

1. Company details

Name of entity:	X2M Connect Limited
ACN:	637 951 154
Reporting period:	For the period ended 30 June 2025
Previous period:	For the period ended 30 June 2024

2. Results for announcement to the market

			\$
Revenues from continuing operations	down	43% to	6,472,894
Loss after income tax expense from continuing operations	up	78% to	(11,281,097)
Loss after income tax expense from discontinued operations	up	373% to	(826,986)
Loss for the period attributable to the owners of X2M Connect Limited	up	86% to	(12,108,083)
Adjusted EBITDA* loss	up	19% to	(3,576,858)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, 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.

Key points

Group revenue performance is primarily the result of a softer market in South Korea.

Key operational metrics for the year were as follows:

- Revenues from continuing operations were \$6.5 million, down 43% on the prior comparative period (pcp)
- Gross margin was 47%, up 5 percentage points on the pcp
- Operating expenditure, excluding cost of sales and share based payments, was \$6.9 million, a decrease of 14% on the pcp
- Adjusted EBITDA loss was \$3.6 million, up 19% on the pcp
- Enterprise/government customers increased to 84, up 12% on the pcp
- New contracts for \$5.5 million scheduled for delivery in 1HFY26
- Operations in China have been discontinued

Group Commentary

The loss for the Group after income tax expense amounted to \$12.1 million (2024: \$6.5 million). This included:

- Impairment: non-cash impairment charge of \$4.9 million (2024: Nil), and
- Discontinued operations: a loss from discontinued operations of \$0.8 million (2024: \$0.2 million).

Revenue for the period was \$6.5 million, down 43% on the pcp, primarily reflecting a softer market in South Korea. However, this revenue delivered improved gross margin of 47% (2024: 42%).

Operating expenses reduced by 14% on pcp to \$6.9 million (2024: \$8.1 million). This was driven by strong cost control, exit of hardware only sales, lower product remediation costs and general operational efficiencies.

Adjusted EBITDA loss increased by 19% on pcp to \$3.6 million (2024: \$3 million).

X2M Connect Limited
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Preliminary final report

Non-cash share based payments were \$0.7 million (2024: \$1.0 million), including options issued to Directors and key management personnel as part of cash outflow reduction initiatives.

Finance costs were \$1.2 million (2024: \$1.0 million).

Impairment

Following a review of the carrying value of capitalised development costs, the Company has recognised a non-cash impairment charge of \$4.9 million (2024: Nil). This largely reflects FY25 results, with forecast growth now coming from a lower base.

Discontinued operations

The Company reviewed the China operations and determined to exit this market. The operations in China are treated as discontinued operations in the financial statements.

Adjusted EBITDA

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

	Consolidated	
	2025	2024
	\$	\$
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited	(12,108,083)	(6,512,880)
Add: Loss after income tax expense from discontinued operations	826,986	174,768
Loss after income tax expense from continuing operations	(11,281,097)	(6,338,112)
Add: Income tax expense	745	713
Add: Finance costs	1,233,303	970,379
Add: Depreciation and amortisation	1,505,507	1,326,720
Add: Impairment of capitalised development costs	4,882,970	-
Less: Fair value gain on derivative financial instruments	(572,577)	-
EBITDA	(4,231,149)	(4,040,300)
Add: Share based payments expense**	654,291	1,034,795
Adjusted EBITDA*	<u>(3,576,858)</u>	<u>(3,005,505)</u>

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, 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. Adjusted EBITDA and Adjusted EBIT are unaudited.

** Share-based payments expense relates to non-cash shares, options and performance rights issued to key management personnel and employees.

Financial position

The Group's cash and cash equivalents as at 30 June 2025 were \$1.6 million (2024: \$1.8 million), borrowings were \$6.3 million (2024: \$3.0 million), resulting in net debt of \$4.7 million (2024: \$1.2 million).

Subsequent to 30 June 2025, the Group raised approximately \$5.4 million (before costs) through a Placement and Entitlement Offer. In addition, approximately \$1.25 million of borrowings were directed to the purchase of new equity.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.77)</u>	<u>(1.06)</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

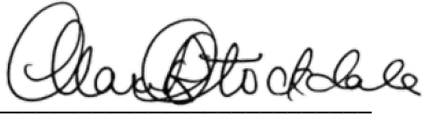
The financial statements are in the process of being audited.

11. Attachments

The Preliminary Financial Report of X2M Connect Limited for the period ended 30 June 2025 is attached.

12. Signed

Signed

A handwritten signature in black ink, appearing to read "Alan Stockdale", written over a horizontal line.

Date: 28 August 2025

Hon. Alan Stockdale AO
Non-Executive Chairman
Melbourne

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X2M Connect Limited

ACN 637 951 154

Preliminary Financial Report - 30 June 2025

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X2M Connect Limited
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30 June 2025

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X2M Connect Limited
Corporate directory
30 June 2025

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)

Company Secretary

Mr Oliver Carton

**Registered office
and principal place of business**

Suite 1.01b, Building B,
18-24 Ricketts Road,
Mount Waverley, VIC 3149
Telephone: 1800 926 926 (1800 X2M X2M)

Share register

Automic Pty Ltd
Level 5, 126 Phillip Street,
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

Corporate Governance Statement

The Company's Corporate Governance Statement and Corporate Governance Plan are available on the Company's website at:
<https://x2mconnect.com/investor-centre/>

End of year reporting calendar

Reporting schedule	Date
FY25 Annual Report	30 September 2025
Deadline for nomination as Director	13 October 2025
Notice of Annual General Meeting	26 October 2025
ASX Appendix 4C - September 2025 quarter	31 October 2025
Annual General Meeting	25 November 2025

X2M Connect Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2025

	Note	Consolidated 2025 \$	Consolidated 2024 \$
Revenue from continuing operations	3	6,472,894	11,274,271
Cost of sales		(3,453,877)	(6,532,149)
Gross profit		<u>3,019,017</u>	<u>4,742,122</u>
Other income	4	351,003	364,674
Expenses			
Employee benefits expense		(3,952,498)	(4,467,474)
Share based payments expense		(654,291)	(1,034,795)
Depreciation and amortisation expense		(1,505,507)	(1,326,720)
Impairment of capitalised development costs	9	(4,882,970)	-
Finance costs		(1,233,303)	(970,379)
Short-term lease expenses		(55,759)	(55,482)
Other expenses		(1,937,913)	(2,625,228)
Professional fees		(1,000,708)	(964,117)
Fair value gain on derivative financial instruments		572,577	-
Total expenses		<u>(14,650,372)</u>	<u>(11,444,195)</u>
Loss before income tax expense from continuing operations		(11,280,352)	(6,337,399)
Income tax expense		(745)	(713)
Loss after income tax expense from continuing operations		(11,281,097)	(6,338,112)
Loss after income tax expense from discontinued operations	5	(826,986)	(174,768)
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited		(12,108,083)	(6,512,880)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(47,946)	151,096
Other comprehensive income for the period, net of tax		(47,946)	151,096
Total comprehensive loss for the period attributable to the owners of X2M Connect Limited		<u>(12,156,029)</u>	<u>(6,361,784)</u>
Total comprehensive loss for the period is attributable to:			
Continuing operations		(11,329,043)	(6,187,016)
Discontinued operations		(826,986)	(174,768)
		<u>(12,156,029)</u>	<u>(6,361,784)</u>

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

X2M Connect Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2025

		Cents	Cents
Earnings per share for loss from discontinued operations attributable to the owners of X2M Connect Limited			
Basic earnings per share	15	(0.22)	(0.07)
Diluted earnings per share	15	(0.22)	(0.07)
Earnings per share for loss attributable to the owners of X2M Connect Limited			
Basic earnings per share	15	(3.28)	(2.58)
Diluted earnings per share	15	(3.28)	(2.58)

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

X2M Connect Limited
Consolidated statement of financial position
As at 30 June 2025

	Note	Consolidated 2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents		1,619,287	1,767,317
Trade and other receivables	6	557,126	241,208
Contract assets		51,071	61,979
Inventories		95,163	71,671
Other assets	7	2,015,754	2,315,491
		<u>4,338,401</u>	<u>4,457,666</u>
Assets directly associated with discontinued operations	5	-	311,164
Total current assets		<u>4,338,401</u>	<u>4,768,830</u>
Non-current assets			
Financial assets at fair value through other comprehensive income		-	520,000
Property, plant and equipment and right-of-use assets	8	278,080	499,201
Intangible assets	9	-	4,478,691
Other assets	7	438,974	451,701
Total non-current assets		<u>717,054</u>	<u>5,949,593</u>
Total assets		<u>5,055,455</u>	<u>10,718,423</u>
Liabilities			
Current liabilities			
Trade and other payables	10	2,782,969	3,455,188
Contract liabilities		1,429,022	1,734,347
Borrowings	11	5,759,032	224,506
Lease liabilities		199,369	215,416
Employee benefits		1,108,723	935,397
		<u>11,279,115</u>	<u>6,564,854</u>
Liabilities directly associated with discontinued operations	5	490,102	-
Total current liabilities		<u>11,769,217</u>	<u>6,564,854</u>
Non-current liabilities			
Borrowings	11	548,546	2,787,185
Lease liabilities		64,989	261,450
Employee benefits		657,446	560,035
Total non-current liabilities		<u>1,270,981</u>	<u>3,608,670</u>
Total liabilities		<u>13,040,198</u>	<u>10,173,524</u>
Net (liabilities)/assets		<u>(7,984,743)</u>	<u>544,899</u>
Equity			
Issued capital	12	30,882,235	29,046,310
Reserves		5,757,131	4,404,640
Accumulated losses		(44,624,109)	(32,906,051)
Total (deficiency)/equity		<u>(7,984,743)</u>	<u>544,899</u>

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

X2M Connect Limited
Consolidated statement of changes in equity
For the period ended 30 June 2025

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total 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	-	-	(6,512,880)	(6,512,880)
Other comprehensive income for the period, net of tax	-	151,096	-	151,096
Total comprehensive income/(loss) for the period	-	151,096	(6,512,880)	(6,361,784)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,587,928	-	-	4,587,928
Issue of shares under employee incentive plan	80,972	-	-	80,972
Issue of shares as consideration for services	250,000	-	-	250,000
Embedded derivative equity component	-	419,853	-	419,853
Options issued to a lender as part of borrowing costs	-	278,448	-	278,448
Options issued for FY23 short term incentive	-	320,406	-	320,406
Share-based payments	-	563,829	-	563,829
Balance at 30 June 2024	<u>29,046,310</u>	<u>4,404,640</u>	<u>(32,906,051)</u>	<u>544,899</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	-	-	(12,108,083)	(12,108,083)
Other comprehensive income for the period, net of tax	-	(47,946)	-	(47,946)
Total comprehensive loss for the period	-	(47,946)	(12,108,083)	(12,156,029)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	1,538,734	-	-	1,538,734
Transfers	-	(390,025)	390,025	-
Issue of shares on conversion of performance rights	27,038	(27,038)	-	-
Issue of shares on conversion of convertible notes	135,153	-	-	135,153
Issue of shares for services rendered	85,000	-	-	85,000
Options issued as cost of capital raising	-	789,619	-	789,619
Options issued as consideration for convertible notes and loans	-	292,492	-	292,492
Options issued for FY24 short term incentive	-	216,098	-	216,098
Share-based payments	50,000	519,291	-	569,291
Balance at 30 June 2025	<u>30,882,235</u>	<u>5,757,131</u>	<u>(44,624,109)</u>	<u>(7,984,743)</u>

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

X2M Connect Limited
Consolidated statement of cash flows
For the period ended 30 June 2025

	Consolidated	
	2025	2024
	\$	\$
Cash flows from operating activities		
Receipts from customers	6,331,031	11,417,395
Receipts from government grants	1,535,388	1,478,791
Payments to suppliers and employees	<u>(10,549,973)</u>	<u>(15,104,332)</u>
Net cash used in continuing operations	(2,683,554)	(2,208,146)
Net cash used in discontinued operations	<u>(103,427)</u>	<u>(173,660)</u>
Net cash used in operating activities	<u>(2,786,981)</u>	<u>(2,381,806)</u>
Cash flows from investing activities		
Proceeds from disposal of investments	529,403	-
Payments for investments	-	(520,000)
Payments for property, plant and equipment	(3,012)	(41,500)
Payments for intangibles	(2,701,064)	(2,769,265)
Proceeds from/ (Payment for) security deposits	13,680	(20,536)
Dividends received	<u>2,556</u>	<u>-</u>
Net cash used in continuing operations	(2,158,437)	(3,351,301)
Net cash used in discontinued operations	<u>-</u>	<u>(146,007)</u>
Net cash used in investing activities	<u>(2,158,437)</u>	<u>(3,497,308)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,693,177	4,733,488
Share issue transaction costs	(148,147)	(266,751)
Advance received from investors	100,000	830,000
Proceeds from convertible notes	700,000	1,675,000
Proceeds from other borrowings	673,033	680,252
Proceeds from convertible loan	3,100,000	1,000,000
Repayment of borrowings	(1,101,115)	(2,517,433)
Repayment of lease liabilities (including interest)	<u>(234,524)</u>	<u>(241,294)</u>
Net cash from financing activities	<u>4,782,424</u>	<u>5,893,262</u>
Net (decrease)/increase in cash and cash equivalents	(162,994)	14,148
Cash and cash equivalents at the beginning of the financial period	1,767,317	1,785,032
Effects of exchange rate changes on cash and cash equivalents	<u>14,964</u>	<u>(31,863)</u>
Cash and cash equivalents at the end of the financial period	<u><u>1,619,287</u></u>	<u><u>1,767,317</u></u>

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

Note 1. Material accounting policy information

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The consolidated financial statements have 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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of X2M as at 30 June 2025 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is X2M Connect Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 2. Operating segments

Identification of reportable operating segments

The Consolidated Entity has identified its operating segments based on business activities in South Korea, Taiwan and Other. These operating segments are based on the internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing the performance and in determining the allocation of resources.

The principal continuing activities of the Consolidated Entity consisted of carrying on its business to deploy devices and connect them to its proprietary software platform, where the Company generates upfront hardware revenue and platform subscription fees, which is broadly consistent across all geographical regions.

The Other segment comprises Australia, which is a cost centre for corporate costs including head office, R&D and software development; Japan and United Arab Emirates transactions with the Australian entity.

The China segment is no longer reported as operations in China ceased during the year.

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 year ended 30 June 2025, seven customers from South Korea contributed \$2,965,589, representing 44% of total external revenues.

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 2025	South Korea \$	Taiwan \$	Other \$	Total \$
Revenue				
Sales to external customers	5,422,349	380,933	669,612	6,472,894
Intersegment sales	222,120	-	496,863	718,983
Total sales revenue	5,644,469	380,933	1,166,475	7,191,877
Other income	14,131	332	336,540	351,003
Total segment revenue	5,658,600	381,265	1,503,015	7,542,880
Intersegment eliminations				(718,983)
Total revenue and other income				<u>6,823,897</u>
Adjusted EBITDA*	(601,977)	(689,166)	(2,285,715)	(3,576,858)
Depreciation and amortisation	(135,360)	(37,816)	(1,332,331)	(1,505,507)
Adjusted EBIT*	<u>(737,337)</u>	<u>(726,982)</u>	<u>(3,618,046)</u>	<u>(5,082,365)</u>
<i>Unallocated</i>				
Share based payments**				(654,291)
Finance costs				(1,233,303)
Impairment of capitalised development costs				(4,882,970)
Fair value gain on derivative financial instruments				572,577
Income tax expense				(745)
Loss after income tax expense from continuing operations				<u>(11,281,097)</u>
Assets				
Segment assets	1,432,056	355,226	3,268,173	5,055,455
Total assets				<u>5,055,455</u>
Liabilities				
Segment liabilities	3,737,175	239,807	8,573,114	12,550,096
Total liabilities				<u>12,550,096</u>

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, 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 non-cash shares, options and performance rights to key management personnel and employees.

Note 2. Operating segments (continued)

Consolidated - 2024	South Korea \$	Taiwan \$	Other \$	Total \$
Revenue				
Sales to external customers	10,426,454	368,626	479,191	11,274,271
Intersegment sales	174,772	-	-	174,772
Total sales revenue	10,601,226	368,626	479,191	11,449,043
Other income	12,872	493	351,309	364,674
Total segment revenue	10,614,098	369,119	830,500	11,813,717
Intersegment eliminations				(174,772)
Total revenue and other income				11,638,945
Adjusted EBITDA*	457,014	(776,064)	(2,686,455)	(3,005,505)
Depreciation and amortisation	(140,876)	(33,968)	(1,151,876)	(1,326,720)
Adjusted EBIT*	316,138	(810,032)	(3,838,331)	(4,332,225)
<i>Unallocated</i>				
Share based payments**				(1,034,795)
Finance costs				(970,379)
Income tax expense				(713)
Loss after income tax expense from continuing operations				(6,338,112)
Assets				
Segment assets	1,697,533	300,830	8,408,896	10,407,259
Total assets				10,407,259
Liabilities				
Segment liabilities	3,349,974	388,701	6,434,849	10,173,524
Total liabilities				10,173,524

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, 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 non-cash shares, options and performance rights to key management personnel and employees.

Note 3. Revenue

	Consolidated 2025 \$	2024 \$
From continuing operations		
SaaS and maintenance revenue	1,458,825	1,719,095
Hardware sales	4,816,515	9,555,176
Professional service fees	197,554	-
Revenue from continuing operations	6,472,894	11,274,271

Note 4. Other income

	Consolidated	
	2025	2024
	\$	\$
Research and development tax credits	317,684	338,067
Interest income	6,104	13,498
Other income	27,215	13,109
	<u>351,003</u>	<u>364,674</u>

Note 5. Discontinued operations

Description

During the financial year, the Company has reviewed the China operations and determined to exit this market.

Financial performance information

	Consolidated	
	2025	2024
	\$	\$
Revenue from discontinued operations	(2,431,172)*	2,109,869
Cost of sales	2,229,734*	(1,935,007)
Gross profit	<u>(201,438)*</u>	<u>174,862</u>
Other income	111	309
Employee benefits expenses	(86,460)	(153,425)
Short-term lease expenses	(31,055)	(81,857)
Other expenses	(483,047)	(79,798)
Professional fees	(25,097)	(26,580)
Depreciation and amortisation expense	-	(8,261)
Finance costs	-	(18)
Total expenses	<u>(625,659)</u>	<u>(349,939)</u>
Loss before income tax expense	(826,986)	(174,768)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>(826,986)</u>	<u>(174,768)</u>

* During the period March 2025 to May 2025, two customers in China determined to return goods worth \$2.4 million. These goods were then returned to the supplier for a credit of \$2.2 million.

Cash flow information

	Consolidated	
	2025	2024
	\$	\$
Net cash used in operating activities	(103,427)	(173,660)
Net cash used in financing activities	-	(146,007)
Net decrease in cash and cash equivalents from discontinued operations	<u>(103,427)</u>	<u>(319,667)</u>

Note 5. Discontinued operations (continued)

Carrying amounts of assets and liabilities of discontinued operation

	Consolidated	
	2025	2024
	\$	\$
Cash and cash equivalents	72,078	171,565
Trade and other receivables	-	2,631,026
Other current assets	24,438	159,227
Other non-current assets	-	150,891
Total assets	<u>96,516</u>	<u>3,112,709</u>
Trade and other payables	586,618	2,801,545
Total liabilities	<u>586,618</u>	<u>2,801,545</u>
Net (liabilities)/assets	<u>(490,102)</u>	<u>311,164</u>

Note 6. Trade and other receivables

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Trade receivables	507,124	207,889
Other receivables	50,002	33,319
	<u>557,126</u>	<u>241,208</u>

Note 7. Other assets

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Research and development tax credit receivables	1,439,584	1,528,511
Prepayments	576,170	786,980
	<u>2,015,754</u>	<u>2,315,491</u>
<i>Non-current assets</i>		
Deposits	438,974	451,701
	<u>2,454,728</u>	<u>2,767,192</u>

Note 8. Property, plant and equipment and right-of-use assets

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Office equipment - at cost	108,367	92,313
Less: Accumulated depreciation	(56,641)	(22,343)
	<u>51,726</u>	<u>69,970</u>
Deployed infrastructure - at cost	-	1,090,486
Less: Accumulated depreciation	-	(1,090,486)
	<u>-</u>	<u>-</u>
Right-of-use assets (land & buildings) - at cost	726,431	724,902
Less: Accumulated depreciation	(500,077)	(295,671)
	<u>226,354</u>	<u>429,231</u>
	<u>278,080</u>	<u>499,201</u>

Note 9. Intangible assets

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Intellectual property, patents and copyright - at cost	8,756,721	6,849,209
Less: Accumulated amortisation	(3,873,751)	(2,620,226)
Less: Impairment	(4,882,970)	-
	<u>-</u>	<u>4,228,983</u>
Intellectual property in progress - at cost	-	249,708
	<u>-</u>	<u>4,478,691</u>

Recoverable amount of capitalised development cost

In accordance with AASB 136, impairment testing has been undertaken for where there is an indication of impairment. At 30 June 2025, the recoverable amount for X2M's capitalised development costs has been determined based on value-in-use calculations which uses cash flow projections based on financial forecasts covering a five year-period, including cash and non-cash adjustments such as changes in working capital, depreciation and amortisation, and continuing spend on capitalised development costs. Cash flows are extrapolated using estimated growth rates beyond the five-year period.

Following a review of the carrying value of capitalised development costs, the Company has recognised a non-cash impairment charge of \$4.9 million (2024: Nil). This largely reflects FY25 results, with forecast growth now coming from a lower base.

Note 10. Trade and other payables

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,726,114	1,389,648
Accrued expenses	906,855	1,235,540
Other payables	150,000	830,000
	<u>2,782,969</u>	<u>3,455,188</u>

Note 11. Borrowings

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Insurance premium funding	15,530	22,611
Other borrowings*	1,711,168	201,895
Convertible loans - host liability	2,869,547	-
Convertible loans - embedded derivative	23,573	-
Convertible notes	1,139,214	-
	<u>5,759,032</u>	<u>224,506</u>
<i>Non-current liabilities</i>		
Convertible notes - host liability	519,965	1,777,895
Convertible notes - embedded derivative	28,581	-
Convertible loan - host liability	-	538,702
Convertible loan - embedded derivative	-	470,588
	<u>548,546</u>	<u>2,787,185</u>
	<u>6,307,578</u>	<u>3,011,691</u>

*Includes approximately \$1.25 million in respect of former convertible notes which the noteholders had agreed would be applied to the purchase of new equity, subject to shareholder approval in July 2025. Refer Note 14 - Events after the reporting period.

Note 12. Issued capital

	Consolidated			
	2025	2024	2025	2024
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>435,056,842</u>	<u>326,520,782</u>	<u>30,882,235</u>	<u>29,046,310</u>

Note 12. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	204,719,828		24,127,410
Issue of Placement shares	1 November 2023	18,777,784	\$0.045	845,000
Issue of shares under the Employee Incentive Share Plan	1 November 2023	2,024,292	\$0.04	80,972
Issue of Placement shares	1 December 2023	3,000,001	\$0.045	135,000
Issue of shares under Entitlement Offer	23 January 2024	27,534,831	\$0.04	1,101,393
Issue of Placement shares	12 February 2024	42,183,625	\$0.04	1,700,000
Issue of shares as consideration for services	2 April 2024	3,853,046	\$0.065	250,000
Issue of shortfall shares under Entitlement Offer	3 April 2024	6,555,000	\$0.04	262,200
Issue of shortfall shares under Entitlement Offer	16 April 2024	3,997,375	\$0.04	159,895
Issue of Placement shares	4 June 2024	8,750,000	\$0.04	350,000
Issue of Placement shares	13 June 2024	5,125,000	\$0.04	205,000
Share issue transaction costs		-	-	(170,560)
Balance	30 June 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
Issue of shares as consideration for services	10 February 2025	1,400,560	\$0.018	25,000
Issue of shares as consideration for services	29 April 2025	2,727,272	\$0.022	60,000
Issue of shares on conversion of convertible notes	29 April 2025	7,113,315	\$0.019	135,153
Issue of Placement shares	26 June 2025	46,875,000	\$0.016	750,000
Share issue transaction costs - settled in cash		-	-	(144,824)
Share issue transaction costs - settled in options		-	-	(789,619)
Balance	30 June 2025	<u>435,056,842</u>		<u>30,882,235</u>

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

Note 13. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2025 %	2024 %
Freestyle Energy Two Pty Ltd	Australia	100%	100%
Freestyle Technology Taiwan Limited	Taiwan	100%	100%
Freestyle Technology Co., Ltd	South Korea	100%	100%
Golden Sino Hong Kong Limited	Hong Kong	100%	100%
Freestyle Technology (Shanghai) Co., Ltd	China	100%	100%
Freestyle Technology Japan KK	Japan	100%	100%
Beijing Freestyle Technology Co., Ltd	China	100%	100%

Note 14. Events after the reporting period

Subsequent to year end, the Company raised approximately \$5.4 million before costs through a Placement and Entitlement Offer. In addition, approximately \$1.25 million of borrowings were directed to the purchase of new equity. These funds substantially strengthen X2M's balance sheet and allow the repayment of debt, including convertible notes and convertible loans

No other matter or circumstance has arisen since 30 June 2025 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.

Note 15. Earnings per share

	Consolidated 2025 \$	2024 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of X2M Connect Limited	<u>(11,281,097)</u>	<u>(6,338,112)</u>
	Consolidated 2025 \$	2024 \$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of X2M Connect Limited	<u>(826,986)</u>	<u>(174,768)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>369,188,767</u>	<u>252,386,095</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>369,188,767</u>	<u>252,386,095</u>
	Cents	Cents
Basic earnings per share	(0.22)	(0.07)
Diluted earnings per share	(0.22)	(0.07)
	Consolidated 2025 \$	2024 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of X2M Connect Limited	<u>(12,108,083)</u>	<u>(6,512,880)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>369,188,767</u>	<u>252,386,095</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>369,188,767</u>	<u>252,386,095</u>

Note 15. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(3.28)	(2.58)
Diluted earnings per share	(3.28)	(2.58)

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