

ASX ANNOUNCEMENT
31 January 2025

X2M business transformation progressing

Quarterly Activity Report and Appendix 4C

Q2 FY25 Highlights¹

- Revenue of \$1.7 million, down 51% on the previous corresponding period (pcp), reflecting a softer market in Korea and the previously announced strategy to move away from a low-margin hardware business to a high-margin SaaS business
- Operating costs were \$1.6 million, down 36% on the pcp
- Adjusted EBITDA² was a loss of \$0.8 million, an improvement of 25% on the pcp
- Connected devices as at 31 December 2024 were 544,910, up 5% on the pcp
- Enterprise/government customers increased to 80, up 10% on the pcp
- Net cash outflows from operating activities for the quarter were \$0.6 million, versus cash inflows of \$0.7 million in the pcp, mainly attributable to timing of the R&D refund
- Total cash as at 31 December 2024 was \$0.7 million

Australian Internet of Things (IoT) technology company **X2M Connect Limited** (ASX:X2M) (“X2M” or “the Company”) provides its quarterly activity report and Appendix 4C for the period ended 31 December 2024.

X2M CEO Mohan Jesudason said: “Revenue for the quarter reflected a softer market in Korea and our strategy to exit low-margin hardware-only sales. Notwithstanding this, our successful progressive transition away from hardware-only sales towards a high-margin SaaS business saw us deliver several key operational metrics with margins increasing, costs reducing, adjusted EBITDA improving, connected devices growing and enterprise customers growing on values from the pcp.

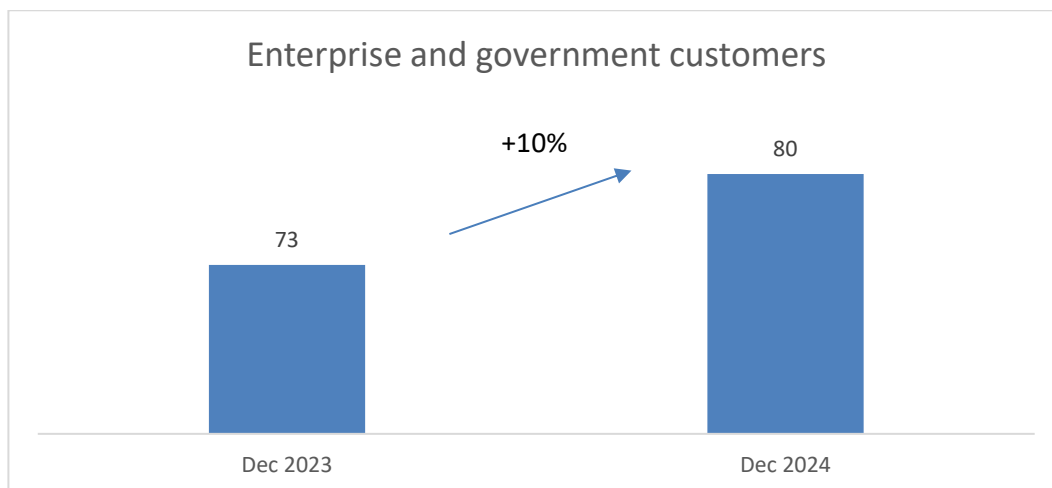
“A major achievement of the quarter was consolidating our partnership with Dicode Technologies in the Middle East, as demonstrated by our successful joint exhibition at WETEX 2024. Dicode has launched a meter-as-a-service offering into the United Arab Emirates (UAE), representing a considerable growth opportunity for X2M with an addressable market of more than four million meters. During the quarter we started to deploy initial gas meters for six large apartment sites across several gas companies with first revenues expected this financial year. We have expanded our platform into a renewable energy and battery storage vertical as we expect to see significant growth in this category globally over the next decade. X2M’s proprietary platform is particularly well suited to this market.

“Our first commercial partnership for renewable energy and battery storage was with GreenRock Energy Company in Taiwan under which GreenRock took an equity stake of approximately 10% in X2M. During the quarter we secured an additional solar energy management aggregation and monitoring contract with leading Taiwanese solar photovoltaic company Heying International, and we are advancing with building a presence in this sector.”

¹ All financial figures are unaudited

Operational overview

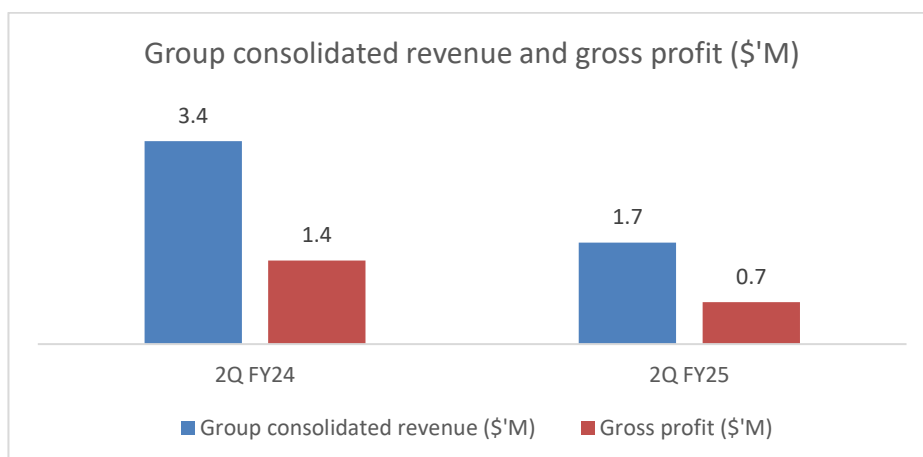
X2M's enterprise and government client base continued to rise steadily, reaching 80 at 31 December 2024, up 10% on the pcp. X2M has continued to win repeat orders during the quarter. These customers collectively deploy a broad range of devices from water and gas meters to smart homes onto the X2M platform, which in turn, drives the Company's SaaS and recurring revenue base. Total connected devices as at 31 December 2024 was 544,910 an increase of 5% on the previous corresponding period (pcp).



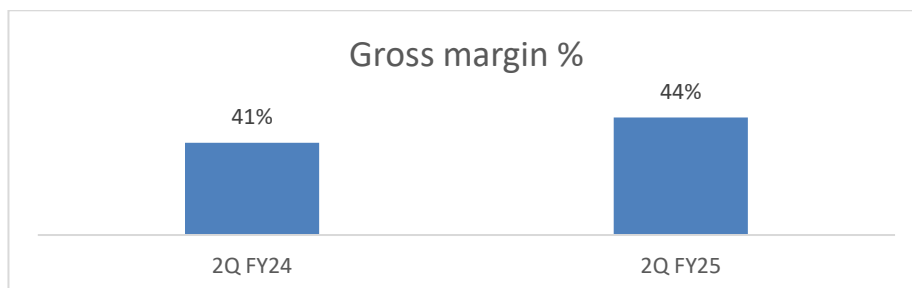
SaaS and maintenance revenues for the quarter were \$0.41 million. Annualised Recurring Revenue (ARR) is the monthly SaaS and maintenance revenue that is recorded in the last month of the reporting period annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts. For December 2024, the ARR is \$1.6 million.

Financial overview

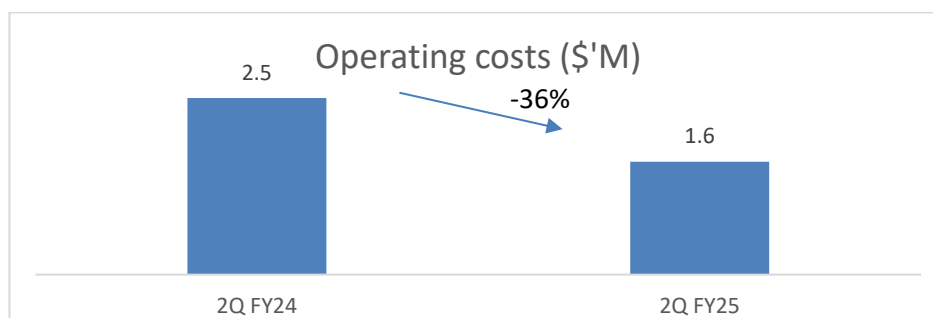
X2M achieved total revenues for 2Q FY25 of \$1.7 million, down 51% on the pcp (2Q FY24: \$3.4 million), reflecting a softer market in Korea and the previously announced strategy to exit low-margin hardware-only sales.



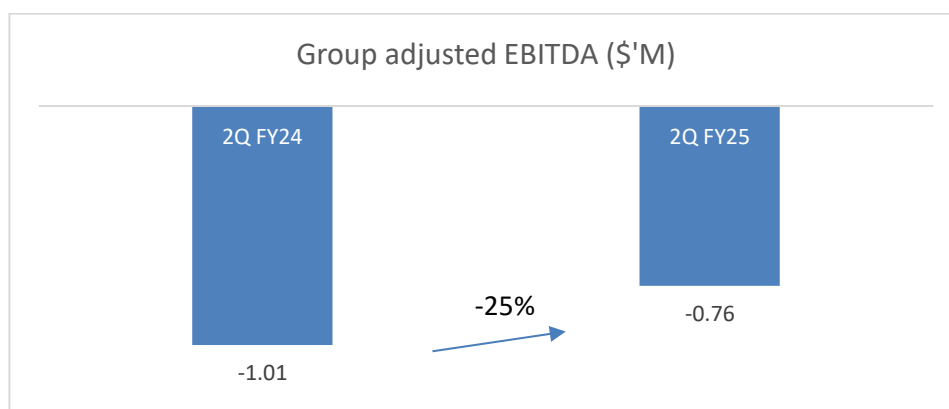
The gross margin for 2Q FY25 was 44%, up 3 basis points on the pcp (2Q FY24: 41%). This primarily reflected the higher proportion of SaaS and maintenance revenues and the decline in hardware-only sales.



Operating costs for 2Q FY25 were 36% down on 2Q FY24. This was primarily a result of reductions in head count and reduced administrative expenses.



The adjusted EBITDA² loss was \$0.8 million versus a loss of \$1.0 million in the pcp. This reflected the benefit of lower operating costs despite the decline in gross profit.



² Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs and share based payments.

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Net cash outflows from operating activities during the quarter were \$0.6 million versus cash inflow of \$0.7 million in the pcp, mainly attributable to timing of R&D refund which was received on 9 January 2025 as opposed to the previous refund which was received in November 2023.

Net cash outflows from investing activities was \$0.6 million for the reporting period through continued investment on capitalised development.

Net cash flows from financing activities were \$0.7 million, including \$0.9 million received on completion of share placements and from convertible and unsecured loans, offset by \$0.2 million in repayment of borrowings and transaction costs.

Total cash at 31 December 2024 was \$0.7 million. In addition, the Group had undrawn loan facilities of \$0.5m.

The Group has entered into agreements to sell its shareholding in GreenRock Energy Co., Limited, a Taiwanese company, for NTD 11 million (approximately A\$0.5m). This shareholding is no longer regarded as a core asset. The sale is expected to settle in February 2025.

Strengthening the balance sheet remains a priority for the Company.

Related party payments in Appendix 4C section 6.1 of \$99K represent director's fees.

Outlook

X2M CEO Mohan Jesudason said: *"We have delivered on key metrics for this quarter with better margins and a lower cost base leading to improved adjusted EBITDA. We are setup for strategically important initiatives coming over the next few months, including rollouts in the Middle East and a potential market entry into India. These markets, along with Australia, are emerging as significant opportunities for X2M as we are supported by solid local partners and initial integrations are completed or well advanced.*

The demand for data aggregation to satisfy ever growing artificial intelligence, industry automation and machine learning applications together with government initiatives in many markets are expected to provide strong tailwinds. In this respect, incumbency in our early markets together with proposed new market initiatives are expected to be quite timely for X2M. We are expecting calendar 2025 to be a productive year."

Ends

The Board of X2M has approved this announcement.

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About X2M Connect Limited

X2M Connect Limited (ASX:X2M) is an Australian technology company that has developed and commercialised a patented proprietary Internet of Things (IoT) solution which delivers productivity improvements, cost savings and improved public safety to enterprise and government clients in the utilities sector. The strategy is to stay focused on the utility sector where X2M has proven performance and tap the growing artificial intelligence, renewable energy generation and battery storage markets' demand for data collection, analytics and device control.

X2M's technology connects devices such as water, gas and electricity meters and other utility sensors to the internet, enabling data exchange and the remote control of these devices. The collection of large volumes of data from meters or sensors and our ability to go back and control devices also provides the basis for artificial intelligence or machine learning applications to build upon our platform. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 540,000 devices connected to its IoT platform and distributed intelligence solution, providing real-time information and control to a steadily increasing customer base operating over multiple communications technologies.

X2M's current focus is on servicing the utility sector in the Asia-Pacific region, where it has a significant number of government and enterprise customer relationships already in place. The addressable market across the region is large and importantly, the addressable market within X2M's existing customer base is also large with penetration growing. Going forward, X2M will look to continue its global expansion, with subsidiaries already operating in Japan, South Korea, Taiwan and, most recently, China.

X2M has now extended its focus into the Middle East licensing its platform to partners based in Dubai.

To learn more about X2M click here: www.x2mconnect.com or follow us on [LinkedIn](#).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

X2M Connect Limited

ABN

48 637 951 154

Quarter ended ("current quarter")

31 December 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,103	2,971
1.2 Payments for		
(a) research and development	(41)	(119)
(b) product manufacturing and operating costs	(1,083)	(1,631)
(c) advertising and marketing	(37)	(70)
(d) leased assets	(32)	(64)
(e) staff costs	(854)	(1,738)
(f) administration and corporate costs	(617)	(1,017)
1.3 GST/VAT received/(paid)	(13)	(11)
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(38)	(73)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(611)	(1,750)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(630)	(1,362)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	3
2.5	Other – Security deposits	-	14
2.6	Net cash from / (used in) investing activities	(630)	(1,345)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	362	923
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(18)	(84)
3.5	Proceeds from borrowings	550	1,550
3.6	Repayment of borrowings	(185)	(380)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(59)	(118)
3.10	Net cash from / (used in) financing activities	650	1,891

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,324	1,939
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(611)	(1,750)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(630)	(1,345)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	650	1,891
4.5	Effect of movement in exchange rates on cash held	6	4
4.6	Cash and cash equivalents at end of period	739	739

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	739	1,324
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	739	1,324

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.3	Aggregate amount of payments to related parties and their associates included in item 3	-

Note: if any amounts are shown in items 6.1, 6.2 or 6.3, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other		
	- Convertible notes	2,075	2,075
	- Converting loan (Barkers Hawthorn)	1,513	1,013
	- Converting loan (Vanew Pty Ltd)	1,040	1,040
	- Converting loan (Lisafield Pty Ltd)	103	103
	- Unsecured loan	437	437
7.4	Total financing facilities	5,168	4,668
7.5	Unused financing facilities available at quarter end		500
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>		
	<p>Convertible notes</p> <p>In August 2023, X2M Completed a capital raising of \$1.7 million through entering into convertible note arrangements with professional and sophisticated investors. The key terms were as follows:</p> <ul style="list-style-type: none"> • Face value: \$1.7 million (\$1 per note) • Expiry date: 30 June 2025 • The Convertible Note holder can convert Notes at any time into Shares at the rate of \$0.05 per Share. • Interest on Convertible Notes not yet converted or redeemed accrues at the rate of 18% per annum, however a minimum of 12 month's interest must be paid. • X2M may, at its sole discretion, redeem the Convertible Notes at any time by repaying the then outstanding unconverted Convertible Notes and accrued interest, provided at that time it pays at least 12 months of interest and it notifies and provides the Convertible Note holder the opportunity to issue a Conversion Notice for 5 business days prior to any redemption. • The Convertible Notes are partly secured parri passu against X2M's anticipated FY24 R&D tax refund amount and the Company must keep that refund in a trust account until the total amount outstanding under the Convertible Notes is less than the trust account amount. 		
	<p>Converting loan</p> <p>In May 2024, X2M established a converting loan facility up to \$1.5 million from Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust. The key terms are as follows:</p> <ul style="list-style-type: none"> • Repayment date is 30 November 2025 unless <ul style="list-style-type: none"> ○ early payment is requested after 31 October 2024 by the lender; ○ the date of receipt of the R&D Incentive Tax refund for 2025 ("R&D Tax Refund") is before 30 November 2025, in which case the date of receipt applies; ○ conversion into shares occurs; 		

- Lender may elect to convert any advanced loan amount to Shares at the following conversion price per share:
 - at the 5 day volume weighted average price leading to a request for conversion in the 30 days following execution; or
 - at a discount of 15% to the 5 day volume weighted average price leading to a request for conversion after the date that is 30 days following execution;
 provided no more than 37,500,000 Shares in total can be issued. Once this ceiling is reached further conversions cannot occur;
- Any conversion is subject to shareholder approval and if not received, the higher interest rate below applies;
- Interest is payable monthly in cash at a rate of 15% per annum or the higher rate of 20%;
- Loan amounts advanced are secured against the FY25 R&D Tax Refund.

Converting loan

In September and October 2024, X2M secured a converting loan facility from existing shareholders Vanew Pty Ltd and Lisafield Pty Ltd ATF Double Happiness Trust. The key terms are as follows:

- Loan of \$1,000,000 (Vanew) and \$100,000 (Lisafield);
- Repayment date is 31 December 2025 unless conversion into Shares occurs;
- Lender may elect to convert any advanced loan amount to Shares at the following conversion price per Share:
 - At the 30 day volume weighted average price leading to a request for conversion in the 30 days following execution; or
 - At a discount of 15% to the 30 day volume weighted average price leading to a request for conversion after the date that is 30 days following execution;
 Provided no more than 20,000,000 Shares (Vanew) and 2,000,000 shares (Lisafield) in total can be issued and with a floor price of \$0.05 per Share. Once the ceiling is reached further conversions cannot occur;
- Any conversion is subject to shareholder approval and if not received, the higher interest rate below applies;
- Interest is payable quarterly in cash at a rate of 15% per annum or the higher rate of 20%;
- Loan amounts advanced are secured against the assets of the Company excluding the FY24 R&D Tax Refund.

Unsecured loan

In October 2024, an employee from X2M's South Korea subsidiary provided an unsecured loan of \$437,000 to the company. There was no interest payable on the loan.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(611)
8.2	Cash and cash equivalents at quarter end (item 4.6)	739
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	Total available funding (item 8.2 + item 8.3)	1,239
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.03

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2025

Authorised by: By the Board of X2M Connect Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.