

APPENDIX 4D

1. COMPANY DETAILS

Name of entity:	X2M Connect Limited
ACN:	637 951 154
Reporting period:	For the period ended 31 December 2024
Previous period:	For the period ended 31 December 2023

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

			\$
Revenues from ordinary activities	down	55% to	3,378,999
Loss from ordinary activities after tax attributable to the owners of X2M Connect Limited	down	3% to	(3,175,935)
Loss for the period attributable to the owners of X2M Connect Limited	down	3% to	(3,175,935)
Adjusted EBITDA* loss	down	18% to	(1,445,640)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

Dividends

There were no dividends paid, recommended or declared during the current financial period.

The loss for the Group after providing for income tax amounted to \$3,175,935 (31 December 2023: \$3,276,561).

Key points

The first half of FY25 saw X2M deliver on several key business metrics with gross margins improving, costs reducing, adjusted EBITDA improving, connected devices growing and enterprise customers growing compared with results for the previous corresponding period (pcp). Key operational metrics for the half year were as follows:

- Revenues from ordinary activities were \$3.4 million, down 55% on the pcp
- Recurring SaaS and maintenance revenue was \$0.8 million, flat on pcp
- Gross margin was 47%, up 10 percentage points on the pcp
- Operating expenditure was \$3.2 million, down by 31% on the pcp
- 1H25 cash burn from operating activities was \$1.8 million, versus \$0.4 million in pcp, mainly attributable to timing of the R&D refund
- South Korea segment continued to be profitable delivering positive EBITDA of \$0.1 million
- 7 new enterprise and government customers were acquired bringing the total customer base to 80, an increase of 10% on the pcp
- Connected devices were 544,910, up 5% on the pcp

Group Commentary

Revenue was \$3.4 million, down 55% on the pcp, reflecting a softer market in South Korea and the previously announced strategy to exit low-margin hardware-only sales. However, this revenue delivered improved gross margin of 47% (2023: 37%). The Group's total connected devices increased to 544,910 at 31 December 2024, representing 5% growth from 31 December 2023.

APPENDIX 4D

Cost of sales at \$1.8 million, was down 62% on the pcp, or \$2.9 million. Manufacturing costs in South Korea decreased due to continued innovation on product offerings. This contributed significantly to gross margin improving to 47%, up 10 percentage points on the pcp.

Operating expenses reduced by 31% on pcp to \$3.2 million. This was driven by strong cost control, exit of hardware only sales and general operational efficiencies.

Non-cash share based payments were \$0.5 million (pcp: \$0.4 million), including options issued to Directors and key management personnel for salary forgone as part of cash outflow reduction initiatives.

Finance costs were \$0.7 million (pcp: \$0.5 million), mainly driven by non-cash effective interest accrued on the convertible notes and convertible loans.

Financial position

The Group's cash and cash equivalents as at 31 December 2024 were \$0.7 million, a decrease of \$1.2 million from 30 June 2024, mainly attributable to timing of R&D refund and operating spend.

Please refer to the Review of Operations in the Directors' report in the attached financial report for further commentary.

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.28)</u>	<u>(1.205)</u>

4. CONTROL GAINED OVER ENTITIES

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS*Current period*

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The interim financial statements have been reviewed by the Group's independent auditor who has issued an unmodified review conclusion with a material uncertainty in relation to going concern.

11. ATTACHMENTS

Details of attachments (if any):

The Half Year Financial Report of X2M Connect Limited for the period ended 31 December 2024 is attached.

12. SIGNED

Signed 

Date: 27 February 2025

Hon. Alan Stockdale AO
Non-Executive Chairman
Melbourne

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Half Year Financial Report.

31 December 24

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“ The exit of low margin hardware sales, a realigned cost base, better margins and our strategic initiatives in play bode well going forward ”



Mohan Jesudason, CEO and Managing Director
X2M Connect Limited

CONTENTS

Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	9
Financial Statements	10
Consolidated Statement of profit or loss and other comprehensive income	11
Consolidated Statement of financial position	12
Consolidated Statement of changes in equity	13
Consolidated Statement of cash flows	14
Notes to the financial statements	15
Directors' Declaration	25
Independent Auditor's Review Report to the members of X2M Connect Limited	27



CORPORATE DIRECTORY

Directors

Hon. Alan Stockdale AO (Non-Executive Chairman)
Mr Mohan Jesudason (Managing Director and
Chief Executive Officer)
Mr Damien Johnston (Non-Executive Director)
Mr John Stewart (Non-Executive Director)

Chief Executive Officer

Mr Mohan Jesudason

Company Secretary

Mr Oliver Carton

Registered office and principal place of business

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18-24 Ricketts Road,
Mount Waverley, VIC 3149
Telephone: 1800 926 926 (1800 X2M X2M)

Share Register

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Sydney, NSW 2000
Telephone: +61 2 9698 5414

Auditor

Grant Thornton Audit Pty Ltd
Collins Square Tower 5,
727 Collins Street,
Melbourne, VIC 3008

Stock Exchange Listing

X2M Connect Limited securities are listed on the
Australian Securities Exchange (ASX code: X2M)

Website

www.x2mconnect.com

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Director's Report



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of X2M Connect Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2024.

Directors

The following persons were directors of X2M Connect Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Hon Alan Stockdale AO (Non-Executive Chairman)
Mr Mohan Jesudason (Managing Director and Chief Executive Officer)
Mr Damien Johnston (Non-Executive Director)
Mr John Stewart (Non-Executive Director)

Principal activities

X2M operates in the utility sector across the Asia Pacific Region with offices in Australia, Japan, South Korea, Taiwan and China. The Company employed 54 people at the end of the period.

During the period, the principal continuing activities of the Group included:

- Gas monitoring and control
- Water monitoring and control
- Energy monitoring and optimisation
- Data delivery for artificial intelligence and data analytics applications

The technology uses the internet to deliver rich data applications from process automation and control to analytics and artificial intelligence. The technology connects devices over the internet to enable monitoring, data exchange and the remote control of devices such as utility meters and pressure sensors.

As at 31 December 2024, X2M had 544,910 devices connected to its IoT platform and distributed intelligence solution. The X2M technology delivers real-time information and control for 80 enterprise and government customers across Asia Pacific while operating over multiple radio technologies and communication protocols.

Review of operations

The loss for the Group after providing for income tax amounted to \$3,175,935 (31 December 2023: \$3,276,561).

Whilst revenue is lower than the previous corresponding period (pcp), all other key metrics are trending well, reflecting X2M's focus on cash management, higher margin revenues and strong cost control.

Key operating metrics for the Group for the half year ended 31 December 2024 include:

- Revenue \$3.4 million, down 55% on the pcp
- Recurring SaaS and maintenance revenue \$0.8 million, level with pcp
- Gross margin 47%, up 10 percentage points on the pcp
- Operating expenditure was \$3.2 million, reduced by 31% on the pcp
- Adjusted EBITDA* loss \$1.4 million, an improvement of 18% on the pcp
- Loss after tax of \$3.2 million, reduced by 3% on the pcp
- Connected devices 544,910, up 5% on the pcp
- Number of enterprise and government customers 80, up 10% on the pcp
- Cash at bank \$0.7 million
- 1H25 cash burn from operating activities was \$1.8 million, versus \$0.4 million in pcp, mainly attributable to timing of the R&D refund

The following table summarises key reconciling items between the statutory after-tax result attributable to the shareholders of the Company and adjusted EBITDA*:

	Consolidated	
	31 December 2024 \$	31 December 2023 \$
Loss after income tax	(3,175,935)	(3,276,561)
Add: Finance costs	655,133	462,584
Add: Depreciation and amortisation	811,684	674,660
Less: Fair value gain on derivative financial instruments	(193,588)	-
EBITDA	(1,902,706)	(2,139,317)
Add: Share based payments expense**	457,066	383,786
Adjusted EBITDA*	<u>(1,445,640)</u>	<u>(1,755,531)</u>

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

** Share based payments expense relate to placement options and non-cash shares, options and performance rights to employees.

Segment performance

South Korea

Despite restricted government spend on innovation and increased competition, South Korea operation achieved adjusted EBIT loss of \$0.02 million (31 December 2023: \$0.2 million). This was driven by increased margins on hardware as a result of lower production costs and increased pricing implemented during the year. South Korea achieved revenue of \$2.9 million. Although total revenues were down 51% on the pcp, the gross margin improved to 43% (31 December 2023: 40%).

During the period, X2M continued to receive repeat orders from its existing customers and thus further cemented X2M's leadership position in the South Korean market. This aligned with the Company's long-term strategy to secure customers with large numbers of households that will drive future SaaS and maintenance revenues. For the six months ended 31 December 2024, SaaS and maintenance revenues were \$0.6 million, flat on the pcp.

Taiwan

Taiwan achieved revenue of \$0.2 million, flat on the pcp.

Taiwan, has historically been the incubation hub for new X2M initiatives prior to commercialisation. As X2M has matured, this phase is now complete. Going forward X2M in Taiwan will focus on being the Group's centre of excellence for renewable energy management solutions and leveraging our strategic partnership with the GreenRock Energy Company. Pleasingly the Company has received its first orders in this vertical.

Taiwan reported an adjusted EBIT loss of \$0.4 million (31 December 2023: \$0.4 million).

China

As announced previously, China operations are on hold as the Company exited low-margin hardware only sales. The Company is at present reviewing opportunities for selective delivery of its platform into this market.

China reported an adjusted EBIT loss of \$0.1 million (31 December 2023: \$0.1 million).

Other

The Other segment consists of Japan, Hong Kong and Australia. Australia continued to be the cost centre for corporate costs including head office expenses and R&D software development costs. This segment reported revenue of \$0.3 million, up 6% on the pcp; and an adjusted EBIT loss of \$1.8 million (31 December 2023: \$2.2 million), improved performance was mainly driven by strong cost controls. In Japan, X2M continued to manage connected devices under a licensing arrangement. Total connected devices in Japan at 31 December 2024 was flat on 31 December 2023 reflecting some changes in the end customers of Azbil.

\$0.5 million of non-cash share based payments were incurred, mainly attributable to securities issued to key management personnel and employees under an incentive plan, and options issued to Directors and key management personnel for salary forgone as part of cash outflow reduction initiatives. Finance costs were \$0.7 million (pcp: \$0.5 million), mainly attributable to non-cash effective interest accrued on the convertible notes and convertible loans.

Significant changes in the state of affairs

During 1HFY25, the Company successfully completed capital raising of \$1.7 million (before costs) through Placements and an Entitlement Offer.

On 5 August 2024, X2M announced the signing of a Term Sheet with Dicode Technologies LLC, based in the United Arab Emirates (UAE) for a license to use X2M's 'Vision by X2M' utility solution in the Middle East. Dicode has introduced 'Metering as a Service' into the UAE gas industry. Under this Term Sheet, Dicode will use 'Vision by X2M' as the only platform in their Metering as a Service offering. The term of the agreement is for ten years. Dicode intends to expand this offering beyond the UAE into the broader Middle East region.

On 27 September 2024, X2M secured a convertible loan totalling \$1 million from existing shareholder Vanew Pty Ltd.

There were no other significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial period

Subsequent to half year end, the Group entered into agreements to sell its shareholding in GreenRock Energy Co., Limited, a Taiwanese company, for NTD 11 million (approximately A\$0.52 million). This shareholding was no longer regarded as a core asset. The sale was settled in February 2025.

Subsequent to half year end, the Group drew down a further \$0.5 million from its convertible loan facility with Barkers Hawthorn Pty Ltd.

On 10 February 2025, the Company issued 1,400,560 fully paid ordinary shares for \$25,000 worth of services rendered.

On 20 February 2025, X2M announced that it has signed its first commercial contract in the UAE which is a 10 year contract to provide the 'Vision by X2M' utility solution. This formally commences commercial operations in the Middle East.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Hon. Alan Stockdale AO
Non-Executive Chairman

27 February 2025

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Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration


To the Directors of X2M Connect Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of X2M Connect Limited for the half-year ended 31 December 2024. I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



P M Glynn
Partner – Audit & Assurance

Melbourne, 27 February 2025

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Financial Statements



	Note	Consolidated 31 December 2024 \$	31 December 2023 \$
Revenue	5	3,378,999	7,483,843
Cost of sales		(1,801,067)	(4,709,839)
Gross profit		<u>1,577,932</u>	<u>2,774,004</u>
Other income		221,199	186,386
Expenses			
Employee benefits expense		(2,039,480)	(2,677,034)
Share based payments expense	6	(457,066)	(383,786)
Depreciation and amortisation expense		(811,684)	(674,660)
Finance costs		(655,133)	(462,584)
Short-term lease expenses		(45,434)	(62,853)
Other expenses	7	(845,169)	(1,469,189)
Professional fees		(314,688)	(506,845)
Fair value gain on derivative financial instruments		193,588	-
Total expenses		<u>(4,975,066)</u>	<u>(6,236,951)</u>
Loss before income tax expense		(3,175,935)	(3,276,561)
Income tax expense		-	-
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited		(3,175,935)	(3,276,561)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		73,062	72,658
Other comprehensive income for the period, net of tax		73,062	72,658
Total comprehensive income/(loss) for the period attributable to the owners of X2M Connect Limited		<u>(3,102,873)</u>	<u>(3,203,903)</u>
		Cents	Cents
Basic earnings per share		(0.89)	(1.55)
Diluted earnings per share		(0.89)	(1.55)

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

	Note	Consolidated 31 December 2024 \$	30 June 2024 \$
Assets			
Current assets			
Cash and cash equivalents		738,580	1,938,882
Trade and other receivables		2,979,670	2,872,234
Contract assets		1,518	61,979
Inventories		138,761	71,671
Financial assets at fair value		520,000	-
Other assets	8	2,853,087	2,474,718
Total current assets		7,231,616	7,419,484
Non-current assets			
Financial assets at fair value		-	520,000
Property, plant and equipment and right-of-use assets		383,062	499,201
Intangible assets		4,590,953	4,478,691
Other assets	8	594,960	602,592
Total non-current assets		5,568,975	6,100,484
Total assets		12,800,591	13,519,968
Liabilities			
Current liabilities			
Trade and other payables	9	5,437,385	6,256,733
Contract liabilities		1,012,426	1,734,347
Borrowings	10	4,621,329	224,506
Lease liabilities		215,556	215,416
Employee benefits		953,081	935,397
Total current liabilities		12,239,777	9,366,399
Non-current liabilities			
Borrowings	10	-	2,787,185
Lease liabilities		153,661	261,450
Employee benefits		641,115	560,035
Total non-current liabilities		794,776	3,608,670
Total liabilities		13,034,553	12,975,069
Net assets/(liabilities)		(233,962)	544,899
Equity			
Issued capital	11	30,774,196	29,046,310
Reserves		4,683,803	4,404,640
Accumulated losses		(35,691,961)	(32,906,051)
Total equity/(deficiency)		(233,962)	544,899

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2023	24,127,410	2,671,008	(26,393,171)	405,247
Loss after income tax expense for the period	-	-	(3,276,561)	(3,276,561)
Other comprehensive income for the period, net of tax	-	72,658	-	72,658
Total comprehensive income/(loss) for the period	-	72,658	(3,276,561)	(3,203,903)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	932,025	-	-	932,025
Issue of shares on conversion of convertible notes	80,972	-	-	80,972
Convertible note reserve	-	419,853	-	419,853
Options issued to a lender as part of borrowing costs	-	278,448	-	278,448
Share based payments	-	302,814	-	302,814
Balance at 31 December 2023	<u>25,140,407</u>	<u>3,744,781</u>	<u>(29,669,732)</u>	<u>(784,544)</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2024	29,046,310	4,404,640	(32,906,051)	544,899
Loss after income tax expense for the period	-	-	(3,175,935)	(3,175,935)
Other comprehensive income for the period, net of tax	-	73,062	-	73,062
Total comprehensive income/(loss) for the period	-	73,062	(3,175,935)	(3,102,873)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,650,848	-	-	1,650,848
Transfers	-	(390,025)	390,025	-
Issue of shares on conversion of performance rights	27,038	(27,038)	-	-
Options issued for FY24 short term incentive	-	216,098	-	216,098
Share based payments	50,000	407,066	-	457,066
Balance at 31 December 2024	<u>30,774,196</u>	<u>4,683,803</u>	<u>(35,691,961)</u>	<u>(233,962)</u>

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

	Consolidated 31 December 2024 \$	31 December 2023 \$
Cash flows from operating activities		
Receipts from customers	2,970,116	8,619,483
Receipts from government grants	-	1,460,711
Payments to suppliers and employees	(4,722,906)	(10,509,851)
Interest received	2,570	13,749
	<u>2,570</u>	<u>13,749</u>
Net cash used in operating activities	<u>(1,750,220)</u>	<u>(415,908)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	-	(36,460)
Payments for intangibles	(1,361,311)	(1,380,128)
Receipts from/(Payments for) security deposits	13,680	(35,553)
Dividends received	2,556	-
	<u>2,556</u>	<u>-</u>
Net cash used in investing activities	<u>(1,345,075)</u>	<u>(1,452,141)</u>
Cash flows from financing activities		
Proceeds from issue of shares	923,177	955,000
Share issue transaction costs	(83,547)	(183,316)
Proceeds from convertible notes	-	1,675,000
Proceeds from borrowings	1,550,199	680,253
Repayment of borrowings	(380,482)	-
Repayment of lease liabilities (including interest)	(118,144)	(119,899)
	<u>(118,144)</u>	<u>(119,899)</u>
Net cash from financing activities	<u>1,891,203</u>	<u>3,007,038</u>
Net (decrease)/increase in cash and cash equivalents	(1,204,092)	1,138,989
Cash and cash equivalents at the beginning of the financial period	1,938,882	1,785,032
Effects of exchange rate changes on cash and cash equivalents	3,790	(6,885)
	<u>3,790</u>	<u>(6,885)</u>
Cash and cash equivalents at the end of the financial period	<u><u>738,580</u></u>	<u><u>2,917,136</u></u>

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

NOTE 1. GENERAL INFORMATION

The financial statements cover X2M Connect Limited as a consolidated entity consisting of X2M Connect Limited and the entities it controlled at the end of, or during, the period (referred to hereafter as "X2M" or as the "Group"). The financial statements are presented in Australian dollars, which is X2M Connect Limited's functional and presentation currency.

X2M Connect Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1.01b, Building B,
18-24 Ricketts Road,
Mount Waverley VIC 3149

A description of the nature of the Group'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 directors, on 27 February 2025.

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

All new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that were mandatory for the current reporting period have been adopted, the adoption of which had no impact on the performance, cash flows and position of the Group presented in these financial statements.

Going concern

The consolidated financial report has been prepared on a going concern basis which contemplates continuity of normal business activities, funding of operating activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss after tax of \$3,175,935 during the half year ended 31 December 2024 (2023: loss of \$3,276,561), net cash outflows from operating and investing activities of \$3,095,295 (2023: net outflow of \$1,868,049). As at 31 December 2024 the Group had a net deficiency in equity of \$233,962 (30 June 2024 net equity: \$544,899) and had a working capital deficiency, being current assets less current liabilities, of \$5,008,161 (30 June 2024: \$1,946,915).

NOTE 2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

During the period, the Group successfully completed an Entitlement Offer and Placements, raising \$1.7 million before costs. The Group also secured two convertible loan facilities with a face value of \$1.1 million. Proceeds from the capital raising activities were utilised to fund strategic initiatives and operating activities.

Subsequent to half year end, the Group raised \$1 million before costs via sale of financial assets and drawdown on a convertible loan facility. Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet commitments over the next twelve months from the date of this report. These cashflow projections assume the Group's ability to achieve sales growth, prudent control on expenditure and successful capital management initiatives via additional debt facilities and/or raising additional equity capital.

Based on these factors, it is the view of the Directors that the Group is expected to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgements and have concluded that the range of possible outcomes considered in arriving at this support the Group's ability to continue as a going concern as at the date of this report.

In the event that the cash flow forecasts are not achieved or, if required, the Group is unable to obtain new debt facilities and/or equity capital, assets may not be realised and liabilities settled at amounts stated in the financial statements. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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 might be necessary should the Group not continue as a going concern.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas of assumptions and estimates are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

Revenue from contracts with customers

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group 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.

Recognised amounts of platform subscriptions revenue reflect the Group's best estimate of each contracts outcome and progress towards completion of performance obligations. Changes in estimates related to service revenue are recorded as an increase or decrease to revenue in the period that the changes are identified.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)*R&D Tax Incentives*

Under the Research and Development (R&D) Tax Incentive scheme, the Group receives a 18.5% refundable tax offset above the Group's tax rate, of eligible expenditures if its turnover is less than \$20 million per annum provided it is not controlled by income tax exempt entities. A R&D plan is required to be filed with AusIndustry in the following financial year, and based on this filing, the Group would be able to receive the incentive in cash. Management performs a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. There is a significant degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This is to avoid the risk that expenses claimed are ineligible and the methodology adopted is not appropriate or not in accordance with the ATO guidelines including inaccurate calculations of the R&D tax incentive refund.

Assessment of the conversion features of the convertible loan

During the financial half-year, the Group secured two convertible loan facilities which were compound instruments (refer to note 10). The Group has applied the Binomial valuation methodology in determining the fair value of the embedded derivatives on initial recognition and as at balance date in line with AASB 9 Financial Instruments.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets including intellectual property at each reporting date by evaluating conditions specific to the Group 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.

NOTE 4. OPERATING SEGMENTS*Identification of reportable operating segments*

The Group has identified its operating segments based on business activities in South Korea, China and Taiwan. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing the performance and in determining the allocation of resources.

The principal continuing activities of the Group consisted of carrying on its business to deploy devices and connect them to its proprietary software platform, where the company generates upfront hardware and software revenue and platform subscription and maintenance fees.

The Other segment comprises Australia, which is a cost centre for corporate costs including head office, R&D and software development; and Hong Kong and Japan.

Intersegment transactions

Intersegment transactions were made at market rates. These transactions included internal services provided by Australian head office to overseas subsidiaries and intersegment sales. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the half year ended 31 December 2024, nine customers from South Korea contributed \$2,294,845, representing 64% of total external revenues.

NOTE 4. OPERATING SEGMENTS (CONTINUED)*Operating segment information*

	South Korea \$	China \$	Taiwan \$	Other \$	Total \$
Consolidated - 31 December 2024					
Revenue					
Sales to external customers	2,899,543	-	218,807	260,649	3,378,999
Intersegment sales	183,810	-	-	189,012	372,822
Total sales revenue	3,083,353	-	218,807	449,661	3,751,821
Other income	206	91	131	220,763	221,191
Total segment revenue	3,083,559	91	218,938	670,424	3,973,012
Intersegment eliminations					(372,822)
Total revenue and other income					3,600,190
Adjusted EBITDA*	51,740	(82,881)	(369,579)	(1,044,920)	(1,445,640)
Depreciation and amortisation	(69,086)	-	(21,485)	(721,113)	(811,684)
Adjusted EBIT*	(17,346)	(82,881)	(391,064)	(1,766,033)	(2,257,324)
<i>Unallocated</i>					
Share based payments**					(457,066)
Finance costs					(655,133)
Fair value gain on derivative financial instruments					193,588
Income tax expense					-
Loss after income tax expense					(3,175,935)
Assets					
Segment assets	1,361,503	3,052,297	272,875	8,113,916	12,800,591
Total assets					12,800,591
Liabilities					
Segment liabilities	3,075,635	2,807,305	333,828	6,817,785	13,034,553
Total liabilities					13,034,553
Consolidated - 31 December 2023					
Revenue					
Sales to external customers	5,921,553	1,106,809	208,582	246,899	7,483,843
Intersegment sales	139,327	-	-	-	139,327
Total sales revenue	6,060,880	1,106,809	208,582	246,899	7,623,170
Other income	11,658	59	146	194,058	205,921
Total segment revenue	6,072,538	1,106,868	208,728	440,957	7,829,091
Intersegment eliminations					(158,862)
Total revenue and other income					7,670,229
Adjusted EBITDA*	315,383	(67,658)	(379,895)	(1,623,361)	(1,755,531)
Depreciation and amortisation	(70,652)	(8,161)	(20,259)	(575,588)	(674,660)
Adjusted EBIT*	244,731	(75,819)	(400,154)	(2,198,949)	(2,430,191)

NOTE 4. OPERATING SEGMENTS (CONTINUED)

<i>Unallocated</i>					
Share based payments**					(383,786)
Finance costs					(462,584)
Income tax expense					-
Loss after income tax expense					(3,276,561)

Consolidated - 30 June 2024

Assets					
Segment assets	1,697,533	3,112,709	300,830	8,408,896	13,519,968
Total assets					13,519,968
Liabilities					
Segment liabilities	3,349,974	2,801,545	388,701	6,434,849	12,975,069
Total liabilities					12,975,069

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

** Share based payments expense relate to placement options and non-cash shares, options and performance rights to employees.

NOTE 5. REVENUE

	Consolidated	
	31	31
	December	December
	2024	2023
	\$	\$
SaaS and maintenance revenue	847,845	854,969
Hardware sales	2,531,154	6,628,874
Revenue	3,378,999	7,483,843

Disaggregation of revenue

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

	Consolidated	
	31	31
	December	December
	2024	2023
	\$	\$
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	2,531,154	6,628,874
Services transferred over time	847,845	854,969
	3,378,999	7,483,843

NOTE 6. SHARE BASED PAYMENTS EXPENSE

Reconciliation of share based payments expense recorded in the statement of profit or loss and other comprehensive income relating to each class of share based payment:

	Consolidated	
	31	31
	December	December
	2024	2023
	\$	\$
Unquoted options issued to key management personnel	166,694	135,220
Unquoted options issued to employees	108,132	167,594
Issue of shares for advisory fees	50,000	-
Unquoted options issued as part of placements	132,240	-
Issue of incentive shares to employees	-	80,972
	<u>457,066</u>	<u>383,786</u>

NOTE 7. OTHER EXPENSES

	Consolidated	
	31	31
	December	December
	2024	2023
	\$	\$
Advertising and marketing	85,658	21,739
Product remediation and upgrade	22,673	404,231
Subscriptions	145,755	149,708
Telephone expenses	112,819	235,210
Travel costs	239,135	366,400
Other administrative expenses	239,129	291,901
	<u>845,169</u>	<u>1,469,189</u>

31 December 2024

NOTE 8. OTHER ASSETS

	Consolidated	
	31	30
	December	June
	2024	2024
	\$	\$
<i>Current assets</i>		
Research and development tax credit receivables	2,307,631	1,528,511
Prepayments	545,082	794,460
Other assets	374	151,747
	<u>2,853,087</u>	<u>2,474,718</u>
<i>Non-current assets</i>		
Deposits	594,960	602,592
	<u>3,448,047</u>	<u>3,077,310</u>

NOTE 9. TRADE AND OTHER PAYABLES

	Consolidated	
	31	30
	December	June
	2024	2024
	\$	\$
<i>Current liabilities</i>		
Trade payables	4,202,403	4,048,408
Accrued expenses	1,234,982	1,378,325
Other payables*	-	830,000
	<u>5,437,385</u>	<u>6,256,733</u>

*30 June 2024 balance relates to advance received from investors as part of Placements. Shares were issued to the investors on 10 July 2024 following shareholders' approval at the General Meeting held on 5 July 2024.

Note 10. Borrowings

	Consolidated	
	31 December 2024 \$	30 June 2024 \$
<i>Current liabilities</i>		
Insurance funding	62,121	22,611
Other borrowings*	437,106	201,895
Convertible loan - host liability	1,648,460	-
Convertible loan - embedded derivative	465,480	-
Convertible notes	2,008,162	-
	<u>4,621,329</u>	<u>224,506</u>
<i>Non-current liabilities</i>		
Convertible notes	-	1,777,895
Convertible loan - host liability	-	538,702
Convertible loan - embedded derivative	-	470,588
	<u>-</u>	<u>2,787,185</u>
	<u>4,621,329</u>	<u>3,011,691</u>

*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.

Convertible loan

In September and October 2024, X2M secured a convertible 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 pricing 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.

NOTE 10. BORROWINGS (CONTINUED)

Management assessed the recognition of the convertible loan in accordance with AASB 9 Financial Instruments and determined that the loan was a compound financial instrument with the embedded derivatives valued at \$76,800 and \$7,680 for Vanew and Lisafield respectively as at 31 December 2024, using Binomial valuation methodology. Management also performed fair value assessment on the embedded derivatives associated with the Barkers Hawthorn loan taken out in FY24 and recognised a fair value gain of \$88,088 in the Statement of Profit or loss and other comprehensive income. The fair value of embedded derivatives associated with Barkers Hawthorn loan was \$381,000 as at 31 December 2024. The valuation model inputs used to determine the fair value at the balance date, are as follows:

Lender	Value date	Expiry date	Share price at value date	Exercise price	Expected volatility	Dividend Yield	Risk-free interest rate	Fair value at value date
Vanew	31/12/2024	31/12/2025	\$0.03	\$0.05	70%	-	3.83%	\$0.00384
Lisafield	31/12/2024	31/12/2025	\$0.03	\$0.05	70%	-	3.83%	\$0.00384
Barkers Hawthorn	31/12/2024	30/11/2025	\$0.03	\$0.0255	70%	-	3.83%	\$0.01016

NOTE 11. ISSUED CAPITAL

	31 December 2024	30 June 2024	Consolidated 31 December 2024	30 June 2024
	Shares	Shares	\$	\$
Ordinary shares - fully paid	376,940,695	326,520,782	30,774,196	29,046,310

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2024	326,520,782		29,046,310
Issue of Placement shares	10 July 2024	20,750,000	\$0.04	830,000
Issue of shares on conversion of performance rights	10 July 2024	360,500	\$0.075*	27,038
Issue of Placement shares	17 July 2024	2,500,000	\$0.04	100,000
Issue of shares under Entitlement Offer	17 September 2024	11,529,413	\$0.04	461,177
Issue of Placement shares	21 December 2024	15,280,000	\$0.025	382,000
Share issue transaction costs		-	-	(72,329)
Balance	31 December 2024	376,940,695		30,774,196

*This reflects the fair value of performance rights on grant date.

NOTE 12. CONTINGENT ASSETS AND LIABILITIES

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2024 (2023: Nil).

NOTE 13. RELATED PARTY TRANSACTIONS*Parent entity*

X2M Connect Limited is the parent entity.

NOTE 13. RELATED PARTY TRANSACTIONS (CONTINUED)*Transactions with related parties*

During the period, X2M paid \$11,500 for social media, designer and other supporting services from Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer). The transactions were made on normal commercial terms.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTE 14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to half year end, the Group entered into agreements to sell its shareholding in GreenRock Energy Co., Limited, a Taiwanese company, for NTD 11 million (approximately A\$0.52 million). This shareholding was no longer regarded as a core asset. The sale was settled in February 2025.

Subsequent to half year end, the Group drew down a further \$0.5 million from its convertible loan facility with Barkers Hawthorn Pty Ltd.

On 10 February 2025, the Company issued 1,400,560 fully paid ordinary shares for \$25,000 worth of services rendered.

On 20 February 2025, X2M announced that it has signed its first commercial contract in the UAE which is a 10 year contract to provide the 'Vision by X2M' utility solution. This formally commences commercial operations in the Middle East.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Directors' Declaration



In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the Group 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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Hon. Alan Stockdale AO
Non-Executive Chairman

27 February 2025

Independent Auditor's Review Report

To the Members of X2M Connect Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of X2M Connect Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, including material accounting policy information, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of X2M Connect Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$3,175,935 during the half year ended 31 December 2024 and net cash outflows from operating and investing activities of \$3,095,295. As of that date, the Group had a net deficiency in equity of \$233,962 and had a working capital deficiency, being current assets less current liabilities, of \$5,008,161. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

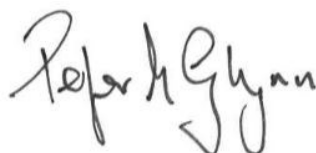
Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



P M Glynn
Partner – Audit & Assurance

Melbourne, 27 February 2025

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X2M Connect Limited

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