equity

Ordinary shares are classified as equity. 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.

Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in equity attributable to the owners of Group.

(w) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, 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.

(ii) Diluted earnings per share

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.

(x) 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 statement of financial position.

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.

(y) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. These new or amended Accounting Standards and Interpretations have not had a material effect on the financial statements for the year ended 30 June 2021.

Note 1 Summary of significant accounting policies (continued)

(aa) New Accounting Standards and Interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. This list is not complete, however, it represents the key standards applicable to the consolidated entity.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

(ab) Parent entity financial information

The financial information for the parent entity, CAP-XX Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(*i*) *Investments in subsidiaries*
Investments in subsidiaries are accounted for at cost in the financial statements of CAP-XX Limited.

(ac) Reclassification of comparatives

During the preparation of the financial statements in the current year, the make good provision relating to the Seven Hills lease was moved from Current Liabilities to Non Current Liabilities in the presentation of the comparative balances. This change was made to more accurately reflect the liability under AASB 101. This resulted in a $681,692 reduction in Current Liabilities, compared to what was reported within the 30 June 2020 financial statements, with an offsetting increase in Non Current Liabilities.

Note 2 Financial risk management

The Group'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 Group'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 Group.

The Group holds the following financial instruments:

	Consolidated	
	2021	2020
	$	$
Financial assets		
Cash and cash equivalents	**182,601**	2,895,482
Trade and other receivables	**3,941,515**	3,883,408
	4,124,116	6,778,890
Financial liabilities		
Trade and other payables	**980,708**	1,720,179
Interest bearing liabilities	**1,400,000**	-
Lease liabilities	**2,580,498**	2,659,829
	4,961,206	4,380,008

(a) Market risk

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 Group operates internationally and is exposed to foreign exchange risk arising particularly from currency exposures to the US dollar. The Group sells most of its products and services in US dollars, buys the majority of its raw materials and pays its contract tolling fees in US dollars. Its USA operations are financed out of the net proceeds.

Sensitivity analysis
The Group’s after tax loss and equity for the year would have been $179,966 lower/ $197,962 higher (2020: $36,485 lower/$40,133 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar, mainly as a result of foreign exchange gains/losses on the translation of US dollar denominated sales and purchases of goods and services.

The Group's exposure to foreign currency risk at the end of the reporting period, was as follows:

	2021			2020		
	USD	**GBP**	**Euro**	USD	GBP	Other
	$	**£**	**€**	$	£	$
Cash and cash equivalents	**11,064**	**18,583**	**17,578**	410,923	277,383	14,992
Trade receivables	**301,297**	**-**	**-**	386,501	-	-
Trade payables	**236,611**	**2,544**	**16,442**	45,711	11,633	21,412

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The Group has some concentration of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 2 Financial risk management (continued)

(b) Credit risk (continued)

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year. These indicators also suggest whether there has been an increase in credit risk.

Cash and cash equivalents are placed in financial institutions with good credit ratings.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, to ensure debts are paid as and when they fall due. The Group has experienced recurring operating losses and operating cash outflows since inception to 30 June 2021 as the Group is transitioning from development stage. Historically the Group has not committed to any credit facilities and rather has relied upon equity financing through private and public equity investors. During the current period, short term debt funding was obtained to provide short term liquidity and for general working capital purposes. This facility was secured by the 2021 Research and Development grant. The amount is to be repaid upon receipt of the grant, as such, does not have a bearing on the ongoing liquidity risk of the Group.

Details of the liquidity risk associated with the Group's lease liabilities are outlined in note 17.

(d) Interest rate risk

The Group's interest-rate risk mainly arises from interest bearing assets, with the Group's income and operating cash flows exposed to changes in market interest rates. The interest bearing assets have been predominantly deposited at short term fixed rates exposing the Group to cash flow interest-rate risk.

The Group's exposure to interest-rate risk is immaterial in terms of the possible impact on profit or loss or equity. It has therefore not been included in the sensitivity analysis.

(e) Fair value estimation

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair value unless otherwise noted, determined in accordance with the accounting policies disclosed in note 1.

Note 3 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 are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Apart from the going concern assumption as discussed in note 1(b), the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(b) Critical judgements in applying the entity's accounting policies

(i) Impairment loss on plant and equipment

The Group has continued to use the Sydney, Australia manufacturing site for the production of electrode material and selected supercapacitor product lines, whilst the larger volume supercapacitor product lines are outsourced. In assessing the carrying value of its plant and equipment, the Group considers whether previous impairment write downs remain adequate and the current depreciation rates fairly reflect the carrying value of such assets.

Note 3 Critical accounting estimates and judgements (continued)

(ii) Fair value of share options

Share-based compensation benefits are provided to employees via the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan. The fair value of options granted under the 2006 Share Option Exchange Plan and the CAP-XX Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. 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 the Black-Scholes option pricing model. The key inputs and assumptions used in the model is set out in note 30.

(iii) Inventory provision

The Group makes estimates and assumptions concerning the future saleability of inventory for amounts in excess of cost. The provision for inventory obsolescence is based on management's expectation of the future price of inventory, taking into account the age and condition and demand of the inventory and management's assessment of future demand for the inventory.

(iv) Lease make good provision

A provision has been made for the present value of anticipated costs for the future restoration of leased premises. The provision includes future cost estimates associated with departing the premise at the termination of the current lease period and requires assumptions regarding the cost estimates and departure dates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time.

v) Warranty provision

In determining the level of provision required for warranties, the Group has made judgements in respect of he expected performance of the products, the number and frequency of customers who will actually claim under the stated warranty and the costs of fulfilling the conditions of the warranty. The provision is based on estimates generated from historical warranty data associated with similar products and services.

vi) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the ongoing Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the ongoing Coronavirus (COVID-19) pandemic.

vii) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

viii) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 4 Segment information

(a) Description of segments

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. Cost of sales are allocated based on the country in which the production of supercapacitors occur.

30 June 2021	Geographical Segments			
	Asia Pacific	Europe	North America	Total
	$	$	$	$
Revenue	2,118,238	1,235,764	746,851	4,100,853
Cost of sales	(2,341,474)	-	-	(2,341,474)
Gross (Loss)/Profit	(223,236)	1,235,764	746,851	1,759,379
Interest revenue	522	-	-	522
Other income	3,435,402	-	-	3,435,402
General and administrative expenses	(2,385,905)	-	-	(2,385,905)
Process and engineering expenses	(576,825)	-	-	(576,825)
Selling and marketing expenses	(902,950)	-	-	(902,950)
Research and development expenses	(1,484,203)	-	-	(1,484,203)
Project Expenses	(2,766,537)	-	-	(2,766,537)
Share Based Payment expenses	(105,113)	-	-	(105,113)
Other expenses	(504,588)	-	-	(504,588)
(Loss)/Profit before income tax	(5,513,433)	1,235,764	746,851	(3,530,818)
Net (loss)/profit for the year	(5,513,433)	1,235,764	746,851	(3,530,818)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	38,766	-	-	38,766
Total comprehensive income/(loss), net of tax	(5,474,667)	1,235,764	746,851	(3,492,052)
Total assets	11,398,630	-	-	11,398,630
Total liabilities	6,441,991	-	-	6,441,991
(Loss)/Profit before income tax includes the following specific expenses:				
Depreciation and amortisation	574,779	-	-	574,779
Share based payments	105,113	-	-	105,113

Note 4 Segment information (continued)

30 June 2020	Geographical Segments			
	Asia Pacific $	**Europe $**	**North America $**	**Total $**
Revenue	2,015,184	813,916	758,857	3,587,957
Cost of sales	(1,721,152)	-	-	(1,721,152)
Gross (Loss)/Profit	294,032	813,916	758,857	1,866,805
Interest revenue	24,075	-	-	24,075
Other income	3,692,290	-	-	3,692,290
General and administrative expenses	(2,819,282)	-	-	(2,819,282)
Process and engineering expenses	(906,693)	-	-	(906,693)
Selling and marketing expenses	(884,646)	-	-	(884,646)
Research and development expenses	(1,496,001)	-	-	(1,496,001)
Project Expenses	(3,728,633)	-	-	(3,728,633)
Share Based Payment expenses	(279,886)	-	-	(279,886)
Other expenses	(376,744))	-	-	(376,744)
(Loss)/Profit before income tax	(6,481,488)	813,916	758,857	(4,908,715)
Net (loss)/profit for the year	(6,481,488)	813,916	758,857	(4,908,715)
Other comprehensive income				
Exchange differences arising in translation of foreign operations	(22,894)	-	-	(22,894
Total comprehensive income/(loss), net of tax	(6,504,382)	813,916	758,857	(4,931,609)
Total assets	13,335,788	-	-	13,335,788
Total liabilities	5,748,634	-	-	5,748,634

(Loss)/Profit before income tax includes the following specific expenses:				
Depreciation and amortisation	359,343	-	-	359,343
Share based payments	279,886	-	-	279,886

Note 5 Revenue

	Consolidated	
	2021	2020
	$	$
Sales revenue		
Sale of goods (recognised at a point in time)	**3,516,344**	2,708,697
Licence Fees & Royalties (recognised at a point in time)	**584,509**	879,260
	4,100,853	3,587,957
Other revenue		
Interest	**522**	24,075

Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to

- Depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic date; and
- Enable users to understand the relationship with revenue segment information provided in Note 4.

Consolidated - 2021	Supercapacitors	Licence Fees and Royalties	Total
Geographical regions			
Asia Pacific	**1,955,246**	**162,992**	**2,118,238**
Europe	**1,235,764**	**-**	**1,235,764**
Americas	**325,334**	**421,517**	**746,851**
	3,516,344	**584,509**	**4,100,853**

Consolidated – 2020	Supercapacitors	Licence Fees and Royalties	Total
Geographical regions			
Asia Pacific	1,608,382	406,802	2,015,184
Europe	813,916	-	813,916
Americas	286,399	472,458	758,857
	2,708,697	879,260	3,587,957

Note 6 Other income

	Consolidated	
	2021	2020
	$	$
Foreign Exchange Gains – (net)	**-**	161,809
R&D Tax Incentive	**3,047,500**	3,324,481
Government Grants	**387,902**	206,000
	3,435,402	3,692,290

Note 7 Expenses

	Consolidated	
	2021	2020
	$	$
Loss before income tax includes the following specific expenses:		
Cost of sale of goods		
Direct materials and labour	**2,155,076**	1,575,024
Indirect manufacturing expenses	**186,398**	146,128
Total cost of sale of goods	**2,341,474**	1,721,152
Depreciation		
Plant and equipment	**223,693**	201,140
Furniture and fittings	**50**	50
Leasehold improvements	**2,678**	4,993
Right of use Assets	**348,358**	153,160
Total depreciation	**574,779**	359,343
Other expenses – movement in provisions		
Allowance for expected credit loss	**103,664**	109,817
Foreign Exchange Losses – (net)	**24,923**	-
Provision for make good on premises	**-**	116,613
Provision for Withholding Tax Diminution	**16,615**	48,094
Interest - lease liabilities	**232,666**	102,220
Interest – R&D Advance	**126,720**	-
	504,588	376,744
Employee benefits expense	**3,161,384**	3,389,941
Superannuation expense	**354,903**	333,807
Share based payments	**105,113**	279,886

Note 8 Income tax benefit

	Consolidated	
	2021	2020
	$	$
(a) Numerical reconciliation of income tax benefit to prima facie tax benefit		
Loss before tax	**(3,530,818)**	(4,908,715)
Tax at the Australian tax rate of 26% (2020: 27.5%)	**(918,013)**	(1,349,897)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**27,329**	76,969
(Non-assessable) / non-deductible items	**890,684**	1,272,928
R&D additional claims	**-**	-
	918,013	1,349,897
Deferred income tax (revenue)/expense not recognised	**-**	-
Benefit arising from tax losses not recognised	**-**	-
Income tax benefit	**-**	-

(b) Tax losses

	2021	2020
Unused tax losses for which no deferred tax asset has been recognised	**93,181,808**	92,939,554
Potential tax benefit @ 26% (2020: 27.5%)	**24,227,270**	25,558,377

All unused tax losses were incurred by Australian entities. The deferred tax assets in relation to the tax losses will only be obtained if:

i) the Group 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, and
ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and
iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

(c) Deferred Tax Assets - not recognised

	2021	2020
The balance comprised temporary differences attributable to employee benefits & other provisions	**700,421**	697,217
Set-off of deferred tax liabilities	**(372,988)**	(5,930)
Net deferred tax assets	**327,433**	691,827

(d) Unrecognised temporary differences

	2021	2020
Temporary differences for which no deferred tax asset has been recognised	**2,693,928**	2,535,333
Potential tax benefit @ 26% (2020: 27.5%)	**700,421**	697,217

CAP-XX Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(h). CAP-XX Limited has not recognised any tax consolidation distribution from or to wholly tax consolidated entities.

Note 9 Current assets – Cash and cash equivalents

	Consolidated	
	2021	2020
	$	$
Cash at bank and on hand	**91,931**	636,511
Cash on deposit	**90,670**	2,258,971
	182,601	2,895,482

Note 10 Current assets – Receivables

	Consolidated	
	2021	2020
	$	$
Trade receivables	**421,513**	590,050
Other receivables	**611,834**	113,999
Provision for expected credit losses	**(231,048)**	(127,384)
	802,299	576,665

Movements in the provision for expected credit losses are as follows:

	Consolidated	
	2021	**2020**
	$	**$**
Opening balance	**127,384**	17,567
Allowance for expected credit loss	**103,664**	109,817
Closing balance	**231,048**	127,384

(b) Past due but not impaired

There were no trade receivables at 30 June 2021 that were past due but not impaired (2020: Nil).

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The current receivables are non-interest bearing. There is some concentration of credit risk with respect to current receivables, as the Group has a limited number of customers, internationally dispersed. The total amount outstanding is comprised of 18 customers with the top 10 making up over 90% of the total balance.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

Note 11 Current assets – Inventories

	Consolidated	
	2021	2020
	$	$
Raw materials and stores	**631,110**	636,415
Work in progress	**133,904**	134,478
Finished goods	**301,251**	519,355
	1,066,265	1,290,248

Note 12 Current assets – Other

	Consolidated	
	2021	2020
	$	$
Research & Development - Tax Credit	**3,128,794**	3,202,557
Prepayments	**57,760**	162,749
Rental Bond	**-**	236,507
Other Receivables	**10,422**	11,417
	3,196,976	3,613,230

Under the terms of the previous lease agreement for the Lane Cove premises was a requirement for the Group to have a bank guarantee in place as security for the landlord against loss or damage from any event of default. The rental bond of $236,507 represented the current value of this bank guarantee. As the lease term on this premises expired on June 30, 2020, the bank guarantee was subsequently returned during the 30 June 2021 financial year.

Note 13 Non-current assets – Property, plant and equipment

	Consolidated	
	2021	2020
	$	$
Plant and equipment at cost	**20,042,111**	17,118,860
Accumulated depreciation	**(17,025,063)**	(16,801,370)
Capital Works in Progress	**18,149**	1,234,736
Net book amount	**3,035,197**	1,552,226
Furniture and fittings at cost	**66,779**	66,779
Accumulated depreciation	**(66,691)**	(66,641)
Net book amount	**88**	138
Leasehold improvements at cost	**472,049**	470,099
Accumulated depreciation	**(468,126)**	(465,448)
Net book amount	**3,923**	4,651
Total property, plant and equipment	**20,599,088**	18,890,474
Total accumulated depreciation	**(17,559,880)**	(17,333,459)
Total net book amount	**3,039,208**	1,557,015

Note 13 Non-current assets – Property, plant and equipment (continued)

Movement in classes of assets: Consolidated	**Plant and equipment $**	**Leasehold improvements $**	**Furniture and fittings $**	**Total $**
Year ended 2021				
Opening net book amount	1,552,226	4,651	138	1,557,015
Additions	1,706,664	1,950	-	1,708,614
Retirements	-	-	-	-
Depreciation	(223,693)	(2,678)	(50)	(226,421)
Closing net book amount	3,035,197	3,923	88	3,039,208

Movement in classes of assets: Consolidated	**Plant and equipment $**	**Leasehold improvements $**	**Furniture and fittings $**	**Total $**
Year ended 2020				
Opening net book amount	669,504	9,644	188	679,336
Additions	1,083,862	-	-	1,083,862
Retirements	-	-	-	-
Depreciation	(201,140)	(4,993)	(50)	(206,183)
Closing net book amount	1,552,226	4,651	138	1,557,015

Note 14 Non-current assets – Right-of use Leased Assets

	Consolidated	
	2021 $	2020 $
Right-of-use Leased assets at cost	**3,407,991**	3,351,500
Accumulated depreciation	**(501,518)**	(153,160)
Net book amount	**2,906,473**	3,198,340

Movement in classes of assets: Consolidated	**Office Premises $**	**Office Equipment $**	**Total $**
Year ended 2021			
Opening book amount	3,168,051	30,289	3,198,340
Additions	-	56,491	56,491
Depreciation	(330,581)	(17,777)	(348,858)
Closing net book amount	2,837,470	69,003	2,906,473

Movement in classes of assets: Consolidated	**Office Premises**	**Office Equipment**	**Total**
Year ended 2020			
Adoption of AASB 16 at 1 July 2020	-	45,707	45,707
Additions	3,305,793	-	3,305,793
Depreciation	(137,142)	(15,418)	(153,160)
Closing net book amount	3,168,051	30,289	3,198,340

Note 15 Non-current assets - Other

	Consolidated	
	2021 **$**	2020 $
Rental bond	**204,808**	204,808

A term of the current lease agreement for the Seven Hills premises is a requirement for the Group to have a bank guarantee in place as security for the landlord against loss or damage from any event of default. The rental bond of $204,798 represents the current value of this bank guarantee.

Note 16 Current liabilities – Payables

	Consolidated	
	2021 **$**	2020 $
Trade payables	**759,071**	1,636,232
Other payables and accrued expenses	**221,637**	83,947
	980,708	1,720,179

The carrying amount of trade and other payables are assumed to approximate their fair values due to their short term nature.

Note 17 Lease liabilities

	2021 **$**	2020 $
Lease Liabilities - current	**165,852**	135,272
Lease liabilities – non current	**2,414,646**	2,524,557
	2,580,498	2,659,829

The Group holds a 10 year lease for property in Seven Hills, Sydney, NSW. This lease agreement includes an option to extend for 2 additional periods of 5 years. As at 30 June 2021, the Group have not included this option to extend within the lease liability, with such an extension not considered to be reasonably certain.

Reconciliation of lease liabilities at the beginning and end of the financial year are set out below:

	2021 $	2020
Adoption of AASB 16 as at 1 July 2020	-	45,707
Balance from previous Year	2,659,829	-
Additions	56,491	2,678,952
Interest on lease liabilities	229,010	102,220
Repayments on lease liabilities	(364,832)	(167,050)
Balance as at 30 June 2021	2,580,498	2,659,829

Note 17 Lease Liabilities (continued)

The following are the remaining contractual maturities for the Group's lease liabilities:

	Less than 1 year $	2-5 years $	Over 5 years $	Contractual cash flows $	Carrying Amount $
Year ended 2021					
Lease liabilities	391,530	1,673,557	1,695,923	3,761,010	2,580,498

	Less than 1 year $	2-5 years $	Over 5 years $	Contractual cash flows $	Carrying Amount $
Year ended 2020					
Lease liabilities	366,695	1,560,612	2,138,484	4,065,791	2,659,829

Note 18 Current liabilities – Provisions

	Consolidated	
	2021 **$**	2020 $
Employee benefits – annual leave and long service leave	**734,051**	641,358
	734,051	641,358

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

Provision for employee benefits includes accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2021 **$**	2020 $
Annual leave obligation not expected to be settled after 12 months	**172,070**	134,760

(b) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

(c) Product returns and warranties

Provision is made for estimated product returns and warranty claims in respect of products sold. The Group provides a one year warranty on products sold to customers.

Note 18 - Current liabilities – Provisions (continued)

(d) Movements in provisions

Movements in the product returns and warranties provision during the financial years are set out below:

	Consolidated	
	2021	2020
	$	$
Carrying amount at start of year	**-**	7,130
Charged to profit or loss		
- provision adjustment	**-**	(7,130)
Carrying amount at end of year	**-**	-

Note 19 Current liabilities – Interest bearing liabilities

	Consolidated	
	2021	2020
	$	$
Short term borrowings	**1,400,000**	**-**
	1,400,000	**-**

During the year the Group entered into a borrowing facility in order to provide short term liquidity and general working capital. The balance was borrowed against the expected Research and Development grant (refer to Note 10) and is expected to be repaid upon receipt of this grant in 2021. The facility attracts a monthly interest rate of 1.25%.

Movements in interest bearing liabilities

Movements in interest bearing liabilities during the financial years are set out below:

	Consolidated	
	2021	2020
	$	$
Carrying amount at start of year	**-**	-
Borrowings drawn down	**1,329,530**	-
Interest expense	**70,470**	-
Carrying amount at end of year	**1,400,000**	-

Note 20 Non-current liabilities – Provisions

	2021	2020
	$	$
Employee benefits – long service leave	**59,384**	45,576
Make good provision	**687,350**	681,692
	746,734	727,268

(a) Make good provision

The Group is required to restore the leased premises of its office/warehouse to their original condition at the end of the respective lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

Note 20 - Non-current liabilities – Provisions (continued)

(b) Movements in provisions

Movements in the make good on premises provision during the financial year are set out below:

	Consolidated	
	2021	2020
	$	$
Carrying amount at start of year	**681,692**	238,076
Additions – new leased premises	**-**	681,692
Charged to profit or loss	**5,658**	
- additional provisions recognised/(reversed)	**-**	(238,076)
Carrying amount at end of year	**687,350**	681,692

Note 21 Contributed equity

(a) Share capital

	Consolidated	
	2021 Shares	2020 Shares
Fully paid ordinary shares (no par value)	**456,804,083**	439,929,199

(b) Movement in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2019	Balance	324,514,775		101,915,665
3 January 2020	Issue of Shares	113,861,662	$0.05	6,402,257
3 January 2020	Issue of Shares - Costs			(406,553)
30 June 2020	Issue of Shares	1,552,762	$0.06	98,737
30 June 2020	Balance	439,929,199		108,010,106
1 July 2020	Balance	439,929,199		108,010,106
3 September 2020	Issue of Shares	2,186,612	$0.07	143,200
15 December 2020	Exercise of options	6,913,460	$0.09	613,224
15 December 2020	Exercise of options	7,774,812	$0.09	-
30 June 2021	**Balance**	**456,804,083**		**108,766,530**

Of the total options exercised at 15 December 2020, $689,626 of option exercise receipts were still owed as at 30 June 2021. As such, the related shares are listed with nil consideration above. All such amounts were received by the group post year end.

(c) Ordinary shares

At 30 June 2021, there were 456,804,083 (2020: 439,929,199) issued ordinary shares which were fully paid, with no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

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.

Note 21 Contributed equity (continued)

(d) Options

Information relating to the CAP-XX Limited Share Option Exchange and CAP-XX Limited Employee Share Option 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 30.

(e) Capital management plan

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern that it can provide returns for shareholders and benefits to other stakeholders and to maintain an optimum structure to reduce the cost of capital.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was value adding relative to the company's current share price at the time of the investment. The consolidated entity would actively pursue additional investments in the short term as it continues to integrate and grow its existing business in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given pricing capital market decisions. There have been no events of default on the financing arrangements in the financial year.

The capital risk management policy remains unchanged from the 2020 Annual report.

Note 22 Reserves and accumulated losses

	Consolidated	
	2021	2020
	$	$
(a) Reserves		
Foreign currency translation reserve	**(278,224)**	(316,990)
Share-based payments reserve	**6,712,088**	6,606,975
	6,433,864	6,289,985
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(316,990)**	(294,096)
Currency translation differences arising during the year	**38,766**	(22,894)
Balance 30 June	**(278,224)**	(316,990)
Share-based payments reserve		
Balance 1 July	**6,606,975**	6,327,089
Option expense	**105,113**	279,886
Balance 30 June	**6,712,088**	6,606,975

(b) Accumulated losses

	Consolidated	
	2021	2020
Movements in accumulated losses were as follows:		
	$	$
Balance 1 July	**(106,712,937)**	(101,804,222)
Net (loss) for the year	**(3,530,818)**	(4,908,715)
Balance 30 June	**(110,243,755)**	(106,712,937)

(c) 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 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Note 23 Key management personnel disclosures

(a) Directors

The names of the directors who have held office during the financial year are as follows:

Executive director

Anthony Kongats (Managing Director)

Non-executive directors

Patrick Elliott (Non-Executive Chairman)
Bruce Grey (Non-Executive Director)

(b) Key management personnel compensation

Key management personnel compensation is set out below. The key management personnel include all the directors of the Company and those executives that report directly to the Managing Director. The following were key management personnel up to the date of the report unless otherwise stated:-

Alex Bilyk, VP Research
Jeff Colton – Vice President, Sales and Marketing America's
Song Hee Lau, General Manager Sales & Marketing Asia Pacific
Jean Pierre Mars, VP Applications Engineering
Michael Taylor, Chief Financial Officer/Chief Operating Officer
Dallas Garratt, General Manager Operations (Appointed 1st October 2020)

	Consolidated	
	2021	2020
	$	$
Short-term benefits	**1,648,973**	1,550,020
Post-employment benefits	**152,140**	135,472
Share-based payments	**75,030**	218,743
Total	**1,876,143**	1,904,235

(c) Other transactions with key management personnel or entities related to them

There were no other transactions with key management personnel.

Note 24 Remuneration of auditors

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

	Consolidated	
	2021	2020
	$	$
BDO		
Audit services		
Audit of financial statements	**63,700**	66,700
Total remuneration for audit services	**63,700**	66,700
Taxation services		
Tax compliance services, including review of company income tax returns, employee share scheme and R&D Tax concession	**50,400**	38,650
Total remuneration of BDO	**114,100**	105,350

Note 24 Remuneration of auditors (continued)

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice, or where BDO is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 25 Commitments

There are no material commitments or contingent liabilities as at 30 June 2021 (2020: Nil).

Note 26 Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is CAP-XX Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Note 27 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			30 June 2021 %	30 June 2020 %
CAP-XX (Australia) Pty Ltd	Australia	Ordinary	100	100
CAP-XX Research Pty Ltd	Australia	Ordinary	100	100
CAP-XX USA, Inc	United States	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

Note 28 Events occurring after the balance sheet date

The impact of the Coronavirus COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by authorities in countries where the Group operates such as speed and effectiveness of the vaccine rollout, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group completed a capital raise (£2.6 million) and the sale of employee options (£0.4 million) in mid-August which has resulted in gross proceeds of £3.0 million (AUD $5.6 million) being raised and received.

The necessary paperwork associated with the receipt of the R&D Tax rebate for the 2021 financial year has been lodged with the relevant Government authorities and is expected to be received before the end of the current calendar year. The rebate is expected to be approximately AUD $3.1 million.

There were no other matters or circumstances that have arisen since 30 June 2021 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 29 Reconciliation of loss after tax to net cash outflow from operating activities

	Consolidated	
	2021	2020
	$	$
Net loss	**(3,530,818)**	(4,908,715)
Depreciation and amortisation	**574,779**	359,343
Expected credit loss expense	**103,664**	-
Interest charged on financial liability	**70,470**	-
Non-cash employee benefit expense – share based payments	**105,113**	279,886
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	**(225,634)**	39,554
Decrease/(Increase) in inventories	**223,982**	649,923
Decrease/(Increase) in other assets	**416,254**	(1,742,869)
(Decrease)/Increase in payables	**(739,471)**	974,097
Increase/(Decrease) in provisions	**151,696**	(107,748)
Net cash outflow from operating activities	**(2,849,965)**	(4,456,529)

Note 30 Share-based payments

(a) CAP-XX Limited Employee Share Option Plan

The CAP-XX Limited Employee Share Option Plan (the "CAP-XX Limited Plan"), provides for the grant of share options for the purchase of ordinary shares of the Group by officers, employees, consultants, advisors and directors of the Group or a related body corporate. The Board is responsible for administration of the CAP-XX Limited Plan. The Board determines the term of each option, the option exercise price, and the number of shares for which each option is granted and the rate at which each option is exercisable. Unless otherwise determined by the Board an offer of Options must not provide for an exercise price that is less than the volume weighted average sale price of a share traded on AIM over a defined period.

Set out below is a summary of options granted under the CAP-XX Limited Plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		$	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Consolidated – 2021								
					-			
04 December 2015	04 December 2021	£0.050	14,746,606	-	(14,688,272)	(58,334)	-	-
11 December 2017	11 December 2022	£0.115	15,310,000	-	-	(535,000)	14,775,000	13,135,582
			30,056,606	-	**(14,688,272)**	**(593,334)**	**14,775,000**	**13,135,582**
Weighted Average Exercise Price			**$0.15**		**$0.10**	**$0.19**	**$0.20**	**$0.20**

Options granted prior to April 2008 used Australian dollars as the measurement basis, whilst options granted after April 2008 used British pounds. This date corresponds with the listing of CAP-XX Limited on the Alternative Investment Market (AIM) in 2008.

CAP-XX Limited
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Note 30 Share-based payments (continued)

Fair value of options granted

There were nil share options issued for the year ended 30 June 2021 (2020: Nil).

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited & expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated – 2020								
04 December 2015	04 December 2021	£0.050	14,746,806	-	-	-	14,746,606	14,746,606
11 November 2016	11 November 2021	£0.035	1,500,000	-	-	(1,500,000)	-	-
11 December 2017	11 December 2022	£0.0115	16,510,000	-	-	(1,200,000)	15,310,000	10,550,568
			32,756,606	-	-	(2,700,000)	30,056,606	25,297,174
Weighted Average Exercise Price			$0.15		-	$0.12	$0.15	$0.13

Options granted prior to April 2008 used Australian dollars as the measurement basis, whilst options granted after April 2008 used British pounds. This date corresponds with the listing of CAP-XX Limited on the Alternative Investment Market (AIM) in 2008.

There were nil share options issued for the year ended 30 June 2021.

(b) Expenses arising from share-based payment transactions

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

	Consolidated	
	2021	2020
	$	$
Options issued under CAP-XX Limited Employee Share Option Plan	**105,113**	279,886
	105,113	279,886

Note 31 Economic dependency

The Group is highly dependent upon a small number of customers and potential customers. Alternative sources of revenue are being sought to reduce future dependency on any particular entity.

The Group is also dependent upon Malaysian contract manufacturers to fulfil a large proportion of sales orders and external shareholders due to the capital raising activities during the year.

Note 32 Earnings per share

Earnings per share for (loss) attributable to the ordinary equity holders of the Group.

	Consolidated	
	2021	2020
	Cents	Cents
(a) Basic earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(0.8)**	(1.3)
(b) Diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the Company	**(0.8)**	(1.3)

	Consolidated	
	2021 Number	2020 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**449,700,290**	381,242,863
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**449,700,290**	381,242,863

Options are considered to be potential ordinary shares. The options are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

Note 33 Parent Entity

(a) Summary financial information

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

	2021 $	2020 $
Statement of financial position		
Current assets	**3,755,500**	5,789,267
Total assets	**3,755,500**	5,789,267
Current liabilities	**1,722,262**	177,812
Total liabilities	**1,722,262**	177,812
Net Assets	**2,033,238**	5,612,085
Shareholders' equity		
Issued capital	**108,766,530**	108,010,106
Reserves		
Share-based payments	**6,712,088**	6,606,924
Accumulated losses ***(i)***	**(113,445,380)**	(109,004,945)
Loss for the year	**(4,440,435)**	(4,306,346)
Total comprehensive income/(loss)	**(4,440,435)**	(4,306,346)

***(i) Reconciliation to prior year* accumulated losses**	
Balance at beginning of period 1/07/2020	(109,004,945)
Net loss for the year	(4,440,435)
Balance at end of period 30/06/2021	**(113,445,380)**

Contingent Assets
The parent had no material contingent assets as at 30 June 2021 and 30 June 2020.

Contingent Liabilities
The parent had no material contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 62 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations, changes in equity and cash flows, 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 1(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 in the form contained in section 295A of the Corporations Act 2001.

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

Patrick Elliott
Director

Sydney
29 September 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Cap-XX Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cap-XX Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) 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 ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and 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.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 of the current period. These 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.

Ongoing development of new manufacturing facility

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 13 and the Chairman's Report, the Group continued to incur significant costs following the acquisition of the plant and equipment from Murata Manufacturing Co. Ltd. (an entity incorporated in Japan). While the Murata assets were purchased in the prior period, ongoing costs were incurred to develop the production facility in Seven Hills, Sydney. The audit of the accounting treatment applied to the ongoing development costs was a key audit matter due to the significance of the transaction to the financial statements and the complexity involved in assessing the allocation of the related costs between those capitalised in plant and equipment, recouped through government grants and those expensed to the statement of profit or loss.	To determine whether the ongoing project expenditure had been appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures: • On a sample basis, agreed related expenditure to external invoices, ensuring appropriate treatment of these costs under the requirements of AASB 116 Property, Plant and Equipment. • In conjunction with internal experts, assessed the appropriateness of expenditure claimed through the Australian Government Research and Development Tax Incentive. • Assessed the accounting treatment of the capitalised expenditure to be recouped through government grants, ensuring compliance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. • Assessed the appropriateness of the Group's disclosures in respect of the transaction in accordance with Australian Accounting Standards.

Other information

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

Our opinion on the financial report does not cover the other information and 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, 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.

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 has no realistic alternative but to do so.

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 this 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

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

Martin Coyle
Director

Sydney, 29 September 2021