Capability X Limited

(Formerly Capability X Pty Ltd)

ABN 40 663 606 237

Annual Report - 30 June 2026

Capability X Limited
Directors' report
30 June 2026

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2026.

Directors
The following persons were the directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Chris Eastwell
Shane Bransby (appointed 14 August 2026)
Daniel Rohr (appointed 14 August 2026)
Jeremy Grant (appointed 7 November 2024 and resigned 17 December 2025)
Robert Daw (appointed 9 September 2025 and resigned 17 December 2025)

Principal activities
During the financial year the principal continuing activities of the company consisted of the development of remote and autonomous technology solutions designed to improve risk management, safety and operational efficiency across marine, ports, rail and industrial environments.

Dividends
There were no dividends paid during the financial year ended 30 June 2026.

	2026 $	2025 $
Dividends paid	-	-
	-	-

Review of operations
The net loss for the company after providing for income tax amounted to $3,171,479 (30 June 2025: $274,547).

Significant changes in the state of affairs

On 13 May 2026, the company entered into a convertible note deed with investors as part of a capital raising undertaken in connection with the company's proposed transition to an unlisted public company and subsequent listing on the Australian Securities Exchange (ASX). The convertible notes were issued at a face value of $1.00 per note and do not bear interest. Under the terms of the convertible note deeds, the notes automatically convert into ordinary shares at a conversion price of $0.16 (on a post split basis) per share within 14 days after the company converts to a public company. If not converted, the maturity and repayment date is 30 December 2026. The company received net proceeds of $1,830,000 from the issue of the convertible notes across May and June 2026.

On 29 May 2026, the members of the company passed a circulating resolution in accordance with Rule 26 of the company's Constitution. The resolution approved the company progressing its proposed transition to an unlisted public company, seeking admission to the official list of the ASX and undertaking an initial public offering of its securities. The company has commenced the listing process, including engaging with the ASX, appointing the required advisers and experts, and commencing the due diligence and prospectus preparation processes. The directors consider that the proposed listing and initial public offering are in the best interests of the company as a whole, as they are expected to provide access to equity capital markets and additional working capital to support the expansion of the company's operations. The proposed listing is also expected to provide greater liquidity in the company's shares and an opportunity for existing shareholders to realise part or all of their investment. At the date of authorisation of these financial statements, the proposed listing and initial public offering remain subject to the satisfaction of applicable regulatory, shareholder and market requirements.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

The company transitioned to an unlisted public company on 14 August 2026 and continues to progress with its proposed initial public offering. On 14 August 2026, Shane Bransby and Daniel Rohr were appointed directors of the company.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the company's operations, results or state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Chris Eastwell
Title:	CEO and Managing Director
Qualifications, experience and expertise:	Chris Eastwell is a strategic leader with 20 years of experience, specialising in crafting and executing innovative technology roadmaps and disruption strategies across diverse industries. Chris has held executive technical and commercial management roles managing hundreds of personnel and revenues in excess of A$100M whilst running Fugro Australia MAI Business and has previously been Managing Director of an oil and gas service business with revenue in excess of A$50M when he founded Greatship Subsea Solutions.
Special responsibilities:	None
Name:	Shane Bransby (appointed 14 August 2026)
Title:	Non-Executive Director
Qualifications, experience and expertise:	Shane Bransby's background is in mergers and acquisitions across the financial services and IT sectors. Shane led StepChange Consultants through to an ASX listing in 2025 (ASX: STH) and continues as Managing Director of the Company today. His past experience includes five years as strategy/M&A executive with NRI subsidiary ASG Group.
Special responsibilities:	None
Name:	Daniel Rohr (appointed 14 August 2026)
Title:	Non-Executive Director
Qualifications, experience and expertise:	Daniel Rohr is a Chartered Accountant with over 30 years' management, corporate advisory, finance and accounting experience across a range of listed and unlisted companies in Australia and overseas. He is currently the CFO of Healthengine Limited and has extensive experience in managing the development of high growth companies in the technology industry.
Special responsibilities:	None

Company secretary – Christopher Achurch
Mr Achurch has considerable experience across the technology, exploration, mining, agricultural, accounting and finance sectors. He holds a Bachelor of Commerce in Accounting from the University of Western Australia and is a member of the Institute of Chartered Accountants Australia and New Zealand. Mr Achurch provides company secretarial, corporate advisory and general consulting services to a number of ASX-listed Companies.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2026, and the number of meetings attended by each director were:

	Board of Directors Meetings	
	Number eligible to attend	Number attended
Chris Eastwell	-	-
Shane Bransby	-	-
Daniel Rohr	-	-
Jeremy Grant	-	-
Robert Daw	-	-

Shares under option
At the date of this report, there were 463,866 unissued ordinary shares of the company under option, comprising:

- 288,632 options exercisable at $8.56 per share, expiring on 31 January 2031; and
- 175,234 options exercisable at $10.70 per share, expiring on 20 June 2031.

Shares under performance rights
As at the date of this report, there were 34,743 performance rights on issue.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2026 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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 immediately after this directors' report.

Capability X Limited
Directors' report
30 June 2026

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



_____
Chris Eastwell
Director

31 August 2026
Perth, Western Australia

RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF CAPABILITY X LIMITED

As lead auditor for the audit of the financial report of Capability X Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA

TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2026

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Capability X Limited
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General information

The financial statements cover Capability X Limited as an individual entity. The financial statements are presented in Australian dollars, which is Capability X Limited’s functional and presentation currency.

Capability X Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
35 Oxford Close West Leederville WA 6007	620 Gnangara Road Cullacabardee WA 6067

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of the directors, on 31 August 2026. The directors have the power to amend and reissue the financial statements.

Capability X Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2026

	Note	2026 $	2025 $
Revenue	3	1,057,652	1,705,901
Interest revenue calculated using the effective interest method		1,036	-
Depreciation and amortisation expense	4	(293,096)	(471,167)
Employee benefits expense		(910,303)	(458,885)
Operating expenses		(1,363,846)	(665,157)
Share-based payments		(1,339,123)	-
Finance costs	4	(257,344)	(129,211)
Other expenses		(66,455)	(78,817)
Loss before income tax expense		(3,171,479)	(97,336)
Income tax expense	5	-	(177,211)
Loss after income tax expense for the year attributable to the owners of Capability X Limited		(3,171,479)	(274,547)
Total comprehensive loss for the year attributable to the owners of Capability X Limited		(3,171,479)	(274,547)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Capability X Limited
Statement of financial position
As at 30 June 2026

	Note	2026 $	2025 $
Assets			
Current assets			
Cash and cash equivalents	6	1,046,924	-
Trade and other receivables	7	1,240,430	1,674,751
Other	8	55,032	107,722
Total current assets		2,342,386	1,782,473
Non-current assets			
Property, plant and equipment	9	276,665	431,995
Right-of-use assets	10	101,368	76,072
Intangibles	11	2,276,501	1,319,375
Other	12	11,254	11,254
Total non-current assets		2,665,788	1,838,696
Total assets		5,008,174	3,621,169
Liabilities			
Current liabilities			
Trade and other payables	13	355,772	670,142
Borrowings	14	2,797,108	267,680
Lease liabilities	15	22,578	82,683
Income tax	16	-	265,924
Provisions	17	96,089	23,054
Other	18	676,141	1,025,063
Total current liabilities		3,947,688	2,334,546
Non-current liabilities			
Borrowings	19	350,456	555,101
Lease liabilities	20	83,909	-
Total non-current liabilities		434,365	555,101
Total liabilities		4,382,053	2,889,647
Net assets		626,121	731,522
Equity			
Issued capital	21	3,094,718	915,123
Convertible notes reserve	22	173,094	-
Accumulated losses	23	(3,355,080)	(183,601)
Share-based payments reserve	24	713,389	-
Total equity		626,121	731,522

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

Capability X Limited
Statement of changes in equity
For the year ended 30 June 2026

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2024	100,100	-	90,946	191,046
Loss after income tax expense for the year	-	-	(274,547)	(274,547)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(274,547)	(274,547)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	815,023	-	-	815,023
Balance at 30 June 2025	915,123	-	(183,601)	731,522

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2025	915,123	-	(183,601)	731,522
Loss after income tax expense for the year	-	-	(3,171,479)	(3,171,479)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,171,479)	(3,171,479)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	2,179,595	-	-	2,179,595
Convertible notes issued (note 22)	-	173,094		173,094
Issue of share-based payments (note 24)	-	713,389	-	713,389
Balance at 30 June 2026	3,094,718	886,483	(3,355,080)	626,121

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

Capability X Limited
Statement of cash flows
For the year ended 30 June 2026

	Note	2026 $	2025 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,193,043	1,582,176
Payments to suppliers and employees (inclusive of GST)		(2,974,306)	(834,925)
		(1,781,263)	747,251
Interest and other finance costs paid		(39,521)	(87,094)
Income taxes paid		(265,924)	(35,514)
Net cash from/(used in) operating activities	33	(2,086,708)	624,643
Cash flows from investing activities			
Payments for intangible asset		(1,491,859)	(1,893,680)
Payments for property, plant and equipment		(24,361)	(221,592)
Deposits paid		-	-
Government grants received		1,522,916	10,000
Net cash from/(used in) investing activities		6,696	(2,105,272)
Cash flows from financing activities			
Proceeds from issue of shares		974,797	815,023
Proceeds from share funds pending allotment		-	219,997
Proceeds from issue of convertible notes (net of transaction costs)		1,830,000	-
Proceeds from assignees on behalf of Subsea Invest		150,000	-
Proceeds from borrowings		1,000,000	375,000
Repayment of borrowings		(50,417)	(45,593)
Net (payments)/proceeds to related party loans		(390,628)	222,984
Proceeds from other loans		-	-
Repayment of lease liabilities		(180,977)	(220,813)
Net cash from financing activities		3,332,775	1,366,598
Net increase/(decrease) in cash and cash equivalents		1,252,763	(114,031)
Cash and cash equivalents at the beginning of the financial year		(217,263)	(103,232)
Cash and cash equivalents at the end of the financial year	6	1,035,500	(217,263)

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

Note 1. Material accounting policy information

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The company has adopted all of the 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.

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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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 2.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company incurred a loss after income tax of $3,171,479 and had net cash outflows from operating activities of $2,086,708 for the year ended 30 June 2026. As at that date, the company had net current liabilities of $1,605,302. The company's ability to continue as a going concern is dependent upon its ability to generate sufficient future cash flows and secure additional funding to meet its obligations as and when they fall due.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

In assessing the appropriateness of the going concern basis of preparation, the directors have considered the following matters:

- Management has prepared detailed cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements, which demonstrate that the company is expected to maintain sufficient liquidity to meet its obligations as they fall due, subject to the achievement of the underlying forecast assumptions;

- The company has lodged applications for Federal and State Government grant funding with a combined potential value of approximately $6,400,000. The directors consider there is a reasonable prospect that one or more of these applications will be successful, with funding expected to be received during the second half of 2026 calendar year and/or early 2027 calendar year;

- The company has raised $2 million (before costs) following the issue of convertible notes in May and June 2026 (Note 22), the proceeds of which will be utilised to support ongoing operations and working capital requirements;

- The directors continue to progress the company's proposed initial public offering (IPO), which will raise additional capital to fund the company's commercialisation strategy and future growth; and

- The company has a demonstrated history of successfully raising capital to fund its operations, and the directors remain confident in its ability to obtain additional funding if required.

Note 1. Material accounting policy information (continued)

After considering the matters above, the directors believe there are reasonable grounds to expect that the company will be able to continue as a going concern and, accordingly, have prepared the financial statements on that basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities, that may be necessary should the company be unable to continue as a going concern.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Capability X Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition
The company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Expenditure incurred on research and development activities that meets the recognition criteria for capitalisation is recognised as an intangible asset. Government grants and research and development tax incentive offsets received in relation to capitalised research and development expenditure are offset against the carrying amount of the related intangible asset.

Note 1. Material accounting policy information (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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 three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 1. Material accounting policy information (continued)

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets
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 company 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.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Development costs
Development expenditure is capitalised only when the recognition criteria under AASB 138 *Intangible Assets* have been met.

Capitalised development expenditure that is not yet available for use is not amortised. Amortisation commences when the asset is available for use and is recognised over its estimated useful life.

Capitalised development expenditure not yet available for use is tested annually for impairment, and whenever there is an indication that the asset may be impaired, in accordance with AASB 136 *Impairment of Assets*.

Impairment of non-financial assets
Non-financial assets 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Material accounting policy information (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and 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 30 days of recognition.

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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities
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 company'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.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Material accounting policy information (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
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.

Note 1. Material accounting policy information (continued)

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2026. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	2026 $	2025 $
Revenue from contracts with customers		
Revenue	1,057,652	1,705,901
Revenue	1,057,652	1,705,901

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	2026 $	2025 $
Major product lines		
Consulting	-	201,895
Sales	1,057,652	1,504,006
	1,057,652	1,705,901
Geographical regions		
Australia	1,057,652	1,705,901
	1,057,652	1,705,901
Timing of revenue recognition		
Goods transferred at a point in time	1,057,652	1,504,006
Services transferred over time	-	201,895
	1,057,652	1,705,901

Note 4. Expenses

	2026 $	2025 $
Loss before income tax includes the following specific expenses:		
Cost of sales	425,733	198,116
Depreciation		
Plant and equipment	112,537	150,443
Computer equipment	67,002	98,288
Motor vehicles	12,144	20,242
Plant and equipment right-of-use assets	101,413	202,194
Total depreciation	293,096	471,167
Finance costs		
Interest and finance charges paid/payable on borrowings	239,567	115,849
Interest and finance charges paid/payable on lease liabilities	9,720	13,362
Loan establishment fees	8,057	
Finance costs expensed	257,344	129,211
Net foreign exchange loss	30,455	48,817
Defined contribution superannuation expense	66,852	22,239

Note 5. Income tax expense

	2026 $	2025 $
Income tax expense		
Current tax	-	177,211
Aggregate income tax expense	-	177,211
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,171,479)	(97,336)
Tax at the statutory tax rate of 25%	(792,870)	(24,334)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation	10,816	(16,172)
R&D	98,851	138,551
Non-deductible entertainment	339	1,445
Non-deductible salary and wages	27,089	60,000
Non-deductible accrued expenses	25,000	-
Other non-assessable, non-exempt income	(13,407)	(3,352)
Unrecognised deferred tax asset attributed to tax losses	644,182	-
Sundry items	-	21,073
	-	177,211
Adjustment recognised for prior periods	-	-
Income tax expense	-	177,211

The company has deductible temporary differences of $66,578 (2025: $49,531) and tax effected unutilised tax losses of $644,182 (2025: nil) for which no deferred tax asset has been recognised. The benefit of these items will only be obtained if future assessable income is derived of a nature and amount sufficient to enable the benefit to be realised. Accordingly, no deferred tax asset or deferred tax liability has been recognised at reporting date.

Note 6. Current assets - cash and cash equivalents

	2026 $	2025 $
Cash at bank	1,046,924	-
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	1,046,924	-
Bank overdraft (note 14)	-	(204,144)
Credit card payable (note 14)	(11,424)	(13,119)
Balance as per statement of cash flows	1,035,500	(217,263)

Note 7. Current assets - trade and other receivables

	2026 $	2025 $
R&D grants receivable	1,105,740	1,522,916
Trade receivables	134,690	151,835
	1,240,430	1,674,751

Allowance for expected credit losses
The company has recognised no loss in the profit or loss in respect of the expected credit losses for the year ended 30 June 2026.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2026 %	2025 %	2026 $	2025 $	2026 $	2025 $
Not overdue	0%	0%	134,690	151,835	-	-
0 to 3 months overdue	0%	0%	-	-	-	-
3 to 6 months overdue	0%	0%	-	-	-	-
Over 6 months overdue	0%	0%	-	-	-	-
			134,690	151,835	-	-

Note 8. Current assets - other

	2026 $	2025 $
Prepayments	49,844	29,088
Accrued income	-	65,800
GST	5,188	12,834
	55,032	107,722

Note 9. Non-current assets - property, plant and equipment

	2026 $	2025 $
Plant and equipment - at cost	504,278	486,473
Less: Accumulated depreciation	(287,753)	(175,216)
	216,525	311,257
Computer equipment - at cost	224,727	206,179
Less: Accumulated depreciation	(182,805)	(115,803)
	41,922	90,376
Motor vehicles - at cost	86,831	86,831
Less: Accumulated depreciation	(68,613)	(56,469)
	18,218	30,362
	276,665	431,995

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Computer equipment $	Motor Vehicles $	Total $
Balance at 1 July 2024	342,220	74,559	50,604	467,383
Additions	119,480	114,105	-	233,585
Disposals	-	-	-	-
Depreciation expense	(150,443)	(98,288)	(20,242)	(268,973)
Balance at 30 June 2025	311,257	90,376	30,362	431,995
Additions	17,806	18,548	-	36,353
Disposals	-	-	-	-
Depreciation expense	(112,537)	(67,002)	(12,144)	(191,683)
Balance at 30 June 2026	216,525	41,922	18,218	276,665

Note 10. Non-current assets - right-of-use assets

	2026 $	2025 $
Plant and equipment - right-of-use	489,657	362,948
Less: Accumulated depreciation	(388,289)	(286,876)
	101,368	76,072
	101,368	76,072

Additions to the right-of-use assets during the year were $126,709.

The company leases plant and equipment under an agreement with an initial term of two years, together with three optional extension periods. The right-of-use asset and lease liability have been measured on the basis that all extension options will be exercised.

Note 11. Non-current assets - intangibles

	2026 $	2025 $
Development - at cost	2,276,501	1,319,375
Less: Accumulated amortisation	-	-
	2,276,501	1,319,375
	2,276,501	1,319,375

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Development $	Total $
Balance at 1 July 2024	323,865	323,865
	-	-
Additions	2,282,588	2,282,588
Less: R&D grants received	(1,287,078)	(1,287,078)
Balance at 30 June 2025	1,319,375	1,319,375
Additions	2,062,866	2,062,866
Less: R&D grants receivable	(1,105,740)	(1,105,740)
Balance at 30 June 2026	2,276,501	2,276,501

Development expenditure relating to the company's development asset has been capitalised where the recognition criteria of AASB 138 have been met.

The asset is not yet available for use, it is subject to annual impairment testing. Amortisation will begin when the asset is available for use and will be recognised over its estimated useful life.

The carrying amount of development costs at 30 June 2026 was $2,276,501 (2025: $1,319,375).

Note 12. Non-current assets - other

	2026 $	2025 $
Security deposits	11,254	11,254

Note 13. Current liabilities - trade and other payables

	2026 $	2025 $
Trade payables	169,357	558,411
Other payables	186,415	111,731
	355,772	670,142

Note 14. Current liabilities - borrowings

	2026 $	2025 $
Bank loans	54,645	50,417
Loan – Rockford R&D	1,008,055	-
Bank overdraft	-	204,144
Convertible note liability	1,722,984	-
Credit card	11,424	13,119
	2,797,108	267,680

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - lease liabilities

	2026 $	2025 $
Lease liability	22,578	82,683

Refer to note 26 for further information on financial instruments.

Note 16. Current liabilities - income tax

	2026 $	2025 $
Provision for income tax	-	265,924

Note 17. Current liabilities - provisions

	2026 $	2025 $
Annual leave	96,089	23,054

Annual Leave
This represents the estimated liability for annual leave entitlements accrued by employees at the reporting date. The provision is measured based on employees' current wage and salary rates, including related on-costs where applicable, and reflects leave expected to be taken or paid in future periods.

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

2026	Annual Leave $
Carrying amount at the start of the year	23,054
Additional provisions recognised	73,035
Carrying amount at the end of the year	96,089

Note 18. Current liabilities - other

	2026 $	2025 $
Accrued expenses	208,356	306,440
Loan - Chris Eastwell Family Trust	-	248,984
Insurance funding	24,975	-
Loan from related party - Opus Energy	-	10,000
Share funds pending allotment	-	219,997
Subsea debt assignment	150,000	-
Loan – Rockford R&D - interest accrual	99,067	-
Loan - Subsea Invest - interest accrual	85,701	42,117
Other	108,042	197,525
	676,141	1,025,063

Note 19. Non-current liabilities - borrowings

	2026 $	2025 $
Loan – Subsea Invest	225,000	375,000
Bank loans	125,456	180,101
	350,456	555,101

Refer to note 26 for further information on financial instruments.

Total secured and unsecured liabilities
The total secured and unsecured liabilities (current and non-current) are as follows:

	2026 $	2025 $
Bank loans	180,101	230,518
Loan – Rockford R&D	1,008,055	-
Loan – Subsea Invest (unsecured)	225,000	375,000
Bank overdraft (unsecured)	-	204,144
Convertible note liability (unsecured)	1,722,984	-
Credit card payable (unsecured)	11,424	13,119
	3,147,564	822,781

Terms and conditions
The loan from Subsea Invest is repayable in full by 30 June 2029, with earlier repayments permitted at the borrower's discretion. Interest accrues at 15.00% per annum on the outstanding balance, including accrued interest, and is payable monthly in arrears.

During the year, the company entered into a loan facility of $1,015,000 against its expected 2026 R&D tax incentive refund. The facility comprises $1,000,000 of principal and a capitalised establishment fee of $15,000. The loan bears interest at 17% per annum and has an original maturity date of 365 days from the date of the agreement, subject to a minimum term of 90 days. A higher interest rate of 36% per annum may apply in certain circumstances.

Assets pledged as security
The bank loan relates to an equipment financing arrangement and is secured over the related financed equipment and is repayable by instalments in accordance with the finance agreement.

Note 19. Non-current liabilities - borrowings (continued)

The R&D loan is secured by a specific security agreement over the company's present and future rights, title and interest in the 2026 R&D tax incentive refund, including the proceeds of the refund and any related property.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2026 $	2025 $
Total facilities		
Bank overdraft	300,000	300,000
Credit card	15,000	15,000
	315,000	315,000
Used at the reporting date		
Bank overdraft	-	204,144
Credit card	11,424	13,119
	11,424	217,263
Unused at the reporting date		
Bank overdraft	300,000	95,856
Credit card	3,576	1,881
	303,576	97,737

Note 20. Non-current liabilities - lease liabilities

	2026 $	2025 $
Lease liability	83,909	-

Refer to note 26 for further information on financial instruments.

Note 21. Equity - issued capital

	2026 Shares	2025 Shares	2026 $	2025 $
Ordinary shares - fully paid	2,154,983	1,591,382	3,094,718	915,123

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2024	1,120,482	-	100,100
Issue of shares	20 September 2024	84,338	$0.00	-
Issue of shares	11 November 2024	196,136	$0.00	-
Issue of shares	27 May 2025	190,426	$4.28	815,023
		1,591,382		915,123
Balance	30 June 2025	1,591,382		915,123
Issue of shares	12 August 2025	126,685	$4.28	542,210
Issue of shares	21 January 2026	195,047	$4.28	834,800
Issue of shares	21 January 2026	152,427	$4.28	652,385
Issue of shares	8 June 2026	35,047	$4.28	150,000
Issue of shares	8 June 2026	54,395	$0.00	200
Balance	30 June 2026	2,154,983		3,094,718

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 22. Equity – convertible notes reserve

	2026 $	2025 $
Convertible note reserve	173,094	-

The convertible notes were issued on 13 May 2026 for total proceeds of $2,000,000, with a face value of $1 per note, no interest payable, and automatic conversion into ordinary shares at $0.16 per share within 14 days after the company converts to a public company. If not converted, the maturity and repayment date is 30 December 2026. As the conversion feature results in a fixed number of shares being delivered for a fixed amount of consideration and the holder has no ability to elect cash settlement, the convertible notes are accounted for as a compound financial instrument, comprising a financial liability component and an equity (conversion option) component.

Note 22. Equity – convertible notes reserve (continued)

Initial recognition - compound instrument

2026	Convertible note $
Total proceeds	2,000,000
Less: directly attributable issue costs	(170,000)
Net proceeds	1,830,000
Liability component (at initial recognition, net of allocated issue costs)	1,656,906
Equity component (at initial recognition, net of allocated issue costs)	173,094
Total	1,830,000

The liability component was determined as the present value of the $2,000,000 cash repayment obligation, discounted at 17% p.a. as per management's estimate of the market borrowing rate applicable to a similar non-convertible debt instrument of the company at the date of issue. The equity component of $189,174 (before issue costs) represents the residual of the $2,000,000 proceeds after deducting the liability component. Issue costs of $170,000 were allocated between the liability and equity components in proportion to their relative carrying amounts, resulting in net initial carrying amounts of $1,656,906 (liability) and $173,094 (equity).

Note 23. Equity – accumulated losses

	2026 $	2025 $
Retained profits / (losses) at the beginning of the financial year	(183,601)	90,946
Losses after income tax expense for the year	(3,171,479)	(274,547)
Accumulated losses at the end of the financial year	(3,355,080)	(183,601)

Note 24. Equity - share-based payments reserve

	2026 $	2025 $
Share-based payments reserve	713,389	-

Share-based payments reserve
The reserve is used to recognise the value of equity benefits (options and performance rights) provided to employees as part of their remuneration.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Option reserve $	Performance rights reserve $	Total $
Balance at 1 July 2025	-	-	-
Employee share-based payments	176,731	32,335	209,066
Consultant share-based payments	504,323	-	504,323
Balance at 30 June 2026	681,054	32,335	713,389

Description of the arrangements

Options

Grant date	Number granted	Exercise price	Expiry date	Issued to	Value $
27 February 2026	171,810	$8.56	31 January 2031	Employees	176,731
15 March 2026	116,822	$8.56	31 January 2031	Consultants	122,314
23 June 2026	175,234	$10.70	20 June 2031	Consultants	382,009

Performance rights

Grant date	Number granted	Exercise price	Expiry date	Issued to	Value $
20 February 2026	34,743	Nil	31 January 2031	Employees	32,335

Remaining contractual life

The weighted average remaining contractual life of options outstanding at 30 June 2026 was approximately 4.73 years (EISP options granted 27 February 2026 and Consultant options granted 15 March 2026: 4.59 years each, expiring 31 January 2031; Consultant options granted 23 June 2026: 4.97 years, expiring 20 June 2031). The remaining contractual life of performance rights outstanding at 30 June 2026 was approximately 4.59 years (expiring 31 January 2031).

Note 24. Equity – share based payments reserve (continued)

Valuation model inputs

The fair value of options and performance rights granted during the year was estimated at grant date using the following inputs:

	EISP options	Consultant options	Consultant options	Performance rights
	27 Feb 2026	15 Mar 2026	23 Jun 2026	20 Feb 2026
Valuation method	Black-Scholes-Merton model	Black-Scholes-Merton model	Black-Scholes-Merton model	Grant date share price
Grant-date share price	$4.28	$4.28	$6.85	$4.28
Exercise price	$8.56	$8.56	$10.70	Nil
Expected volatility	45.0%	45.0%	45.0%	Not applicable
Expected life	4.93 years	4.88 years	4.99 years	1-3 years, based on vesting tranche
Risk-free interest rate	4.11%	4.62%	4.49%	Not applicable
Expected dividend yield	Nil	Nil	Nil	Nil
Fair value per instrument	$1.029	$1.047	$2.180	$4.28
Total grant-date fair value	**$176,731**	**$122,314**	**$382,009**	**$148,700**

The volatility assumption for all option grants was based on the historical volatility of comparable entities, as the company was unlisted and did not have its own trading history at grant date. No discount for lack of marketability was applied to the option valuations, as the Black-Scholes-Merton model is considered to appropriately capture the relevant option characteristics without a separate marketability adjustment.

The total grant-date fair value of the performance rights was $148,700 (34,743 rights). Consistent with the graded vesting terms (one-third vesting on each of the first, second and third anniversaries of grant, subject to continued service and a qualifying liquidity event), the fair value is recognised as an expense over the vesting period of each tranche. $32,335 was recognised as an expense in FY2026, based on the proportion of each tranche's vesting period completed at the reporting date; the remaining $116,365 will be recognised in future years, subject to the applicable vesting conditions being satisfied.

Share-based payments expensed

	2026 $	2025 $
Share-based payments recognised in statement of profit or loss and other comprehensive income		
Share based payments included in employee benefit	209,066	-
Share based payments included in share-based payment expense	1,339,123	-
	1,548,189	

Note 24. Equity – share based payments reserve (continued)

	2026 $	2025 $
Share-based payments recognised in statement of changes in equity		
Share based payments included in issued capital	834,800	-
Share based payments included in share-based payments reserve	713,389	-
	1,548,189	

Note 25. Equity - dividends

Dividends
No dividends were declared or paid during the current or prior financial year.

Franking credits

	2026 $	2025 $
Franking credits available for subsequent financial years based on a tax rate of 25%	32,675	32,675

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 26. Financial Instruments

Financial risk management objectives
The company manages its capital to ensure it has sufficient funding available to support its operations and meet its financial obligations as they fall due. The directors consider the company's funding needs having regard to operating cash flows, working capital requirements, existing finance facilities and future business plans. Where appropriate, the company may alter its funding mix through operating cash flows, shareholder contributions, additional borrowings, refinancing of existing facilities, or the issue of equity.

The key risks are liquidity risk, credit risk and market risk. These risks are monitored with reference to cash flow forecasts, debt repayment obligations, working capital levels and expected operating commitments.

The directors and management are responsible for overseeing the company's financial risk management. Financial risks are reviewed as part of management and Board reporting, and appropriate action is taken where risks are identified.

Market risk

Foreign currency risk
The company is not exposed to any significant foreign currency risk.

Price risk
The company is not exposed to any significant price risk.

Interest rate risk
The company's main interest rate risk arises from long-term borrowings, overdrafts and credit cards. Borrowings obtained at variable rates expose the company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value risk.

The company's bank loans outstanding total $180,101 (2025: $230,518) and are principal and interest payment loans. Monthly cash outlays of $5,586 per month are required to service the principal and interest payments. This loan was entered into at a fixed interest rate of 8.08%.

Note 26. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	2026 $	2025 $
Bank overdraft	300,000	95,856
Credit card	3,576	1,881
	303,576	97,737

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the company. The company's exposure to credit risk arises principally from cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of the recognised financial assets, as disclosed in the statement of financial position and notes to the financial statements.

At reporting date, the company had trade receivables of $134,690 (2025: $151,835). These balances were all within one month of invoice date and were not overdue. Based on the age of the receivables, historical collection experience and information available at reporting date, management has not recognised an expected credit loss allowance. The company manages credit risk by monitoring outstanding receivable balances and maintaining regular communication with customers. Cash balances are held with reputable Australian financial institutions.

Remaining contractual maturities
The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2026	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	169,357	-	-	-	169,357
Other payables	-	186,415	-	-	-	186,415
Interest-bearing - fixed rate						
Lease liability	7.04%	29,355	30,236	63,219	-	122,810
Loan - Subsea Invest	15.00%	85,701	-	225,000	-	310,701
Bank loans	8.08%	67,038	67,038	61,452	-	195,528
Convertible note liability	17.00%	2,000,000	-	-	-	2,000,000
Credit card payable	12.99%	11,424	-	-	-	11,424
Loan - R&D	17.00%	1,114,067	-	-	-	1,114,067
Total non-derivatives		3,663,357	97,274	349,671	-	4,110,302

Note 26. Financial instruments (continued)

2025	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	558,411	-	-	-	558,411
Other payables	-	111,731	-	-	-	111,731
Loans		258,984				258,984
Interest-bearing - fixed rate						
Lease liability	7.16%	82,683	-	-	-	82,683
Loan - Subsea Invest	15.00%	42,118	43,583	375,000	-	460,701
Bank loans	8.08%	50,418	67,038	113,062	-	230,518
Bank overdraft	16.20%	204,144	-	-	-	204,144
Credit card payable	12.99%	13,119	-	-	-	13,119
Total non-derivatives		1,321,608	110,621	488,062	-	1,920,291

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Key management personnel disclosures

Compensation
Key management personnel remuneration relates only to Chris Eastwell as a Director. The amount paid or payable for the year ended 30 June 2026 is $268,000 (2025: $240,000) and includes both short-term and post-employment (superannuation) benefits.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia, the auditor of the company:

	2026 $	2025 $
Audit services - RSM Australia		
Audit of the financial statements	35,000	30,000

Note 29. Contingent liabilities

The company had no contingent liabilities at the current and previous reporting date.

Note 30. Commitments

The company had no commitments at the current and previous reporting date.

Note 31. Related party transactions

Associates
The company had no interests in associates during the financial year.

Payment for goods and services
There were no payments for goods or services made to related parties during the financial year.

Note 31. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2026 $	2025 $
Loan to/from related parties:		
Loan from Chris Eastwell Family Trust (director-related entity of Chris Eastwell) (note 18)	-	248,984
Loan from Opus Energy (director-related entity of Jeremy Grant) (note 18)	-	10,000

Current Payables
As at 30 June 2026, the company owed Chris Eastwell for accrued wages in the amount of $108,356 (2025: $240,000)

Terms and conditions
The loan from Opus Energy and Chris Eastwell Family Trust are unsecured, interest-free and repayable on demand.

Note 32. Events after the reporting period

The company transitioned to an unlisted public company on 14 August 2026 and continues to progress with its proposed initial public offering. On 14 August 2026, Shane Bransby and Daniel Rohr were appointed directors of the company.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the company's operations, results or state of affairs in future financial years.

Note 33. Reconciliation of loss after income tax to net cash from operating activities

	2026 $	2025 $
Loss after income tax expense for the year	(3,171,479)	(274,547)
Adjustments for:		
Depreciation and amortisation	293,096	471,167
Amortisation of loan establishment fees	8,057	
Exchange differences	11,436	19,180
Short term lease payments	66,634	-
Share-based payments expense	1,548,190	-
Non-cash interest expense	66,078	-
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and accrued receivables	82,944	(128,589)
(Increase) in other operating assets	(13,109)	(3,224)
(Decrease) in trade and other payables	(897,373)	(36,790)
(Decrease)/Increase in provision for income tax	(265,924)	141,696
Increase in other liabilities	111,708	-
Increase in employee benefits	-	7,046
Increase in other operating liabilities	-	428,704
Increase in provisions	73,034	-
Net cash (used in)/from operating activities	(2,086,708)	624,643

Note 34. Non-cash investing and financing activities

	2026 $	2025 $
Additions to the right-of-use assets	126,709	62,163
Non-cash share issue	834,800	
Non-cash debt conversion	150,200	

Note 35. Changes in liabilities arising from financing activities

	Loan Subsea $	Loan Rockford R&D $	Bank loans $	Lease liability $	Convertible Note liability $	Total $
Balance at 1 July 2024	-	-	276,111	222,152	-	498,263
Net cash used in financing activities	375,000	-	(45,593)	(220,813)	-	108,594
Non-cash items	-	-	-	19,181	-	19,181
Acquisition of leases	-	-	-	62,163	-	62,163
Balance at 30 June 2025	375,000	-	230,518	82,683	-	688,201
Net cash used in financing activities	-	1,000,000	(50,417)	(180,977)	1,830,000	2,598,606
Non-cash items	(150,000)	8,055	-	11,437	66,078	(64,430)
Short term leases expensed	-	-	-	66,635	-	66,635
Acquisition of leases	-	-	-	126,709	-	126,709
Equity component of convertible notes					(173,094)	(173,094)
Balance at 30 June 2026	225,000	1,008,055	180,101	106,487	1,722,984	3,242,627

Note 36. Consolidated Entity Disclosure Statement as at 30 June 2026

The company has no controlled entities and, therefore is not required by the Australian Accounting Standards to prepare consolidated financial statements. As a result, section 295(3A)(a) of the Corporations Act 2001 does not apply to the company.

Capability X Limited
Directors' declaration
30 June 2026

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2026 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



_____
Chris Eastwell
Director

31 August 2026
Perth, Western Australia

RSM

RSM Australia Partners

Level 32 Exchange Tower, The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPABILITY X LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Capability X Limited (the Company), which comprises the statement of financial position as at 30 June 2026, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration.

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

i. giving a true and fair view of the Company's financial position as at 30 June 2026 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

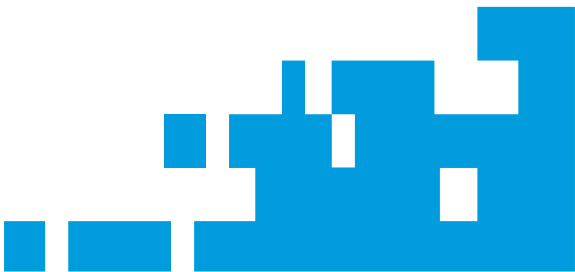
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the Company incurred a loss after income tax of $3,171,479 and had net cash outflows from operating activities of $2,086,708 for the year ended 30 June 2026. As at that date, the Company had net current liabilities of $1,605,302. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2026 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 accordingly 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 Company 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 Company or to cease operations, or have 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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

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TUTU PHONG
Partner

Perth, WA
Dated: 31 August 2026