

X2M business transformation progressing

Quarterly Activity Report and Appendix 4C

Q3 FY25 Highlights¹

- Q3 results reflect continuation of a soft market in South Korea, the exit of low margin hardware sales and removal of associated costs
- Revenue at \$1.4 million was down 64% on the previous corresponding period (pcp). Approximately 25% of prior period sales were hardware sales in China
- Gross margin increased to 47% up from 32% on the pcp
- Operating costs were \$1.8 million, down 9% on the pcp, driven by lower headcount and administration expenses
- Adjusted EBITDA² was a loss of \$1.1 million, up from a loss of \$0.7 million pcp as a result of lower revenues
- Executes first commercial contract in the Middle East with Dicode Smart Connect Electronics
 - 10-year contract for use of X2M platform for gas operations in UAE, generating A\$0.4 million EBITDA per annum per 100,000 smart devices connected
- Launched world-leading AI solution for renewable energy companies 'Hive.AI by X2M'
- In April, secured four new contracts in South Korea valued at circa A\$1.7 million
- Enterprise/government customers increased to 82, up 11% on the pcp
- Net cash outflows from operating activities for the quarter were \$0.6 million, down 22% on the pcp
- Total cash as at 31 March 2025 was \$2 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 March 2025.

X2M CEO Mohan Jesudason said: "We have had a sustained period of solid operational and strategic progress during the quarter, expanding into the global renewable energy sector and securing new contracts that enhance both the scale and recurring nature of our revenues.

"Strengthening the balance sheet remains a top priority. I'm pleased to report we have continued to deliver higher margins and reduced cash burn this quarter with reduced operating costs.

"In early April in South Korea, a core market for X2M, we won four new contracts with major cities, valued at A\$1.7 million, reinforcing our leadership in the water digitisation sector. We have increased our total enterprise and government customer base to 82, providing a solid foundation for further growth.

"We launched our new AI-driven renewable energy management platform, 'Hive.AI by X2M,' that enhances performance, reduces risk and uncertainty associated with renewable generation. Our partnership with Sirius Digitech opens a significant new growth avenue as we capitalise on the global energy transition, currently valued at US\$491 billion just in APAC. 'Hive.AI by X2M' demonstrates how our platform has evolved from smart metering to meet the growing demand for data-driven performance solutions across industries.

¹ All financial figures are unaudited

“A 10-year licensing contract for our ‘Vision by X2M’ platform in the UAE with Dicode marked our formal entry into the fast-growing Middle Eastern utilities market. Revenue is expected to exceed A\$250,000 during the first 12 months of operation with the first revenues already secured in March 2025.”

Operational overview

New contracts in South Korea

X2M continued business development activities in South Korea during the quarter and, shortly after the quarter ended, X2M secured four new contracts valued at approximately A\$1.7 million. The contracts, awarded by the cities of Ulsan, Busan, Incheon, and Gyeongju, will see X2M digitise water services for 13,625 households, with deployments expected to be completed by December 2025. These four cities have a broader addressable market of around one million households and X2M’s total enterprise and government customer base stands at 82.

Contract with Dicode in the Middle East

X2M signed a 10-year licensing contract with Dicode Smart Connect Electronics LLC (DSCE) to deploy its ‘Vision by X2M’ utility platform in the UAE. This follows a term sheet with Dicode Technologies LLC announced in August 2024. DSCE will use X2M’s platform exclusively for its Metering as a Service offering, with plans to expand into the broader Middle East. The contract includes upfront fees, annual licensing and device monitoring charges, and revenue from the first year is expected to exceed A\$250,000. Initial deployment will service 800 households through DSCE’s recently awarded project with Dubai’s Ocean Gas. DSCE also has gas meters deployed and connected to the X2M platform in three other gas companies and expects a further five gas companies to deploy soon.

Launch of ‘Hive.AI by X2M’

During the quarter X2M launched ‘Hive.AI by X2M’, a world-leading AI solution for renewable energy companies. Developed in strategic partnership with Sirius Digitech Limited [siriusdigitech.ai](https://www.siriusdigitech.ai), the AI-powered platform is designed to improve operational efficiencies and energy revenue of renewable energy companies. X2M will leverage its established market presence in the APAC region for first roll out of this new product suite, expected to materially grow X2M’s recurring and SaaS revenues by adding application-based income streams.

Financial overview

X2M achieved total revenues for 3Q FY25 of \$1.4 million, down 64% on the pcp (3Q FY24: \$3.9 million), reflecting a softer market in Korea and the previously announced strategy to exit low-margin hardware-only sales.

The gross margin for 3Q FY25 was 47%, up 15 percentage points on the pcp (3Q FY24: 32%). This primarily reflected the high margin revenue recognised for first deployment in Middle East, higher proportion of SaaS and maintenance revenues and the decline in hardware-only sales.

SaaS and maintenance revenues for the quarter were \$0.34 million. For March 2025, the ARR is \$1.1 million.

Operating costs for 3Q FY25 were 9% down on 3Q FY24. This was primarily a result of reductions in head count and reduced administrative expenses.

The adjusted EBITDA² loss was \$1.1 million versus a loss of \$0.7 million in the pcp.

Net cash outflows from operating activities during the quarter were \$0.6 million, an improvement of 22% on the pcp primarily from timing of the R&D rebate payment.

Net cash outflows from investing activities were \$0.1 million for the reporting period including \$0.5 million proceeds from disposal of GreenRock Energy Co., Limited investment, offset by continued investment on capitalised development.

Net cash flows from financing activities were \$2.0 million, attributable to \$2 million received from convertible notes and convertible loans. The convertible loan facility with Barkers Hawthorn Pty Ltd was increased by \$1 million and included a \$0.03 per share conversion price cap. The Company also secured \$0.5 million in new convertible notes with expiry dates in March 2028.

Total cash at 31 March 2025 was \$2.0 million.

Following the end of the quarter, the Company secured a further \$0.2 million of new convertible notes expiring in March 2028, converted approximately \$0.35 million of convertible notes expiring on 30 June 2025 to March 2028, and repaid \$0.5 million of the Barkers Hawthorn facility.

All issues of securities under the above arrangements are subject to shareholder approval by 30 June 2025.

Strengthening the balance sheet remains a priority for the Company.

Related party payments in Appendix 4C section 6.1 of \$87K represent director's fees.

Outlook

X2M CEO Mohan Jesudason said: *"Contracts secured following the quarter end will result in deployments and therefore revenue recognition in the first half of the new financial year, giving the Company a running start into the 2026 financial year. Our continued focus on innovation, strategic partnerships, and disciplined execution is building a stronger, more diversified business."*

Ends

The Board of X2M has approved this announcement.

For further information contact:

X2M Connect Limited

Mohan Jesudason

Chief Executive Officer

investor.relations@x2mconnect.com

T: 1 800 926 926 (1 800 X2M X2M)

Investor Enquiries

Howard Marks

Automic Markets

howard.marks@automicgroup.com.au

T: +61 402 438 019

Media Enquiries

Rama Razy

Automic Markets

rama.razy@automicgroup.com.au

T: +61 498 440 142

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.



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 has partnerships with leading AI and ML providers and integrates their applications into the X2M platform products. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M has more than half a million 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 March 2025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	621	3,592
1.2 Payments for		
(a) research and development	(83)	(202)
(b) product manufacturing and operating costs	(271)	(1,902)
(c) advertising and marketing	(55)	(125)
(d) leased assets	(36)	(100)
(e) staff costs	(1,571)	(3,309)
(f) administration and corporate costs	(527)	(1,544)
1.3 GST/VAT received/(paid)	(58)	(69)
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(159)	(232)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,529	1,529
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(609)	(2,359)
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	(660)	(2,022)
(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 (9 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	529	529
	(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	(131)	(1,476)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20	943
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	(12)	(96)
3.5	Proceeds from borrowings	2,000	3,550
3.6	Repayment of borrowings	-	(380)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(58)	(176)
3.10	Net cash from / (used in) financing activities	1,950	3,841

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	739	1,939
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(609)	(2,359)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(131)	(1,476)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,950	3,841
4.5	Effect of movement in exchange rates on cash held	8	12
4.6	Cash and cash equivalents at end of period	1,957	1,957

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	1,957	739
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)	1,957	739

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	87
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.

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	2,681	2,681
- Convertible loan (Barkers Hawthorn)	2,410	2,410
- Convertible loan (Vanew Pty Ltd)	967	967
- Convertible loan (Lisafield Pty Ltd)	102	102
- Unsecured loan	433	433
7.4 Total financing facilities	6,593	6,593
7.5 Unused financing facilities available at quarter end		-

7.6 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.

Convertible notes

Type A - various lenders

- Face value: \$1.7 million (\$1 per Note)
- Expiry date: 30 June 2025
- Interest on Convertible 18% per annum.
- 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.

Type B – various lenders

- Face value: \$0.5 million (\$1 per Note)
- Expiry date: 30 March 2028
- Interest rate: 13% per annum
- Not secured

Convertible loan - \$2.5 million

Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust.

- Repayment date is 30 November 2025 unless
 - 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;
- 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.

Convertible loan - \$1.1 million

Vanew Pty Ltd and Lisafield Pty Ltd ATF Double Happiness Trust.

- Loan of \$1,000,000 (Vanew) and \$100,000 (Lisafield);
- Repayment date is 31 December 2025;
- 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

An employee from X2M's South Korea subsidiary provided an unsecured loan of \$433,000 to the company. There is 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)	(609)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,957
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,957

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8.5 **Estimated quarters of funding available (item 8.4 divided by item 8.1)**

3.21

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.

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: 30 April 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.