

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Financial Statements

For the Year Ended 30 June 2020

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Contents

For the Year Ended 30 June 2020

	Page
<b>Financial Statements</b>	
CEO/Chairman Report	1
Directors' Report	3
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	22
Compilation Report	23

## CEO/Chairman Report

### For the Year Ended 30 June 2020

Dear Shareholders

The Financial Year 19/20 (FY20) was a great year for Capricorn Power in terms of exploring new commercialisation options in bioenergy, further technical de-risking of the heat engine and attracting new capabilities to our Board and management team. These company milestones have further increased the value of your investment from \$2.53 per share as at July 2019 to \$3.50 per share at June 2020. We appreciate your ongoing support of Capricorn Power and your Board expects further value creation for shareholders in FY21 as we continue to progress towards the commercialisation of our innovative heat engine technology.

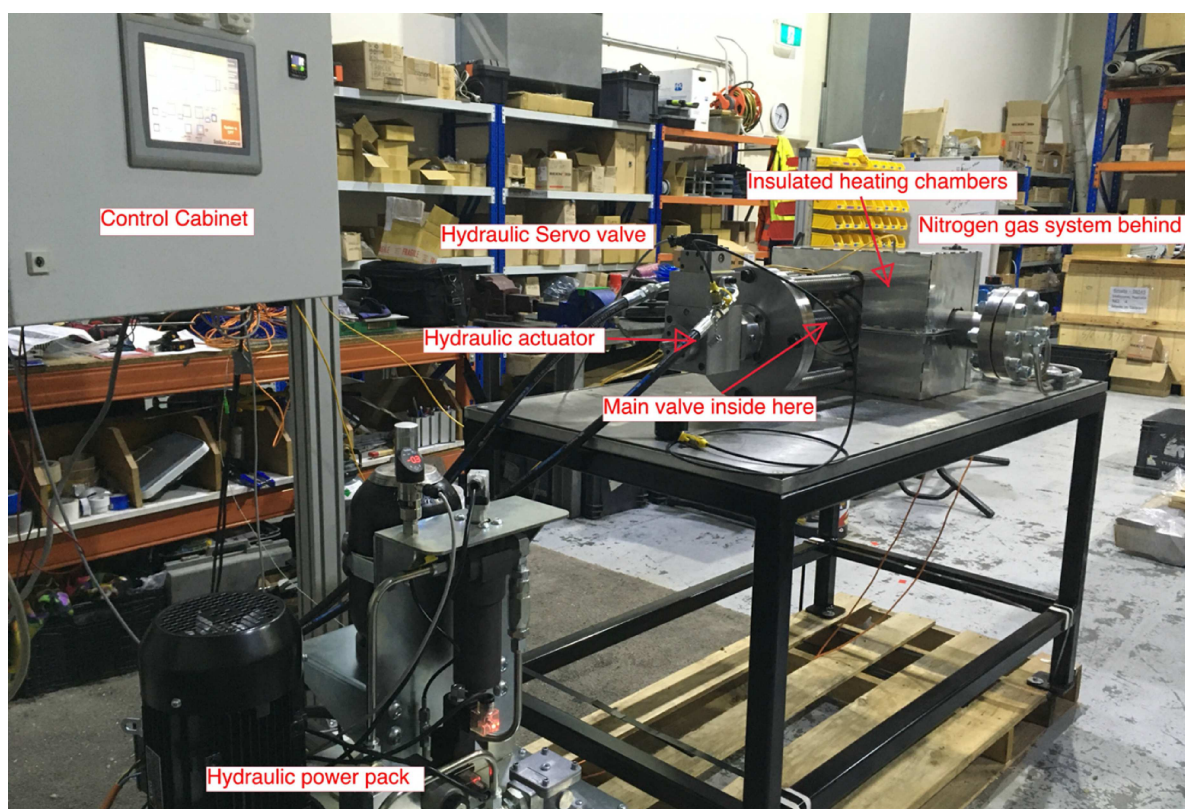


Figure 2 Valve and Actuation testing using a test rig successfully conducted (and ongoing).

Investor highlights for the financial year include:

1. Signing an MOU with an ASX listed company, which contains a demonstration project, strategic investment and scale up to their international operations. The feasibility study was successfully completed with a favourable Net Present Value on the project, and we expect a decision next year on whether they will proceed to the next stage.
2. Developing a bioenergy project plan at Austeng in North Geelong, securing feedstock, biochar and electricity offtakes. During the feasibility assessment we reduced the size of this project, but it still has an expected Earnings Before Interest and Depreciation and Amortisation (EBITDA) of over \$100,000 p.a. This project is at the planning and permitting stage with council and the Environmental Protection Agency.
3. Achieving first commercial revenue from three paid bioenergy feasibility studies.
4. Expanding our Board of Directors with two new independent directors - Jim Liaskos, an experienced ex-Pacific Dunlop executive and Rob Jolly, the ex-Treasurer of Victoria and ex- chair of UTS, a \$6B energy and infrastructure fund.

## **CEO/Chairman Report**

### **For the Year Ended 30 June 2020**

5. Strengthening our team, with the addition of Shaun Scallan, Head of Products, an experienced engineer with utility-scale renewable energy experience, and a full time mechanical project engineer.
6. In June, our Director Lyn George was recognised for her services to engineering and manufacturing with an Order of Australia. Including Dr Barton AM we're delighted that we now have two team members so recognised.
7. Reducing technical risk by successfully sourcing and receiving alternative compressors and meeting our valve and actuation test milestone by 30 June.

COVID-19 of course presented challenges during the year. Fortunately, no team members or their families were affected, and we were able to work seamlessly from home. However, challenges with an overseas supplier for our critical air compressor component meant that we had to change both supplier and air compressor type, right at the time of order in February. This resulted in a major redesign and delay which we now forecast as being approximately six months. I would like to thank the team for working 'above and beyond' to identify the alternative and then the design changes required, under the challenging circumstances created by COVID restrictions.



*Figure 1 Three newly sourced Industrial air compressors (in blue) at Austeng, Geelong, June 2020.*

This is the first year that our reports have moved from Special-purpose Generally Accepted Accounting Principles (GAAP) and so the accounts have taken a little longer to prepare. We utilised an Auditor to review the accounts but please note that this was a review and not an audit, which as a private company we are not required to do. However, Directors are still required to declare that the accounts represent a true and fair view of the company's operations. The major accounting change was recognising Employee share options as expenses in the accounts, which has also been applied to the prior financial year for reference.

On 1 July 2019, Capricorn's share price was \$2.53 implying a fully diluted valuation of approximately \$7.2M, whereas today the share price is \$3.50 per share implying a fully diluted valuation of \$11.9M. We were very happy to welcome the 147 investors from the December 2019 raise (and the 363 from September).

We have had a busy start to FY21, with the successful raise of \$650K from 363 investors in September 2020. We expect the next significant re-rating event for Capricorn Power will be the key milestone of 100 hours engine running in the first half of next year. This will mark the transition from product development into product demonstration and sales which represents a new growth phase for your company. We look forward to sharing this exciting journey with you and thanks again for your ongoing support.

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Directors' Report

30 June 2020

The directors present their report on Capricorn Power Pty Ltd for the financial year ended 30 June 2020.

### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Geoffrey Andrews

Qualifications

B.Eng., GAICD

Experience

Geoff is an energy efficiency engineer with 35 years' experience. He is the EEC's Energy Efficiency Champion (2013) and the only recipient of The Age Energy Achiever award. He has originated transformational concepts and technologies in lighting control, road safety, street lighting and sustainability rating, and worked closely with product developers in biomass, ocean power and electronic controls.

He has founded or co-founded successful ongoing businesses including Genesis Now, Ark Resources, Australian CO2 Exchange and Snowy River Innovation.

Peter Young

Qualifications

B.Arch.

Experience

Peter has forty years' experience in project management and business development, with particular expertise in structuring projects commercially and delivering funding solutions for innovative clean technology projects. He has been the team leader in delivering development submission framework of five major projects to the Victorian Government during 1987-2003.

Lynette George OAM

Qualifications

B.Arts, LLB(Hons),MAIC

Experience

Over twenty-five years of commercial experience as Austeng's co-owner and Corporate Director. Austeng is an award winning engineering company based in Geelong that has been inducted in the Victorian Manufacturing Hall of Fame in recognition of its outstanding contribution to sustained manufacturing excellence. In her current role, Lyn advises a number of start-up companies that Austeng works with as they commercialise their technology. Currently Chair of Geelong Manufacturing Council, former director of Geelong Chamber of Commerce and is also a Director of Advanced Fibre Cluster - Geelong and a member of the Geelong UNESCO City of Design Working Group. She was recently awarded an OAM for her contribution to manufacturing in Australia.

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Directors' Report

30 June 2020

### Information on directors

Jimy Liaskos	Appointed 15 May 2020
Qualifications	B.Eng, MBA, AICD
Experience	Jim Liaskos is Capricorn Power's first independent Director. He has had a long and illustrious career including as General Manager at Pacific Dunlop Recycling Division (God Banksia Award winners), COO and subsequently Chair of Melba Industries (Victorian Manufacturing Hall of Fame) and Managing Director of the Charles Parsons Group of Companies. More recently Jim has focused his attention to early-stage and start-up businesses including inaugural Chair of Paintback, PRR (providing investment and advice to business, with a focus on commercialisation of novel technologies), and Chair of Sherpa (NORA's Carrier of the Year 2019). He has been a Fellow of the Australian Institute of Company Directors for almost 20 years.
Anthony Hartman	Resigned 7 August 2019
Qualifications	B.Ec Macquarie University LLB Sydney University
Experience	20 years experience in financial markets, funds management and private equity including 10 years at Macquarie group.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal activities

The principal activity of Capricorn Power Pty Ltd during the financial year was development and commercialisation of a new heat engine technology for use in many industries, with initial applications in bioenergy.

No significant changes in the nature of the Company's activity occurred during the financial year.

### Operating results

The profit of the Company after providing for income tax amounted to \$ 271,033 (2019: \$ 179,795).

### Review of operations

A review of the operations of the Company during the financial year and the results of those operations are disclosed in the financial statements below.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

### Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Directors' Report

30 June 2020

### Company fund raising

The Company raised \$600,000 from Crowd Source Funding platform Birchal in September and received its tax return for \$285,668.22 on 19 August 2020.

### Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

### Environmental matters

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

### Company secretary

The following person held the position of Company secretary at the end of the financial year:

Lynette George OAM (B.Arts, LLB(Hons)) has been the company secretary since 26 October 2016.

### Meetings of directors

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Geoffrey Andrews	12	12
Peter Young	12	12
Lynette George OAM	12	10
Jimmy Liaskos	1	1
Anthony Hartman	2	-

### Indemnification and insurance of officers and auditors

The Company has General Public and Product liability and Officers and Directors Insurance policies.

Signed in accordance with a resolution of the Board of Directors:

Director:   
11A92AB9E77CC594  
Geoffrey Andrews

Director:   
FCBFD92A1C339801  
Peter Young

Capricorn Power Pty Ltd

ABN 26 615 564 200

Directors' Report  
30 June 2020

Director: .....  
  
Lynette George OAM

Director: .....  
  
Jimmy Liaskos

27/11/2020

Dated this ..... day of ..... 2020



## Capricorn Power Pty Ltd

ABN 26 615 564 200

### Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	4	260,432	204,925
Finance income		135	-
Employee benefits expense		(105,644)	(42,632)
Marketing expense		(45,558)	(3,262)
Consulting expense		(87,070)	(32,123)
Other expenses		(13,340)	(14,013)
Finance expenses		(33,082)	(30,991)
<b>Profit before income tax</b>		<b>(24,127)</b>	81,904
Income tax benefit	5	295,160	97,891
<b>Profit from continuing operations</b>		<b>271,033</b>	179,795
<b>Profit for the year</b>		<b>271,033</b>	179,795
<b>Other comprehensive income, net of income tax</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that will be reclassified to profit or loss when specific conditions are met		-	-
<b>Total comprehensive income for the year</b>		<b>271,033</b>	179,795

The accompanying notes form part of these financial statements.

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Statement of Financial Position As At 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	6	49,909	830
Trade and other receivables	7	27,367	3,617
Current tax receivable	8	295,160	97,891
Other assets	9	16,565	56,000
TOTAL CURRENT ASSETS		<u>389,001</u>	<u>158,338</u>
NON-CURRENT ASSETS			
Intangible assets	10	1,830,595	1,029,561
TOTAL NON-CURRENT ASSETS		<u>1,830,595</u>	<u>1,029,561</u>
TOTAL ASSETS		<u>2,219,596</u>	<u>1,187,899</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	11	182,769	81,800
Borrowings	12	225,300	177,770
TOTAL CURRENT LIABILITIES		<u>408,069</u>	<u>259,570</u>
TOTAL LIABILITIES		<u>408,069</u>	<u>259,570</u>
NET ASSETS		<u>1,811,527</u>	<u>928,329</u>
<b>EQUITY</b>			
Issued capital	13	1,057,425	483,109
Share premium		37,849	-
Retained earnings		716,253	445,220
TOTAL EQUITY		<u>1,811,527</u>	<u>928,329</u>

The accompanying notes form part of these financial statements.

## Capricorn Power Pty Ltd

ABN 26 615 564 200

### Statement of Changes in Equity For the Year Ended 30 June 2020

#### 2020

	Ordinary Shares	Retained Earnings	Share Premium	Total
	\$	\$	\$	\$
Balance at 1 July 2019	483,109	445,220	-	928,329
Profit attributable to members	-	271,033	-	271,033
Shares issued during the year	574,316	-	37,849	612,165
Balance at 30 June 2020	1,057,425	716,253	37,849	1,811,527

#### 2019

	Ordinary Shares	Retained Earnings	Share Premium	Total
	\$	\$	\$	\$
Balance at 1 July 2018	483,109	265,425	-	748,534
Profit attributable to members	-	179,795	-	179,795
Balance at 30 June 2019	483,109	445,220	-	928,329

The accompanying notes form part of these financial statements.

# Capricorn Power Pty Ltd

ABN 26 615 564 200

## Statement of Cash Flows For the Year Ended 30 June 2020

	<b>2020</b>	<b>2019</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	<b>262,725</b>	247,705
Payments to suppliers and employees	<b>(137,251)</b>	(103,714)
Interest received	<b>135</b>	-
Finance costs	<b>(33,082)</b>	(30,991)
Income taxes (paid)/received	<b>97,891</b>	220,545
Net cash provided by/(used in) operating activities	<b>17 190,418</b>	333,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment for intangible asset	<b>(801,034)</b>	(410,244)
Net cash provided by/(used in) investing activities	<b>(801,034)</b>	(410,244)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	<b>574,316</b>	156,444
Proceeds from the share premium	<b>37,849</b>	-
Net movement of related party borrowings borrowings	<b>47,530</b>	(83,415)
Net cash provided by/(used in) financing activities	<b>659,695</b>	73,029
Net increase/(decrease) in cash and cash equivalents held	<b>49,079</b>	(3,670)
Cash and cash equivalents at beginning of year	<b>830</b>	4,500
Cash and cash equivalents at end of financial year	<b>6 49,909</b>	830

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2020**

The financial report covers Capricorn Power Pty Ltd as an individual entity. Capricorn Power Pty Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Capricorn Power Pty Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 25 September 2020.

Comparatives are consistent with prior years, unless otherwise stated.

#### **1 Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

#### **2 Summary of Significant Accounting Policies**

##### **(a) Revenue and other income**

###### **Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

###### **Specific revenue streams**

The revenue recognition policies for the principal revenue streams of the Company are:

###### **Sales revenue**

There was no revenue from bioenergy, heat engine or maintenance sales this financial year.

The Company sold project feasibility study services during the year. Recognition was to match the Revenue to expenses (exclusively labour) incurred.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

## 2 Summary of Significant Accounting Policies

### (a) Revenue and other income

#### Specific revenue streams

In November 2019 the Company secured funding of \$306,000 from the Advanced Manufacturing Growth Centre, a company limited by guarantee established by the Commonwealth Government to support the development of world-leading advanced manufacturing industry in Australia. The details of the terms of this grant are commercial-in-confidence and are therefore not disclosed. .

#### Grant income

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but may include management of education events, vaccinations, presentations at symposiums.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

#### Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

### (b) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

### (c) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

## 2 Summary of Significant Accounting Policies

### (d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (e) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

#### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

## 2 Summary of Significant Accounting Policies

### (e) Financial instruments

#### Financial assets

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

#### *Fair value through other comprehensive income*

#### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

#### *Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance. Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.



## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 2 Summary of Significant Accounting Policies

##### (e) Financial instruments

###### Financial assets

###### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

###### Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and lease liabilities.

##### (f) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

##### (g) Intangibles

###### Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 1 to 15 years.

###### Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

## 2 Summary of Significant Accounting Policies

### (g) Intangibles

#### Research and development

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 5 years.

#### Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### Key estimates - fair value of financial instruments

The Company has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

#### Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 4 Revenue and Other Income

##### Revenue from continuing operations

	2020	2019
	\$	\$
Revenue from contracts with customers		
- Sales income	17,424	-
- Grant income	141,500	204,925
- Jobkeeper and cashflow boost	101,508	-
<b>Total Revenue</b>	<b>260,432</b>	<b>204,925</b>

#### 5 Income Tax Expense

(a) The major components of tax expense (income) comprise:

	2020	2019
	\$	\$
Current tax expense		
Income tax - current period	(295,160)	(97,891)

(b) Reconciliation of income tax to accounting profit:

	2020	2019
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2019: 30%)	(7,238)	24,571
Add:		
Tax effect of:		
- non-deductible expenses	2,583	-
	(4,655)	24,571
Less:		
Tax effect of:		
- R&D tax offset	295,160	122,462
Income tax expense / (benefit)	(299,815)	(97,891)

#### 6 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	49,909	830

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 7 Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
GST receivable	27,367	3,617

#### 8 Tax assets and liabilities

##### Current Tax Asset

	2020	2019
	\$	\$
Current tax	295,160	97,891

#### 9 Other non-financial assets

	2020	2019
	\$	\$
CURRENT		
Prepayments	16,565	56,000

#### 10 Intangible Assets

Patents, trademarks and other rights		
Cost	83,876	13,150
Development costs		
Cost	1,746,719	1,016,411
<b>Total Intangibles</b>	<b>1,830,595</b>	<b>1,029,561</b>

##### (a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights	Development costs	Total
	\$	\$	\$
<b>Year ended 30 June 2020</b>			
Balance at the beginning of the year	13,150	1,016,411	1,029,561
Additions	70,726	763,712	834,438
<b>Closing value at 30 June 2020</b>	<b>83,876</b>	<b>1,780,123</b>	<b>1,863,999</b>

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 11 Trade and Other Payables

	2020	2019
	\$	\$
CURRENT		
Trade payables	164,515	65,698
Sundry payables and accrued expenses	18,254	16,102
	<b>182,769</b>	<b>81,800</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

#### 12 Borrowings

	2020	2019
	\$	\$
CURRENT		
Unsecured liabilities:		
Related party payables	225,300	177,770
<b>Total current borrowings</b>	<b>225,300</b>	<b>177,770</b>

##### Summary of borrowings

Each year the Directors of the company have been authorised by Special Resolution of Shareholders to secure debt finance totalling no greater than 80% of the Company's expected R&D return and confirmed government (and government entity) grants outstanding at any time. These R&D loans are secured under the Personal Property Securities Register (PPSR).

The company has no bank debt nor debt covenants.

#### 13 Issued Capital

	2020	2019
	\$	\$
2,693,506 (2019: 2,454,299) Fully paid shares	<b>1,057,425</b>	<b>483,109</b>

##### (a) Outstanding notes

As at 30 June 2020, Capricorn Power has a convertible note outstanding for \$30,000 accruing interest at 0.5% per month and with a conversion price of \$2.60 per share.

##### (b) Shares held by employees

As at 30 June 2020, the number of shares held by employee share plans totalled 260,422 (2019: 127,734). During the financial year 2020 132,687 shares were purchased for the purpose of the employee incentive schemes at an average price per share of \$2.56.

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

#### 14 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Capricorn Power Pty Ltd during the year are as follows:

The total remuneration paid to key management personnel of the Company is \$ 61,100 (2019: \$ 94,912).

#### 15 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019:None).

#### 16 Related Parties

##### (a) The Company's main related parties are as follows:

Key management personnel - refer to Note 14.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

##### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Purchases	Balance outstanding Owed to the company	Owed by the company
	\$	\$	\$
<b>Other related parties</b>			
Austeng	235,601	-	28,985

##### (c) Loans to/from related parties

	Opening balance	Closing balance	Interest not charged	Interest paid/payable	Impairment
	\$	\$	\$	\$	\$
<b>Loans from related parties</b>					
2020	177,770	225,300	-	-	-
2019	161,185	177,770	-	-	-

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2020****17 Cash Flow Information**

Reconciliation of net income to net cash provided by operating activities:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit for the year	<b>271,033</b>	179,795
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	<b>(23,750)</b>	22,287
- (increase)/decrease in other assets	<b>39,435</b>	(56,000)
- increase/(decrease) in trade and other payables	<b>100,969</b>	64,809
- increase/(decrease) in income taxes payable	<b>(197,269)</b>	122,654
Cashflows from operations	<b>190,418</b>	333,545

**18 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 16 November 2020 by the board of directors.

The Company raised \$600,000 from Crowd Source Funding platform Birchal on 17 September and received its tax return for \$285,668.22 on 19 August 2020.

We note that the Federal Government recently introduced legislation to Parliament, proposing changes to the R&D Tax Incentive. If legislated, the changes will apply to income years starting from 1 July 2019. If the proposed changes are legislated, Capricorn Power's R&D Tax Offset amount would be calculated using a 41% rate (instead of the 43.5% rate), therefore reducing the company's refundable R&D Tax Offset for the period ended 30 June 2020. If the new law is enacted, Capricorn Power will need to amend its R&D claim for the period ended 30 June 2020, reducing the R&D offset rate used from 43.5% to 41%. This would result in the company repaying the \$18,474 of the R&D refund received to the ATO. No tax shortfall penalties will be applied and any interest accrued will be remitted to the base interest rate up to the date of enactment of the law change. Also, we expect that any interest over the base rate accruing after the date of enactment will be remitted where taxpayers actively seek to amend assessments within a reasonable timeframe after enactment.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

**19 Statutory Information**

The registered office and principal place of business of the company is:

Capricorn Power Pty Ltd  
271 Burke Road  
GLEN IRIS VIC 3146

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 21, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director .....  
  
11A92AB9E77CC594  
Geoffrey Andrews

Director .....  
  
FCBFD92A1C339801  
Peter Young

Director .....  
  
411FD0CBE267FF38  
Lynette George OAM

Director .....  
  
C0F3CD408E447A5D  
Jimy Liaskos

27/11/2020  
Dated this ..... day of ..... 2020



## Capricorn Power Pty Ltd

ABN 26 615 564 200

## Compilation Report

30 June 2020

### COMPILATION REPORT TO CAPRICORN POWER PTY LTD

We have compiled the accompanying general purpose financial statements of Capricorn Power Pty Ltd, which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the Australian Accounting Standards.

#### *The Responsibility of the Directors*

The directors of Capricorn Power Pty Ltd are solely responsible for the information contained in the general purpose financial statements and the reliability, accuracy and completeness of the information.

#### *Our Responsibility*

On the basis of the information provided by the directors we have compiled the accompanying general purpose financial statements in accordance with the financial reporting framework and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with Australian Accounting Standards. We have complied with the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants*.

#### *Assurance Disclaimer*

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.

The general purpose financial statements were compiled for the benefit of the directors who are responsible for the reliability, accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the general purpose financial statements.



Matthew Robinson

Bluegrid Pty Ltd  
439 Swan Street  
RICHMOND VIC 3121

24/11/2020

Dated this ..... day of ..... 2020