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# ANNUAL REPORT 2025



“ 2025 was a pleasing year for the company. We strengthened the business, exited unprofitable operations and expanded our geographical footprint. We expect these initiatives to position us very well for the 2026 year. ”

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# 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)

## 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

## 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](http://www.x2mconnect.com)

## Corporate Governance Statement

The Company's Corporate Governance Statement and Corporate Governance Plane 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

# Letter to Shareholders



**Hon. Alan Stockdale AO**  
Chairman



**Mohan Jesudason**  
Chief Executive Officer  
and Managing Director

Dear Shareholders,

We are delighted to present the X2M Connect Annual Report for the financial year 2025 (FY25).

Actions taken throughout FY25 reflected an important shift for your Company as we executed a transformation strategy designed to strengthen our financial foundations while at the same time position the business for sustainable, high-margin growth. While the year

presented its share of challenges, the progress we made in reshaping our business sets a great platform for strong and enduring future performance.

Revenue from continuing operations in FY25 was \$6.5 million compared to \$11.3 million in FY24, reflecting our intentional shift away from low-margin hardware-only sales and challenging early-year trading conditions in South Korea. Importantly, our gross profit margin improved

to 47% compared to 42% in FY24, driven by a growing contribution from recurring software-as-a-service (SaaS) sales and maintenance revenues.

We also focused our efforts on improving X2M's efficiency in FY25. We undertook decisive cost-control measures, reducing operating expenditure to \$6.9 million, down 14% on the prior year, as we demonstrated strong cost control, lower headcount, lower product remediation

# Letter to Shareholders

costs and other general operational efficiencies.

During the year, we made the tactical decision to discontinue operations in China, allowing us to focus resources on markets that offer stronger returns.

We continued to grow our enterprise and government customer base in FY25, by 12% to 84 clients. These relationships are typically multi-year, sticky and often expand over time as customers recognise our products value and go on to adopt additional X2M solutions. This growth not only strengthens our recurring revenue profile but also reflects the confidence major utilities and municipal bodies place in our platform to deliver critical services at scale.

## MARKET EXPANSION

South Korea and the Middle East remain critical growth markets for X2M with South Korea in particular demonstrating outstanding momentum in 4QFY25 as we secured A\$5.5m in new contracts for delivery before December 2025 across numerous product segments including water digitisation and public safety. These wins highlight the flexibility of our technology and the significant long-term revenue opportunity in this market.

In the Middle East, we signed a 10-year strategic partnership with Dubai-based Dicode, giving X2M a direct foothold in one of the world's fastest-growing smart infrastructure markets. Through this partnership, we've already

secured multiple commercial contracts, including projects deploying smart gas and utility meters across 10,000 new apartments in the UAE.

In new product development we launched "Hive.AI by X2M" during the year. Hive.AI is an AI platform for the renewable energy sector. Our initial rollout is the Taiwan Market. Once commercialised we intend to take it to other markets.

## STRENGTHENED BALANCE SHEET

In FY25 the Company remained focused on building balance sheet strength while maintaining financial flexibility to support future growth. Post year-end, X2M successfully raised approximately \$5.4 million

# Letter to Shareholders

through a Placement and Entitlement Offer, while also converting approximately \$1.9 million of borrowings into equity. These initiatives, combined with a clear focus on higher-margin revenue streams, position X2M well for the future.

## LOOKING AHEAD

X2M enters FY26 with strong momentum. Contracts already secured for delivery in the first half of the year, combined with our existing SaaS and maintenance revenue streams, exceed FY25's full-year revenue.

We are confident that X2M is on the right trajectory and is building solid operating momentum. As industries worldwide accelerate adoption of artificial intelligence, machine learning, and

automation, the demand for high-quality, real-time data has never been greater. Your company has a proven technology platform, early-mover advantage, and an established and growing presence across Asia-Pacific and the Middle East. As such, we believe that X2M is uniquely positioned to capitalise on this shift and become a leader in data-driven IoT intelligence. X2M's Board and management sincerely thank our shareholders, customers, partners, and employees for their continued support through this period of transformation.

The results of this strategy are already visible, and we look forward to delivering further value in FY26 and beyond.



**Mohan Jesudason**  
Chief Executive Officer  
and Managing Director  
X2M Connect Limited



**Hon. Alan Stockdale AO**  
Chairman

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# Directors' Report

# Directors' Report



**Hon. Alan Stockdale AO**  
Chairman



**Mohan Jesudason**  
Chief Executive  
Officer and Managing  
Director



**Damien Johnston**  
Non-Executive Director



**John Stewart**  
Non-Executive Director

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'X2M') 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 30 June 2025.

## 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 and Taiwan. The Company employed 54 people at the end of the year.

During the financial year, the principal continuing activities of the Group included:

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

## DIRECTORS' REPORT

The technology uses the internet to deliver rich data applications from process automation 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 of 30 June 2025, X2M has connected more than half a million devices to its IoT platform and distributed intelligence solution. It generates real-time information and control to more than 84 enterprise and government customers across Asia Pacific and operates over multiple communications technologies.

### Dividends

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

### Review of operations

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

The loss for the Group after income tax expense amounted to \$13.0 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).

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 \$1.5 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.

## DIRECTORS' REPORT

### 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 following the Board resolution in June 2025 to exit this market and business. The comparable results in this report have been represented to exclude discontinued operations. A loss from discontinued operations of \$0.8 million has been recorded for the year (2024: \$0.2 million).

### Adjusted EBITDA

The following table summarises key reconciling items between the 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	(12,974,364)	(6,512,880)
Add: Loss after income tax expense from discontinued operations	826,986	174,768
Loss after income tax expense from continuing operations	(12,147,378)	(6,338,112)
Add: Income tax expense	745	713
Add: Finance costs	1,466,134	970,379
Add: Depreciation and amortisation	1,505,507	1,326,720
Add: Impairment of capitalised development costs	4,882,970	-
Add: Net fair value loss on derivative financial instruments	60,873	-
<b>EBITDA</b>	<b>(4,231,149)</b>	<b>(4,040,300)</b>
Add: Share based payments expense**	654,291	1,034,795
<b>Adjusted EBITDA*</b>	<b>(3,576,858)</b>	<b>(3,005,505)</b>

\* 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. The 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.

### SOUTH KOREA

The market in South Korea was softer than previous years however showed increased momentum in the second half as X2M secured A\$5.5 million in multiple high-value contracts across both water digitisation and public safety initiatives during the fourth quarter.

In April 2025, the Group won four new water monitoring and control contracts worth A\$1.7 million, covering 13,625 households across Ulsan, Busan, Incheon, and Gyeongju and in June, secured a further A\$1 million in contracts in Yongin, Gimcheon, and Gapyeong, adding 7,806 additional households. These wins lift X2M's total addressable market from existing customers in South Korea to approximately A\$581 million upfront<sup>1</sup> and A\$29 million in annual recurring revenues<sup>2</sup>, with over 200,000 households already connected to its IoT platform.

<sup>1</sup> South Korea total addressable market (TAM) is based on Year 1 bundled revenues of A\$120 per device

<sup>2</sup> Assumes customer installs X2M SaaS services to all its households at various annual rates

## DIRECTORS' REPORT

In parallel, X2M achieved a significant milestone in the public safety sector by securing a A\$3 million contract with the City of Seoul to deliver 100,000 IoT-connected personal safety devices under the city's flagship 2025 Smart City initiative. These "Help Me" devices integrate with Seoul's existing emergency infrastructure, providing real-time alerts and rapid response capabilities. Backed by a new government security mandate, the project has the potential to scale up to one million devices, representing a substantial long-term growth opportunity.

### MIDDLE EAST

X2M made significant progress in establishing its presence in the Middle East, entering the region through a strategic 10-year licensing partnership with Dubai-based Dicode Smart Connect Electronics (DSCE). Following the August 2024 term sheet agreement, X2M executed its first commercial contract in February 2025 for the deployment of its proprietary "Vision by X2M" IoT platform across gas utility operations in the United Arab Emirates.

Under the partnership, DSCE offers "Metering-as-a-Service" to local gas utilities, with Dubai selected as the entry point due to government mandates requiring smart meters in all new developments. Momentum accelerated in July 2025 when DSCE secured a major contract with a UAE construction company to install smart gas and utility meters across 10,000 residential apartments, marking its second major commercial contract of the year. To strengthen alignment, X2M is expecting completion of a 7% equity stake in Dicode to occur later this calendar year, cementing its role as the exclusive technology provider for a minimum of 10 years while retaining flexibility to serve other customers in the region.

### RENEWABLE ENERGY

FY25 saw the successful launch of "Hive.AI by X2M", an AI-driven platform to improve operational efficiency and energy yield for renewable energy companies. The platform is currently being marketed in Taiwan, with promising early results and broader Asia-Pacific expansion planned over the next 12-18 months. The "Hive.AI by X2M" product marks X2M's entry into the high-growth intersection of IoT, data analytics, and renewable energy, leveraging its proven technology platform to deliver smarter, data-driven insights.

### ENTERPRISE & GOVERNMENT CUSTOMERS

X2M's enterprise and government customer base grew 12% year-on-year, reaching 84 clients by 30 June 2025. These relationships are typically long-term and deepen over time as customers purchase additional X2M solutions.

This growth demonstrates the increasing trust utilities, municipalities, and enterprise customers place in X2M to manage critical infrastructure, enhance operational efficiency, and deliver innovative technology solutions.

### OUTLOOK

X2M enters FY26 with significant momentum:

- \$5.5 million in new contracts already secured for delivery in 1HFY26
- SaaS and maintenance revenues continuing to grow as a percentage of revenue
- "Hive.AI by X2M" expansion across renewable energy markets
- A strengthened balance sheet with reduced debt

The Company remains focused on driving higher-margin recurring revenues, expanding into new sectors and geographies, and leveraging its technology platform to deliver smarter, AI-driven outcomes for its customers.

## DIRECTORS' REPORT

### Significant changes in the state of affairs

During the year, the Company successfully completed an Entitlement Offer, Placements and issue of convertible notes, raising a total of \$2.5 million before costs. In addition, the Group also raised \$3.1 million in convertible loans.

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.

In February 2025, 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.

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.

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

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 year end, the Company raised approximately \$5.4 million before costs through a Placement and Entitlement Offer. In addition, approximately \$1.9 million of borrowings at reporting date were converted to equity. These funds strengthen X2M's balance sheet and allow the repayment of debt, including convertible notes and convertible loans.

As part of renaming, the company's wholly owned Taiwan and Japan subsidiaries changed names to X2M Co. Ltd. and X2M KK respectively.

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.

### Likely developments and expected results of operations

X2M will continue to focus on growing its customer base, providing utility monitoring and control services in the APAC region. The Group will continue to build scale in the metering interface (AMI) and renewable energy, leveraging strategic partnerships and build human resource capabilities. As industries worldwide accelerate adoption of artificial intelligence, machine learning, and automation, the demand for high-quality, real-time data has never been greater. As such, we believe that X2M is uniquely positioned to capitalise on this shift and become a leader in data-driven IoT intelligence.

The Company's FY26 growth strategy is premised on:

- **Capitalising on X2M's market position in APAC:** Utilities and governments in this region are migrating to sophisticated Internet-based technology solutions in search of productivity improvements and environmental sustainability. To meet demand, hardware and sensor manufacturers supplying the sector are seeking access to leading-edge technology platforms to enhance their product offerings, which X2M can provide.

## DIRECTORS' REPORT

- **Middle East Expansion:** Having entered this market this year through the initial entry point of Dubai, X2M will consolidate its position in Dubai and look to expand across the United Arab Emirates and into the wider Middle East where it is deemed appropriate.
- **X2M's product portfolio:** X2M's proprietary platform remains a market-leading offering protected by a strong patent portfolio and delivering a variety of product offerings across the water, gas and energy sectors. The Company will further leverage its capability across current and new customers and markets. With the launch of "Hive.AI by X2M", the Company has increased its product range and will drive adoption of the product in the renewables industry.
- **Deeper penetration of the existing customer base:** X2M's existing customer base represents a large addressable market in excess of \$580 million in total revenues<sup>1</sup> and \$40 million in annual recurring revenues<sup>2</sup>.
- **Entering the Australian energy management sector:** There are scalable opportunities in the Australian energy management sector as organisations work towards net zero emissions and consumers seek to reduce energy costs and support environmental sustainability. X2M is introducing Smart Communities in the Australian market with term sheets signed for two customers and launches imminent.
- **New markets:** With proven success in its "Land and Expand" strategy, X2M will be assessing the possibility of expanding into new geographic markets in the APAC region and North America.

<sup>1</sup> Total addressable market (TAM) is based on Year 1 bundled revenues of A\$120 per device

<sup>2</sup> Assumes customer installs X2M SaaS services to all its households at various annual rates

### Risk Statement

X2M is committed to the effective management of risk to reduce uncertainty in its commercial activities and business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the X2M's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Group's objectives are set out below:

#### **Product quality risks**

The Company is dependent on the effective performance, reliability and availability of its technology platforms, hardware, software, third party data centres and communication systems. Therefore, there is a risk that the infrastructure and technology solutions supplied by the Company to customers may not be functional, may be faulty, or not meet customers' expectations. This may lead to the Company being required to repair or improve its products after sale and or installation, which may diminish operating margins or lead to losses. For those systems which the Company retains an ownership in and operates on behalf of the customer under long term agreements, or which the Company maintains under long term maintenance agreements, the Company may be made responsible if such systems are not functional or faulty. The Company may face claims from customers if its products do not meet standards that were contractually agreed upon.



**Mitigation Strategies:** The Company continues to use outsourced professional partners to manufacture hardware devices deployed. There are warranty terms with the contracted manufacturer. The Company uses tier-one cloud providers such as AWS and KT GCloud to host services supplied to its customers. The Company has expanded its quality assurance department to perform functional and regression testing of its products to reduce the chances of failure.

### **Disruption of key business processes risk**

The Company's business model relies on the execution of several critical business processes, particularly to support servicing of customers and to process transactions on their behalf. Key business processes could be disrupted by events outside of the Company's control such as system infrastructure disruption, system failures, service outages, corruption of information technology network or information systems as a result of computer viruses, bugs, worms or cyber-attacks, as well as natural disasters, fire, power outages or other events outside the control of the Company, and those measures implemented by the Company to protect against such events are ineffective.

Any systemic failure could cause significant damage to the Company's reputation and its ability to process transactions for customers. Such systemic failure could also impact the Company's ability to retain existing, and generate new customers, any of which could have a material adverse impact on the Company's business, operating and financial performance, and/or growth.



**Mitigation Strategies:** The Company uses tier-one services such as AWS, Microsoft 365 and Atlassian to reduce the chances of disruption to services. The Company implements information systems in line with best practice standards and has these audited by external parties to provide confidence of their suitability and resilience.

### **Price risks**

The price of the Company's products may be high compared to other products, in particular in the APAC region where the Company operates or where there is high price pressure. This may lead to difficulties in the market acceptance for the Company's products, as customers may switch to cheaper products, which may require the Company to decrease prices. As a result, there could be lower operating margins.



**Mitigation Strategies:** The Company reviews competitor pricing and solution capabilities and adjusts pricing accordingly. The Company mitigates for drop in margin by producing products with perceived superiorities so that customers may be prepared to pay more than for competitor products. In South Korea, the Company was awarded the Excellent Product Certification which provides opportunity to increase prices on certain products.

### **Supplier and manufacturing risks**

The Company sources certain key components for its devices from third-party suppliers and outsources manufacturing of products to third parties.

The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force the Company to shift to another supplier. There is a risk that the Company could be disrupted if no alternative suppliers are able to be sought. There is a current global shortage of certain critical components which increases the magnitude and likelihood of this risk. There is a risk that key components provided by third-party suppliers may be defective. The Company's products may be subject to product quality risks. The products supplied by the Company may not be functional or not meet customer's expectations. This may lead to requirements for the Company to improve or refine its products, which may diminish operating margins or lead to losses.



**Mitigation Strategies:** The Company manages the supply of critical components by way of forecasting and prepayment with key suppliers. Quality control processes are used in manufacturing to ensure the devices are operating as expected.

### **Cybersecurity and data protections**

Given the nature of the Company's Software as a Service business, the Company collects and holds some personal information about its customers and their end customers in Japan, South Korea, Taiwan and the UAE. Notwithstanding that the Company has currently adopted a number of policies and procedures regarding information security protection, the Company's systems, or those of its third-party providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by the Company to maintain confidentiality in such information.



**Mitigation Strategies:** The Company implements information systems in line with best practice standards and has these audited by external parties to provide confidence of their suitability and resilience. The Company was certified to meet ISO27001:2013 in 2021. As part of the review and audit of systems, various improvements are identified and scheduled for implementation to reduce the risk of incidents.

### **Competition risk**

The utility industry in which the Company operates is subject to competition. Current or future competitors may come up with new, better or cheaper products and solutions. The Company's competitors include both small and medium enterprises and large, established corporations or multinationals. Those may decide to enter the Company's target markets and be able to fund aggressive marketing strategies. They may also have stronger financial capabilities than the Company which may negatively affect the operating and financial performance of the business. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's business.



**Mitigation strategies:** The Company reviews competitor pricing and solution capabilities and adjusts pricing accordingly. The Company attempts to mitigate the need for a reduction in price by producing products perceived to be superior so that customers may be prepared to pay more than for competitive products. In South Korea, the Company has received a Performance Excellence Certificate and Excellent Product Certification for its products which provides justification for improved product pricing or contract terms. The Company continues to invest in product development to improve product offerings to stay competitive.

### **Liquidity and additional requirements for capital**

The Company is targeting to grow revenue at a greater rate than expenses. However, there is a risk that expenses cannot be contained to the expected level and will exceed management expectations. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised to date. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Whilst the Company is targeting to grow revenue at a greater rate than expenses, market variables or elements outside the control of the Company may come into effect. Based on the current assumptions, it is the view of the Directors that the Group is sufficiently capitalised 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.



**Mitigation Strategies:** The Company continuously monitors its cash requirements and capital funding prospects. Subsequent to year end, the Group successfully raised \$5.4 million before costs. In addition, approximately \$1.9 million of borrowings were converted to equity. Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet budgeted plans and commitments over the next twelve months. However, further cash may be required if the Company decides to accelerate its growth plans, invest in new verticals, pursue entry into a new market or if the planned income and expenses vary significantly from the forecasts.

### **Regulatory risk**

The Company is subject to continuing regulation, including quality regulations applicable to the manufacture and operation of its devices and privacy regulations concerning personal identifying data. Whilst the Company currently meets the regulations applicable to its products and services, there can be no guarantee that the regulatory environment in which the Company operates may not change in the future which may impact on the Company's existing approvals and products. There is a risk that the Company may inadvertently breach a regulation despite the controls implemented to prevent this. There is a risk that a breach of or change in regulations may have a material impact on the Company's activities.

The Company intends to expand its operations into target jurisdictions in the short to medium term. Further regulatory approvals may be required to expand into new jurisdictions including but not limited to safety, electromagnetic radiation and interference requirements and other product quality and safety standards specific to the target jurisdiction. However, as at the date of this report, the Company is not aware that any further regulatory approvals are required. If further regulatory approvals are required, the Company may not be able to obtain the necessary approvals and clearances in a timely fashion or may not be able to obtain the necessary approvals and clearances at all.



**Mitigation Strategies:** The Company understands the importance of complying with all regulations across the jurisdictions in which it operates. Internal process is in place to review compliance with regulations.

### **Insurance**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with the Company's business may not always be available and where available the costs may be prohibitive. Further there is a risk that any insurance claim by the Company may not be paid by the insurer due to default or other reasons.



**Mitigation strategies:** The Company engages with insurance brokers as part of its review of its insurance covers at least on an annual basis.

### **Legal proceedings**

Legal proceedings may arise from time to time in the course of the business of the Company including enforcing or defending its intellectual property rights against infringement and unauthorised use by the competitors or in relation to a contract dispute.



**Mitigation strategies:** The Company continues to monitor the possible exposure to legal proceedings.

## DIRECTORS' REPORT

### Environmental regulation

Environmental regulation does not impose any material obligations or raise any material risk to the Company under any Australian Commonwealth or State law or in any of the other jurisdictions in which we operate.

### Information on directors

<b>Name:</b>	<b>Hon. Alan Stockdale AO</b>
<b>Title:</b>	Non-Executive Chairman (appointed on 8 February 2021)
<b>Experience and expertise:</b>	Mr Stockdale has significant legal, Government, investment banking and other business experience. He was Victorian Treasurer (1992-1999) and was the Minister for IT and Multimedia from 1996 to 1999. He was a successful barrister, law firm Partner and Consultant and worked as an investment banker for Macquarie Bank. Mr Stockdale is Chairman of Knosys Limited and was previously Chairman of ASX-listed companies Senetas, Axon Instruments and Symex (now Pental) and Chairman of the Medical Research Commercialisation Fund. He has been Chairman or a Director of several other listed companies, unlisted companies and voluntary organisations.
<b>Other current directorships:</b>	Non-Executive Chairman of Knosys Limited (ASX: KNO)
<b>Former directorships (last 3 years):</b>	Nil
<b>Special responsibilities:</b>	Chair of the Board
<b>Interests in shares:</b>	896,844 fully paid ordinary shares* as at the date of this report
<b>Interests in options:</b>	3,664,940 unlisted options* as at the date of this report

\* Shares and options are held indirectly by a nominee

<b>Name:</b>	<b>Damien Johnston</b>
<b>Title:</b>	Non-Executive Director (appointed on 8 February 2021)
<b>Experience and expertise:</b>	Mr Johnston is an ASX-experienced Finance Executive. Mr Johnston was previously the CFO at Tabcorp Holdings Limited. He previously held several senior financial roles at BHP Group Limited. Mr Johnston has solid governance experience through his involvement on the Tabcorp Holdings Limited Board and related committees. Mr Johnston has extensive experience in mergers and acquisitions at Tabcorp Holdings Limited and BHP Group Limited.
<b>Other current directorships:</b>	Nil
<b>Former directorships (last 3 years):</b>	Nil
<b>Special responsibilities:</b>	Chair, Audit and Risk Committee
<b>Interests in shares:</b>	1,423,184 fully paid ordinary shares* as at the date of this report
<b>Interests in options:</b>	2,404,213 unlisted options* as at the date of this report

\* Shares and options are held indirectly by a nominee

## DIRECTORS' REPORT

Name:	Mohan Jesudason
Title:	Managing Director and Chief Executive Officer (appointed to the Board on 17 March 2023)
Experience and expertise:	Mr Jesudason has over 30 years' business and executive experience. He was previously the Managing Director of Gaming and Group Marketing at Tabcorp Holdings Limited for 10 years. He also worked 9 years at Telecom New Zealand (now Spark New Zealand Limited) which included the position of Managing Director at Telecom Mobile. Mr Jesudason also worked at National Mutual/AXA (now AMP Limited) for 16 years where he served in a variety of roles from Graduate trainee to senior executive. Mr Jesudason was a past director of the Advisory Board of Enterprise Victoria, the Melbourne Football Club and Racing Victoria Limited where he was also a Member of the Racing Integrity Council.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	13,428,867 fully paid ordinary shares* as at the date of this report
Interests in options:	42,015,415, unlisted options* as at the date of this report

\* Shares and options are held indirectly by a nominee

Name:	John Stewart
Title:	Non-Executive Director (appointed on 8 February 2021)
Experience and expertise:	Mr Stewart has 25 years' experience in merger and acquisition advisory roles and has been CEO of a start-up with 50 employees. Mr Stewart held senior roles at Gresham Partners, Lazard, JPMorgan and Thomas Weisel Partners and has strong networks in business, venture capital, finance, law and politics. Mr Stewart is a director of Sovereign Investments and Gander Retail Holdings Pty Ltd.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member, Audit and Risk Committee
Interests in shares:	717,479 fully paid ordinary shares as at the date of this report
Interests in options:	1,870,912 unlisted options as at the date of this report

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary

*Oliver Carton (Company Secretary, appointed on 1 October 2021)*

Mr Carton is a qualified lawyer and experienced Company Secretary with over 30 years' experience in a variety of corporate roles. He is currently a director or company secretary of a number of listed, unlisted and not for profit entities. He currently runs his own consulting business and was previously a Director of the Chartered Accounting firm KPMG. Prior to that, he was a senior legal officer with ASIC.

## DIRECTORS' REPORT

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 30 June 2025, and the number of meetings attended by each Director were:

	Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Alan Stockdale <sup>(1)</sup>	12	12	2	4
Mohan Jesudason	12	12	4	4
Damien Johnston <sup>(2)</sup>	12	12	4	4
John Stewart	12	12	4	4

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

<sup>(1)</sup> Chair of the Board

<sup>(2)</sup> Chair of Audit and Risk Committee

### Remuneration report (audited)

The Board of Directors are pleased to present the Remuneration Report for X2M Connect Limited for the financial year ended the 30th of June 2025.

At X2M, people are our greatest asset, and the Company aims to provide a workplace that delivers high levels of employee engagement and satisfaction. We have a high-performance culture that supports our pace of growth and aspiration, and we strongly believe that everyone in the team needs to align with the Company values and expectations to drive business performance.

Diversity is about our commitment to treating everyone equally and with respect. We embrace diversity and are represented by over 8 nationalities and speak 10 languages. We believe our diverse and inclusive culture helps drive our innovative and entrepreneurial spirit.

Gender diversity remains a challenge across the technology industry. Given the current size of the team and the limited opportunity for change, we will only be able to address gender diversity as we add to or replace team members. However, the Company is an equal opportunity employer and will seek to improve gender diversity as the business grows. Details of the Company's diversity targets can be found in the Corporate Governance Plan on the X2M company website at [www.x2mconnect.com](http://www.x2mconnect.com) and on page 92 of this report.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### ***Principles used to determine the nature and amount of remuneration***

The remuneration framework is designed to support the Company's strategic priorities. A clear set of principles have been agreed which guide the Companies remuneration decisions, and remuneration plans are designed to reflect that X2M is an early-stage technology company.

The Board determines and reviews the Company's remuneration strategy to ensure it aligns the interests of key management personnel and employees generally with the interests of shareholders, and that it provides a strong link between performance and reward. Executive reward outcomes are dependent on delivering long term value to shareholders, as well as attracting, motivating, and retaining top talent by offering market competitive remuneration and incremental reward for delivery of strong results.

### **Strategic Priorities**

- Commercialise our technology
- Build footprint across Asia Pacific
- Increase market penetration
- Increase recurring revenue from SaaS licensing
- Building our capability

### **Remuneration Principles**

- Attract and retain talent
- Align with Strategy
- Performance focused
- Reward fairly
- Merit based

### **Remuneration Governance**

The Board reviews the remuneration principles and framework and may apply discretion, so it effectively delivers appropriate outcomes for shareholders, customers, and the team.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

### **Remuneration Framework**

The remuneration framework outlined below has been structured to support the group strategy.

Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Attract and retain the best talent.	Rewards current year performance.	Reward long-term sustainable performance.
Base salary and superannuation (where applicable).	Annual cash payment and/or premium priced options and performance rights.	Options or performance rights.
TFR is set in relation to the external market and considers size and complexity of role along, with individual responsibilities, experience, and skills.	STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes.	LTI supports alignment to long-term overall Company performance and aligns with shareholder value.
TFR preferred positioning is 50 <sup>th</sup> to 75 <sup>th</sup> percentile of the market comparator group.	2025 objectives based on achieving Company and Personal KPI's.	Hurdles set to align with strategic business drivers and long-term shareholder value.

**Non-executive directors remuneration**

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' remuneration is appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The current maximum aggregate remuneration payable to Non-Executive Directors of the consolidated entity in any financial year is \$400,000 as approved at the time of listing.

**Executive remuneration**

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable at-risk components.

The executive remuneration and reward framework has four components:

- base pay and superannuation
- short-term performance incentives
- share-based payments
- other remuneration such as long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and superannuation (where applicable), is reviewed annually by the Board and is based on external market benchmarks which considers the size and complexity of the role along with individual responsibilities, experience and skills.

## DIRECTORS' REPORT

The short-term incentive ('STI') program is designed to align the key executives with the short term financial and strategic objectives of the Company. STI payments are granted to executives based on achievement of specific annual company and personal targets referred to as key performance indicators ('KPI's') and may be cash or equity based.

The long-term incentive ('LTI') is based on equity awards. Shares, options or performance rights are awarded to executives with long-term incentive performance measured at the end of the relevant three-year performance period.

### Consolidated entity performance and link to remuneration

The LTI plan aligns key management personnel with shareholder objectives and expectations. A fundamental principle of the plan is to ensure that executives are rewarded when shareholders are rewarded. The LTI plan is also a key retention tool and plays an important part in attracting top talent and retaining key executives.

	FY21*	FY22*	FY23*	FY24*	FY25*
<b>Short term measures</b>					
Revenue \$m	\$5.7	\$10.4	\$16.2	\$11.3	\$6.5
OPEX \$m <sup>(2)</sup>	\$7.0	\$8.4	\$9.1	\$8.1	\$6.9
Adjusted EBITDA \$m <sup>(3)</sup>	(\$4.4)	(\$6.1)	(\$4.6)	(\$3.0)	(\$3.6)
Connected Devices	123,256	245,265	428,801	537,706	476,300
<b>Long term measures</b>					
Share price at June 30 <sup>(1)</sup>	-	\$0.093	\$0.058	\$0.037	\$0.016
Earnings per Shares cents	(12.21)	(7.70)	(3.54)	(2.58)	(3.51)

\*FY25 and FY24 measures have been represented to reflect the classification of the China business as a discontinued operation in accordance with AASB 5. Prior year information (FY21-FY23) has not been represented and therefore include results of the discontinued operation.

<sup>(1)</sup> The share price reflects closing price on ASX on last day of trading.

<sup>(2)</sup> OPEX is a non-IFRS measure calculated as total expenditure, less cost of sales, share based payments, depreciation and amortisation, Impairment, finance costs, one-off IPO bonus and one-off IPO expenses.

<sup>(3)</sup> Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, Impairment, finance costs, share based payments and one-off IPO expenses.

In order to incentivise executives and align with shareholder objectives, the 2025 LTI plan provided for the potential to be awarded shares, performance rights and options. The Company has two employee incentive plans used to award LTI. A summary of the key plan terms and conditions are noted in the following tables:

## DIRECTORS' REPORT

### Share Plan Terms and Conditions

FEATURE	DESCRIPTION
<b>Eligibility</b>	Directors, employees, and contractors are eligible to participate.
<b>Administration of Plan</b>	The Board is responsible for the operation of the Share Plan and has broad discretion to administer the plan.
<b>Issue Price</b>	Determined by the Board.
<b>Vesting Condition</b>	Except in the case of Directors, the KMP and other employees must meet plan conditions including current employment, and eligibility. May vest under special conditions including death & disability, retirement, or redundancy.
<b>Resignation</b>	Unvested shares lapse at the time of resignation unless determined otherwise by the Board. Shares will vest pro rata to the proportion of the period from the date of issue to the date of resignation and must be Board approved.
<b>Hedging</b>	Hedging prohibited
<b>Forfeiture</b>	<ul style="list-style-type: none"><li>- Forfeiture can occur under conditions that include:</li><li>- Plan vesting conditions not satisfied</li><li>- Participant no longer an eligible participant</li><li>- Board discretion to cancel the plan</li><li>- Change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition.</li></ul>
<b>Good leaver</b>	Subject to the terms of an Offer, where a Participant becomes a Good Leaver: <ul style="list-style-type: none"><li>- Options will continue in force and remain exercisable until the Expiry date</li><li>- Performance rights held will continue in force and remain exercisable.</li></ul> <p>The Board has discretion to allow some or all of unvested awards to be held with the remainder lapsing.</p>
<b>Bad leaver</b>	Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.
<b>Malus &amp; Claw Back</b>	Forfeiture due to fraud, dishonesty, or other improper behaviour.
<b>Restriction on Transfer</b>	Transfers not permitted unless the sale, transfer or disposal requires the preparation of a disclosure document.
<b>Quotation on ASX</b>	Plan shares quoted on ASX and subject to the Listing Rules, as well as any holding lock applying to that applies to the shares.
<b>Rights Attaching to Plan Shares</b>	Same terms and conditions as the Company's issued shares (other than plan transfer restrictions). Shares will have equal rank with all other issued Shares from the issue date (except for entitlements which have a record date before the issue date).
<b>Appointment of Trustee</b>	The Board retains discretion for Shares to be held by a Trustee on trust, and the Board maintains power to approve or deny application to withdraw Shares held by the Trustee on their behalf.
<b>Maximum Number of Shares</b>	25,845,583 Shares (being 5% of the issued capital of the Company on a fully diluted basis at the date of the 2024 AGM).

### Performance Rights and Options Plan Terms and Conditions

FEATURE	DESCRIPTION
<b>Eligibility</b>	Directors, employees (full time and part time) and key contractors are eligible to participate.
<b>Entitlement</b>	Each Option/Performance Right entitles the holder to subscribe for one Share upon exercise of the Option/Performance Right.

## DIRECTORS' REPORT

### Performance Rights and Options Plan Terms and Conditions

FEATURE	DESCRIPTION
<b>Issue Price</b>	Nil cash consideration. Unless the Options are quoted on the ASX, Options issued will be issued for no more than nominal cash consideration.
<b>Options Exercise Price</b>	Determined by the Board.
<b>Vesting Conditions</b>	An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards. Options/Performance Rights may vest under special conditions including death & disability, retirement or redundancy or other special circumstances including financial hardship.
<b>Not Transferable</b>	Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
<b>Shares</b>	Shares resulting from the exercise of the Awards shall, rank on equal terms with all other Shares on issue.
<b>Quotation of Shares</b>	Within 10 Business Days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
<b>No Participation Rights</b>	There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.
<b>Hedging</b>	Hedging prohibited.
<b>Forfeiture &amp; Lapsing</b>	Forfeiture can occur under conditions that include: <ul style="list-style-type: none"><li>- Plan vesting conditions not satisfied.</li><li>- Participant no longer an eligible participant.</li><li>- Board discretion to cancel the plan.</li></ul>
<b>Malus &amp; Claw Back Good Leaver</b>	Change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition. Forfeiture due to fraud, dishonesty, or other improper behaviour. Subject to the terms of an Offer, where a Participant becomes a Good Leaver: <ul style="list-style-type: none"><li>- Options will continue in force and remain exercisable until the Expiry date</li><li>- Performance Rights held will continue in force and remain exercisable.</li></ul>
<b>Bad Leaver</b>	The Board has discretion to allow some or all of unvested awards to be held with the remainder lapsing. Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.

## DIRECTORS' REPORT

**Change in Exercise price or no. underlying securities** No right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.

**Re-organisation** Rights consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

**Cashless exercise** In lieu of paying the aggregate Exercise Price, the Board may, permit holder to receive, without payment of cash or other consideration, (upon surrender) a number of Shares determined in accordance with the following formula:

$A = [B \times (C - D)] / C$  where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant.

B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Options being exercised.

C = the market value of one Share; and

D = the Exercise Price.

**Amendments** The Board may make amendments subject to plan rules, the Corporations Act, Listing Rules, and any other applicable law.

**Maximum Number of Securities** 77,536,749 Securities (being 15% of the issued capital on a fully diluted basis at the date of the 2024 AGM).

### FY25 Long Term Incentive Arrangements

**Performance period** 1 July 2024 - 30 June 2027

**Vehicle** Premium priced options

**Measurement** Share price target measured using 1 calendar month VWAP share price from the date audited 2027 accounts are released

**Exercise price** \$0.067

**Option value** \$0.0096 and \$0.0089

**Targets and**

**Vesting Schedule**

#### Share Price Hurdle (SPH) - 100% Weighting

30 day VWAP Share price performance at the end of the Performance Period	Options that remain eligible to Vest (%)
< 2 x Issue VWAP*	Nil
= 2 x Issue VWAP*	33%
≥ 2x to 3+ Issue VWAP*	Straight line pro-rata vesting between 33% and 100%

**LTI Rights awarded** 14,066,572 to KMPs

**Expiry date** 25 October 2029

**Issue VWAP** Subsequent to the issue of options, the issue VWAP was determined to be \$0.039

### FY24 Short Term Incentive Plan Terms and Conditions

In FY24, a STI plan was implemented to align executives with the short-term goals of the Company and reward them for delivery of key financial and strategic imperatives. Details of the plan and outcomes follows:

<b>Hurdles</b>	<ol style="list-style-type: none"> <li>1. No material regulatory breaches</li> <li>2. No material governance breaches</li> <li>3. 90% of team to complete governance training by year end</li> <li>4. Achievement of 90% of group revenue target</li> </ol>
<b>Weightings</b>	<p>Corporate KPI's - 80%</p> <p>Personal KPI's - 20%</p>
<b>Corporate KPIs</b>	<ol style="list-style-type: none"> <li>1. <math>\geq</math> Total Group Budgeted Revenue (50% weighting)</li> <li>2. <math>\geq</math> Group Budgeted EBITDA (10% weighting)</li> <li>3. <math>\leq</math> Group Budgeted OPEX (10% weighting)</li> <li>4. <math>\geq</math> Total number of connected devices budgeted (10% weighting)</li> </ol> <p>Margin floor - delivery of less than budgeted gross margin % (excluding China) results in the eligible corporate STI payment being reduced by 20%</p>
<b>Personal KPI's</b>	Two personal KPI's set for each executive based on individual responsibilities. Each personal KPI is weighted at 10%.
<b>STI Outcomes</b>	The Board may use its discretion in awarding STI against the above rules and approved payment of 75% of the FY24 STI for CEO and COO in equity rather than in cash.
<b>Payment</b>	10,549,931 premium priced options were issued on 11 December 2024, following shareholder approval at the 2024 Annual General Meeting.

### FY25 Premium priced options

<b>Performance period</b>	1 July 2024 to 30 June 2025
<b>Vehicle</b>	Premium priced options
<b>Grant date</b>	26 November 2024
<b>Vesting date</b>	One twelfth vested each month from July 2024 to 30 June 2025
<b>Vesting condition</b>	None, other than remained employed by the Company
<b>Exercise price</b>	\$0.067
<b>Option value</b>	\$0.0143
<b>Expiry date</b>	10 December 2029
<b>Number of options issued</b>	11,765,869 to KMPs

### *Use of remuneration consultants*

A remuneration consultant was engaged during 2022 financial year to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001. The consultant was engaged by, and reported directly to, the Board.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols included requiring that the consultant not communicate with affected key management personnel without a member of the Board being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is satisfied that these protocols were followed and as such there was no undue influence. The Board continues to follow the approach adopted following the remuneration recommendations.

## DIRECTORS' REPORT

### Voting and comments made at the Company's 2024 Annual General Meeting ('AGM')

At the 2024 AGM, 99.77% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2024. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Details of remuneration

The key management personnel of the Group consisted of the following directors of X2M Connect Limited:

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

Other key management personnel:

- Keith Jelley (Chief Operating Officer)

### Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled <sup>(1)</sup>	
2025	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Alan Stockdale <sup>(2)</sup>	50,000	-	-	11,500	-	33,568	95,068
Damien Johnston <sup>(2)</sup>	27,253	-	-	6,268	-	18,296	51,817
John Stewart <sup>(2)</sup>	22,728	-	-	5,227	-	15,259	43,214
<i>Executive Director:</i>							
Mohan Jesudason <sup>(2)(3)</sup>	381,265	-	-	29,932	9,801	112,803	533,801
<i>Other Key Management Personnel:</i>							
Keith Jelley <sup>(2)(3)</sup>	221,265	-	-	29,932	5,671	65,520	322,388
	702,511	-	-	82,859	15,472	245,446	1,046,288

<sup>(1)</sup> Reflects equity issued to the KMP or their nominee.

<sup>(2)</sup> The CEO, COO and Non-Executive Directors collectively agreed to a cash outflow reduction initiative, with options issued as approved at the 2024 Annual General Meeting.

<sup>(3)</sup> FY24 STI was accrued as at 30 June 2024. The amounts accrued for the CEO and COO were \$150,000 and \$74,714 respectively. Options were issued in December 2024, following shareholder approval at 2024 Annual General Meeting. The fair value of the options was lower than the value initially accrued. This resulted in an adjustment of \$49,296 and \$24,554 in current year share based payment for the CEO and COO respectively.

## DIRECTORS' REPORT

2024	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled <sup>(3)</sup> \$	
<i>Non-Executive Directors:</i>							
Alan Stockdale <sup>(4)</sup>	66,667	-	-	11,000	-	35,145	112,812
Damien Johnston <sup>(4)</sup>	36,337	-	-	5,996	-	19,074	61,407
John Stewart <sup>(4)</sup>	30,304	-	-	5,000	-	16,058	51,362
<i>Executive Director:</i>							
Mohan Jesudason <sup>(1)(4)</sup>	413,037	-	-	27,399	9,824	305,798	756,058
<i>Other Key Management Personnel:</i>							
Keith Jelley <sup>(2)(4)</sup>	239,704	-	-	27,399	5,682	160,200	432,985
	<u>786,049</u>	<u>-</u>	<u>-</u>	<u>76,794</u>	<u>15,506</u>	<u>536,275</u>	<u>1,414,624</u>

(1) Mr Jesudason was awarded a \$150,000 FY24 STI bonus in equities being 75% of his FY24 STI amount. This was awarded as premium priced options, following shareholder approval at the 2024 Annual General Meeting.

(2) Mr Jelley was awarded a \$74,714 FY24 STI bonus in equities being 75% of his FY24 STI amount. This was awarded as premium priced options.

(3) Reflects equity awarded to the KMP or their nominee.

(4) The CEO, COO and Non-Executive Directors collectively agreed to a cash outflow reduction initiative, with options issued as approved at the 2023 Annual General Meeting. For Non-Executive Directors it also includes an allocation for share-based payments under the IPO replacement prospectus dated 24 August 2021.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2025	2024	2025	2024	2025	2024
<i>Non-Executive Directors:</i>						
Alan Stockdale <sup>(1)</sup>	65%	69%	-	-	35%	31%
Damien Johnston <sup>(1)</sup>	65%	69%	-	-	35%	31%
John Stewart <sup>(1)</sup>	65%	69%	-	-	35%	31%
<i>Executive Director:</i>						
Mohan Jesudason <sup>(1)</sup>	79%	60%	-	20%	21%	20%
<i>Other Key Management Personnel:</i>						
Keith Jelley <sup>(1)</sup>	80%	63%	-	17%	20%	20%

(1) Fixed cash outflow reduction portions issued as premium priced options are regarded as at risk remuneration since the options may expire worthless.

## DIRECTORS' REPORT

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2025	2024	2025	2024
<b>Executive Directors:</b>				
Mohan Jesudason <sup>(1)</sup>	-	75%	-	25%
<b>Other Key Management Personnel:</b>				
Keith Jelley <sup>(1)</sup>	-	75%	-	25%

<sup>(1)</sup> Cash bonuses indicated were not actually paid in cash but were paid in premium priced options.

### Service agreements

Remuneration and other terms of employment for Executive key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mohan Jesudason
Title:	Chief Executive Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jesudason will receive a base remuneration of \$506,514 per annum inclusive of superannuation.

The Company may issue shares and options to Mr Jesudason under incentive plans as part of Mr Jesudason's ongoing remuneration as deemed appropriate by the Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act.

The Company has agreed to pay Mr Jesudason a combined cash and premium options based Short Term Incentive (STI) of 40% of base remuneration per annum for on target performance as and when deemed appropriate by the Board under the STI Plan developed by the Company and such STI to be based on Mr Jesudason's achievement of KPIs (as determined by the Board in its sole discretion, acting reasonably) agreed between the Board and Mr Jesudason for the year concerned.

Either party may terminate the employment in writing at any time by giving at least 12 months' notice.

## DIRECTORS' REPORT

Name:	Keith Jelley
Title:	Chief Operating Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jelley will receive a base remuneration of \$306,514 per annum inclusive of superannuation.

The Company may issue Shares and Options to Mr Jelley under incentive plans as part of the Mr Jelley's ongoing remuneration as deemed appropriate by the Chief Executive Officer and Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act.

The Company has agreed to pay Mr Jelley a combined cash and premium options based Short Term Incentive (STI) of 33% of the base remuneration per annum for on target performance as deemed appropriate by the CEO and the Board under the Short Term Incentive Plan.

Either party may terminate the employment in writing at any time by giving at least 6 months' notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2025.

#### Options

#### STI and LTI options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of key management personnel in this financial period or future reporting years are as follows:

Name	Number of options		Vesting date and		Exercise price	Fair value per option at grant date
	granted	Grant date	exercisable date	Expiry date		
Mohan Jesudason	9,389,671	26 November 2024	30 September 2027	25 October 2029	\$0.067	\$0.0089
Keith Jelley	4,676,901	25 October 2024	30 September 2027	25 October 2029	\$0.067	\$0.0096
Mohan Jesudason*	7,042,254	26 November 2024	11 December 2024	10 December 2029	\$0.067	\$0.0143
Keith Jelley*	3,507,677	26 November 2024	11 December 2024	10 December 2029	\$0.067	\$0.0143

\* Options were issued on 11 December 2024, following shareholders' approval at FY24 Annual General Meeting. Share-based payment expenses were accrued in prior year.

### Premium priced options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of key management personnel in this financial period or future reporting years are as follows:

## DIRECTORS' REPORT

Name	Number of options		Vesting date and exercisable date		Expiry date	Fair value	
	granted	Grant date	date	date		Exercise price	per option at grant date
Alan Stockdale*	2,347,417	26 November 2024	30 June 2025	10 December 2029		\$0.067	\$0.0143
Damien Johnston*	1,279,468	26 November 2024	30 June 2025	10 December 2029		\$0.067	\$0.0143
John Stewart*	1,067,031	26 November 2024	30 June 2025	10 December 2029		\$0.067	\$0.0143
Mohan Jesudason*	4,474,944	26 November 2024	30 June 2025	10 December 2029		\$0.067	\$0.0143
Keith Jelley*	2,597,009	26 November 2024	30 June 2025	10 December 2029		\$0.067	\$0.0143

\* Options were issued on 11 December 2024 and one twelfth vested each month from July 2024 to 30 June 2025.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel during the period ended 30 June 2025 are set out below:

Name	Number of options granted during the period 2025	Number of options granted during the period 2024	Number of options vested during the period 2025	Number of options vested during the period 2024
Alan Stockdale	2,347,417	1,317,523	2,347,417	1,317,523
Mohan Jesudason	20,906,869	15,822,173	11,517,198	10,416,768
Damien Johnston	1,279,468	718,121	1,279,468	718,121
John Stewart	1,067,031	598,887	1,067,031	598,887
Keith Jelley	10,781,587	8,087,459	6,104,686	5,395,081

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel during the period ended 30 June 2025 are set out below:

Name	Value of options granted during the period \$	Value of options exercised during the period \$	Value of options lapsed during the period \$	Remuneration consisting of options for the period %
Alan Stockdale	33,568	-	-	35%
Damien Johnston	18,296	-	-	35%
John Stewart	15,259	-	-	35%
Mohan Jesudason	247,967	-	-	21%
Keith Jelley	132,420	-	-	20%

### Performance rights

There were no performance rights issued to directors and other key management personnel as part of compensation during the period ended 30 June 2025.

## DIRECTORS' REPORT

### *Additional disclosures relating to key management personnel*

#### *Shareholding*

The number of shares in the Company held during the financial period by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
<i>Ordinary shares</i>					
Alan Stockdale	896,844	-	-	-	896,844
Damien Johnston	791,560	-	225,000	-	1,016,560
John Stewart	448,424	-	64,061	-	512,485
Mohan Jesudason	12,286,926	-	372,711	-	12,659,637
Keith Jelley	3,985,737	-	-	-	3,985,737
	<u>18,409,491</u>	<u>-</u>	<u>661,772</u>	<u>-</u>	<u>19,071,263</u>

#### *Option holding*

The number of options over ordinary shares in the Company held during the financial period by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
<i>Options over ordinary shares</i>					
Alan Stockdale	1,557,749	2,347,417	-	(96,091)	3,809,075
Damien Johnston	838,235	1,279,468	-	(48,046)	2,069,657
John Stewart	719,001	1,067,031	-	(48,046)	1,737,986
Mohan Jesudason	36,411,998	20,906,869	-	(470,589)	56,848,278
Keith Jelley	15,861,718	10,781,587	-	(117,648)	26,525,657
	<u>55,388,701</u>	<u>36,382,372</u>	<u>-</u>	<u>(780,420)</u>	<u>90,990,653</u>

#### *Loans to key management personnel and their related parties*

No loans were provided from the Company to any key management person or their related parties in 2025 (2024: Nil).

#### *Other transactions with key management personnel and their related parties*

During the 2025 financial year, X2M paid \$24,500 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2024: \$27,500). The transactions were made on normal commercial terms.

***This concludes the remuneration report, which has been audited.***

## DIRECTORS' REPORT

### Shares under option

Unissued ordinary shares of X2M Connect Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
29 August 2022	29 August 2027	\$0.14	986,822
2 September 2022	2 September 2027	\$0.138	5,785,510
17 March 2023	17 March 2028	\$0.14	1,518,028
17 March 2023	17 March 2028	\$0.34	961,180
5 September 2023	4 September 2028	\$0.098	6,790,812
26 October 2023	26 October 2026	\$0.025	11,000,000
28 November 2023	4 September 2028	\$0.098	5,405,405
23 January 2024	23 January 2029	\$0.025	19,268,041
25 October 2024	25 October 2029	\$0.067	11,796,243
26 November 2024	25 October 2029	\$0.067	9,389,672
26 November 2024	10 December 2029	\$0.067	11,765,869
26 November 2024	10 December 2029	\$0.067	11,314,016
21 December 2024	20 December 2026	\$0.05	15,280,000
31 July 2025	5 August 2028	\$0.06	80,560,930
31 July 2025	7 August 2026	\$0.016	145,408,587
31 July 2025	31 July 2027	\$0.03	145,408,587
8 August 2025	31 December 2027	\$0.016	23,761,594
25 August 2025	31 December 2027	\$0.016	390,850,005
4 September 2025	31 December 2027	\$0.016	49,846,154
			947,097,455

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

### Shares issued on the exercise of options

There were no ordinary shares of X2M Connect Limited issued on the exercise of options during the period ended 30 June 2025 and up to the date of this report.

### Shares under performance rights

Unissued ordinary shares of X2M Connect Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Performance rights exercise price	Number under performance rights
17 March 2023	31 December 2024*	-	630,000
17 March 2023	31 December 2025	-	3,916,168
5 September 2023	31 December 2026	-	6,301,786
25 October 2024	31 December 2027	-	8,253,086
			19,101,040

\*The performance rights remained on issue as at the date of this report. The service conditions associated with these performance rights have been satisfied. Shares will be issued to overseas employees in 1HFY26.

## DIRECTORS' REPORT

### Shares issued on the conversion of performance rights

On 10 July 2024, the Company issued 360,500 fully paid ordinary shares for nil consideration on conversion of vested performance rights.

Except for the above, there were no ordinary shares of X2M Connect Limited issued on the conversion of performance rights during the period ended 30 June 2025 and up to the date of this report.

### Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

### Indemnity and insurance of auditor

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law indemnified or agreed to indemnify any current or former officer or auditor of the company against a liability incurred by such an officer or auditor.

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

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

## DIRECTORS' REPORT

### 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.

### Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



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Hon. Alan Stockdale AO  
Non-Executive Chairman

26 September 2025

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**Grant Thornton Audit Pty Ltd**

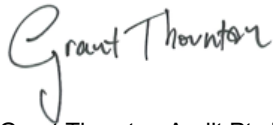
Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
GPO Box 4736  
Melbourne VIC 3001  
T +61 3 8320 2222

## 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 audit of X2M Connect Limited for the year ended 30 June 2025, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



P M Glynn  
Partner – Audit & Assurance

Melbourne, 26 September 2025

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**Financial  
Report**

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2025

	Note	Consolidated 2025 \$	2024 \$
<b>Revenue from continuing operations</b>	4	6,472,894	11,274,271
Cost of sales		<u>(3,453,877)</u>	<u>(6,532,149)</u>
<b>Gross profit</b>		<u>3,019,017</u>	<u>4,742,122</u>
Other income	5	351,003	364,674
<b>Expenses</b>			
Employee benefits expense	6	(3,952,498)	(4,467,474)
Share based payments expense	34	(654,291)	(1,034,795)
Depreciation and amortisation expense	6	(1,505,507)	(1,326,720)
Impairment of capitalised development costs	16	(4,882,970)	-
Finance costs	6	(1,466,134)	(970,379)
Short-term lease expenses		(55,759)	(55,482)
Other expenses	6	(1,937,913)	(2,625,228)
Professional fees		(1,000,708)	(964,117)
Net fair value loss on derivative financial instruments		(60,873)	-
<b>Total expenses</b>		<u>(15,516,653)</u>	<u>(11,444,195)</u>
<b>Loss before income tax expense from continuing operations</b>		(12,146,633)	(6,337,399)
Income tax expense	7	<u>(745)</u>	<u>(713)</u>
<b>Loss after income tax expense from continuing operations</b>		(12,147,378)	(6,338,112)
<b>Loss after income tax expense from discontinued operations</b>	8	<u>(826,986)</u>	<u>(174,768)</u>
<b>Loss after income tax expense for the period attributable to the owners of X2M Connect Limited</b>		(12,974,364)	(6,512,880)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(47,946)</u>	151,096
<b>Other comprehensive income for the period, net of tax</b>		<u>(47,946)</u>	151,096
<b>Total comprehensive loss for the period attributable to the owners of X2M Connect Limited</b>		<u><u>(13,022,310)</u></u>	<u><u>(6,361,784)</u></u>
<b>Total comprehensive loss for the period is attributable to:</b>			
Continuing operations		(12,195,324)	(6,187,016)
Discontinued operations		<u>(826,986)</u>	<u>(174,768)</u>
		<u><u>(13,022,310)</u></u>	<u><u>(6,361,784)</u></u>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2025**

		Cents	Cents
<b>Earnings per share for loss from continuing operations attributable to the owners of X2M Connect Limited</b>			
Basic earnings per share	35	(3.29)	(2.51)
Diluted earnings per share	35	(3.29)	(2.51)
<b>Earnings per share for loss from discontinued operations attributable to the owners of X2M Connect Limited</b>			
Basic earnings per share	35	(0.22)	(0.07)
Diluted earnings per share	35	(0.22)	(0.07)
<b>Earnings per share for loss attributable to the owners of X2M Connect Limited</b>			
Basic earnings per share	35	(3.51)	(2.58)
Diluted earnings per share	35	(3.51)	(2.58)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	Consolidated 2025 \$	2024 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	1,691,365	1,938,882
Trade and other receivables	10	557,126	2,872,234
Contract assets	11	51,071	61,979
Inventories	12	95,163	71,671
Other assets	14	2,040,192	2,474,718
Total current assets		<u>4,434,917</u>	<u>7,419,484</u>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income	13	-	520,000
Property, plant and equipment and right-of-use assets	15	278,080	499,201
Intangible assets	16	-	4,478,691
Other assets	14	438,974	602,592
Total non-current assets		<u>717,054</u>	<u>6,100,484</u>
<b>Total assets</b>		<u>5,151,971</u>	<u>13,519,968</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	3,369,587	6,256,733
Contract liabilities	18	1,429,022	1,734,347
Borrowings	19	6,625,313	224,506
Lease liabilities	21	199,369	215,416
Employee benefits	20	1,108,723	935,397
Total current liabilities		<u>12,732,014</u>	<u>9,366,399</u>
<b>Non-current liabilities</b>			
Borrowings	19	548,546	2,787,185
Lease liabilities	21	64,989	261,450
Employee benefits	20	657,446	560,035
Total non-current liabilities		<u>1,270,981</u>	<u>3,608,670</u>
<b>Total liabilities</b>		<u>14,002,995</u>	<u>12,975,069</u>
<b>Net (liabilities)/assets</b>		<u>(8,851,024)</u>	<u>544,899</u>
<b>Equity</b>			
Issued capital	22	31,562,291	29,046,310
Reserves	23	5,077,075	4,404,640
Accumulated losses		<u>(45,490,390)</u>	<u>(32,906,051)</u>
<b>Total (deficiency)/equity</b>		<u>(8,851,024)</u>	<u>544,899</u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2025

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
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>

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total deficiency in equity \$</b>
Balance at 1 July 2024	29,046,310	4,404,640	(32,906,051)	544,899
Loss after income tax expense for the period	-	-	(12,974,364)	(12,974,364)
Other comprehensive loss for the period, net of tax	-	(47,946)	-	(47,946)
Total comprehensive loss for the period	-	(47,946)	(12,974,364)	(13,022,310)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	2,218,790	-	-	2,218,790
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	135,000	-	-	135,000
Options issued as cost of capital raising	-	109,563	-	109,563
Options issued as consideration for convertible notes and loans	-	292,492	-	292,492
Options issued for short term incentive	-	216,098	-	216,098
Share-based payments for options and performance rights granted	-	519,291	-	519,291
Balance at 30 June 2025	<u>31,562,291</u>	<u>5,077,075</u>	<u>(45,490,390)</u>	<u>(8,851,024)</u>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2025

	Note	Consolidated 2025 \$	2024 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,331,031	13,669,199
Receipts from government grants		1,535,491	1,479,121
Payments to suppliers and employees		<u>(10,756,929)</u>	<u>(17,530,122)</u>
Net cash used in operating activities	33	<u>(2,890,407)</u>	<u>(2,381,802)</u>
<b>Cash flows from investing activities</b>			
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	5,021
Dividends received		<u>2,556</u>	<u>-</u>
Net cash used in investing activities		<u>(2,158,437)</u>	<u>(3,325,744)</u>
<b>Cash flows from financing activities</b>			
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 increase/(decrease) in cash and cash equivalents		(266,420)	185,716
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		<u>18,903</u>	<u>(31,866)</u>
Cash and cash equivalents at the end of the financial period	9	<u><u>1,691,365</u></u>	<u><u>1,938,882</u></u>

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

### Note 1. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

#### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

#### 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 recorded a net loss for the year ended 30 June 2025 of \$12,974,364 (2024: \$6,512,880) and Cash outflows from operating and investing activities were \$5,048,844 (2024: \$5,707,546). As at 30 June 2025 the Group had net liabilities of \$8,851,024 and had a working capital deficiency, being current assets less current liabilities, of \$8,297,097. Included in the loss for the year were non-cash charges including:

- (i) Impairment of capitalised development costs of \$4,882,970 (2024: Nil);
- (ii) Depreciation and amortisation expenditure of \$1,505,507 (2024: \$1,326,720)
- (iii) Share based payments expense of \$654,291 (2024: \$1,034,795)

Subsequent to year end, the Group raised approximately \$5.4 million before costs through a Placement and Entitlement Offer. In addition, approximately \$1.9 million of borrowings at reporting date were converted into equity. 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 raising additional capital.

Based on these factors, it is the view of the Directors that the Group is sufficiently capitalised 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 the Group does not trade in line with its cashflow forecast and / or, if required, fails to raise additional capital, a material uncertainty would exist that may cast doubt on the Group's ability to continue as a going concern and, therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. 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 1. Material accounting policy information (continued)

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### Parent entity information

These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

#### 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.

### Note 1. Material accounting policy information (continued)

#### *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.

#### **Current and non-current classification**

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

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

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

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

#### **Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### Note 1. Material accounting policy information (continued)

#### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

#### Finance costs

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

#### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### Note 2. Critical accounting judgements, estimates and assumptions

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

### Note 2. Critical accounting judgements, estimates and assumptions (continued)

#### *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. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Revenue from contracts with customers*

When recognising revenue in relation to hardware sales to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer and accepted by 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.

#### *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. For the year ended 30 June 2025 the Group has recorded a R&D tax incentive of \$1,439,584 (2024: \$1,528,511), in relation to 2025 financial year. This R&D tax refund receivable is subject to the Group completing the R&D tax application process and income tax returns on a timely basis.

#### *Assessment of the conversion features of the convertible notes and convertible loan*

During the 2024 financial year, the Group issued convertible notes which were compound instruments (refer note 19). The debt component fair value was determined by discounting the cashflows of the instrument back to present value using the discount rate based on a comparable non-convertible instrument. The conversion option was treated as convertible note reserve in equity as it passes the "fixed for fixed" test as prescribed under AASB 9 *Financial Instruments*.

### Note 2. Critical accounting judgements, estimates and assumptions (continued)

During the current financial year, the Group issued new convertible notes and secured new loan facilities which were compound instruments (refer to note 19). 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*.

*Accounting for the extinguishment of certain convertible notes in exchange for the right to acquire ordinary shares with attaching free options and piggyback options.*

On 17 June 2025, \$1.26 million of the convertible notes were extinguished and replaced with a right to acquire Ordinary Shares, Free Options and Piggyback Options, subject to shareholder approval in July 2025. In the event that shareholder approval is not secured, the proceeds and interest are repayable, and the free options and piggyback options become null and void. Given the terms of the arrangement, the instrument was unable to be bifurcated into a host liability and derivative and accordingly, the whole of the instrument is measured at Fair Value through Profit or Loss at initial recognition and at the reporting date. No equity component has been reflected given there is a contractual obligation to deliver cash or exchange the financial liability with equity under conditions that are potentially unfavourable to the Group.

*Impairment of non-financial assets*

The Group assesses impairment of non-financial assets including intellectual property in progress 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. Key assumptions adopted are summarised in Note 16.

### Note 3. 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 business was discontinued in the current year following the resolution by the Board during June 2025 to exit and close this business. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in Note 8.

*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.

### Note 3. Operating segments (continued)

#### *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.

#### *Discontinued operations*

As outlined in Note 8, the China business has been treated as a discontinued operation during the year. Accordingly, the way in which this business is reviewed by the Chief Operating Decision Makers was revised. The operating segments have been revised accordingly.

#### *Operating segment information*

<b>Consolidated - 2025</b>	<b>South Korea \$</b>	<b>Taiwan \$</b>	<b>Other \$</b>	<b>Total \$</b>
<b>Revenue</b>				
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)
<b>Total revenue and other income</b>				<b>6,823,897</b>
<b>Adjusted EBITDA*</b>	(601,977)	(689,166)	(2,285,715)	(3,576,858)
Depreciation and amortisation	(135,360)	(37,816)	(1,332,331)	(1,505,507)
<b>Adjusted EBIT*</b>	<b>(737,337)</b>	<b>(726,982)</b>	<b>(3,618,046)</b>	<b>(5,082,365)</b>
<b>Unallocated</b>				
Share based payments**				(654,291)
Finance costs				(1,466,134)
Impairment of capitalised development costs				(4,882,970)
Net fair value loss on derivative financial instruments				(60,873)
Income tax expense				(745)
Loss after income tax from discontinued operations				(826,986)
<b>Loss after income tax expense for the period attributable to the owners of X2M Connect Limited</b>				<b>(12,974,364)</b>
<b>Assets</b>				
Segment assets	1,404,841	254,125	3,396,489	5,055,455
Assets directly associated with discontinued operations				96,516
<b>Total assets</b>				<b>5,151,971</b>
<b>Liabilities</b>				
Segment liabilities	3,737,175	239,807	9,439,395	13,416,377
Liabilities directly associated with discontinued operations				586,618
<b>Total liabilities</b>				<b>14,002,995</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 3. Operating segments (continued)

\* 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.

Consolidated - 2024	South Korea \$	Taiwan \$	Other \$	Total \$
<b>Revenue</b>				
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)
<b>Total revenue and other income</b>				<u>11,638,945</u>
<b>Adjusted EBITDA*</b>	457,014	(776,064)	(2,686,455)	(3,005,505)
Depreciation and amortisation	(140,876)	(33,968)	(1,151,876)	(1,326,720)
<b>Adjusted EBIT*</b>	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 from discontinued operations				(174,768)
<b>Loss after income tax expense for the period attributable to the owners of X2M Connect Limited</b>				<u>(6,512,880)</u>
<b>Assets</b>				
Segment assets	1,697,533	300,830	8,408,896	10,407,259
Assets directly associated with discontinued operations				3,112,709
<b>Total assets</b>				<u>13,519,968</u>
<b>Liabilities</b>				
Segment liabilities	3,349,974	388,701	6,434,849	10,173,524
Liabilities directly associated with discontinued operations				2,801,545
<b>Total liabilities</b>				<u>12,975,069</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.

#### Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 4. Revenue

	Consolidated	
	2025	2024
	\$	\$
<b>From continuing operations</b>		
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	<u>6,472,894</u>	<u>11,274,271</u>

#### *Disaggregation of revenue*

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

	Consolidated	
	2025	2024
	\$	\$
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	4,816,515	9,555,176
Services transferred over time	<u>1,656,379</u>	<u>1,719,095</u>
	<u>6,472,894</u>	<u>11,274,271</u>

#### *Accounting policy for revenue recognition*

The Group recognises revenue as follows:

##### *Revenue from contracts with customers*

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration the Group is entitled to, excluding sales taxes, rebates, and trade discounts. The Group enters into sales transactions involving an outright sale to the client, on a subscription basis or for the rendering of services.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

To determine whether to recognise revenue, the Group follows a five-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

When the Group enters into transactions involving its products and services, the total transaction price for a contract is allocated amongst the various performance obligations based on either individual selling price or cost plus model as prescribed under para. 79 of AASB 15 *Revenue from Contracts with Customers*.

Revenue is recognised either at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to customers.

## Note 4. Revenue (continued)

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies. Contracts with customers may bundle multiple product/services.

Type of product/service	Nature and timing of satisfaction of performance obligations
SaaS and maintenance revenue	SaaS and maintenance revenue is recognised evenly over time.  Where a contract provides pricing for licence/subscription fees, revenue is recognised over the service period following the completion of hardware being installed.
Hardware sales	Hardware sales are recognised at a point in time when the Group has transferred to the buyer control of the goods and where there is no unfulfilled obligation that could affect the buyer's acceptance of the goods. The timing of the transfer of control varies depending on the individual terms of the sales agreement. The transfer usually occurs once the units of hardware are installed and accepted by customer.
Professional service fees	Revenue is recognised over time, subject to the principal of constraint as receipt of payment is contingent upon achievement of the objectives defined in the contract. The constraint is relieved and revenue recognised when the management are able to determine that it is highly likely that there is no significant reversal of revenue associated with the constrained revenue.

## Note 5. 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>

### *Accounting policy for research and development tax credits and government assistance*

Research and development tax credits and government assistance are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and development tax credits are recognised as income once the Group is satisfied that the Group has complied with the conditions attached to the tax credits and that the tax credits will be received. Research and development tax credits that are associated with capitalised development costs are offset against intangibles where applicable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 5. Other income (continued)

#### *Accounting policy for interest income*

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

### Note 6. Expenses

	Consolidated 2025 \$	2024 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	148,979	444,085
Interest on convertible notes	564,933	497,748
Interest on convertible loan	735,199	9,392
Interest on lease liabilities	17,023	19,154
Finance costs expensed	<u>1,466,134</u>	<u>970,379</u>
<i>Employee benefits expense</i>		
Salaries and wages expense	3,121,964	3,517,423
Superannuation expense	564,087	582,538
Other employee benefits	266,447	367,513
Total employee benefits expense	<u>3,952,498</u>	<u>4,467,474</u>
<i>Other expenses</i>		
Advertising and marketing	194,399	48,056
Patent expenses	106,119	114,488
Product remediation and upgrade	33,990	758,464
Bad and doubtful debts expense	209,760	-
Subscriptions	297,780	306,657
Telephone expenses	229,499	386,690
Travel costs	488,580	616,210
Other administrative expenses	377,786	394,663
Total other expenses	<u>1,937,913</u>	<u>2,625,228</u>
<i>Depreciation and amortisation expense</i>		
Depreciation of property, plant and equipment	28,482	28,382
Depreciation of right-of-use assets	212,884	218,035
Amortisation of intangible assets	1,264,141	1,080,303
Total depreciation and amortisation expense	<u>1,505,507</u>	<u>1,326,720</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 7. Income tax

	Consolidated	
	2025	2024
	\$	\$
<i>Income tax expense</i>		
Current tax	745	713
Deferred tax	-	-
Aggregate income tax expense	<u>745</u>	<u>713</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(12,146,633)	(6,337,399)
Loss before income tax expense from discontinued operations	<u>(826,986)</u>	<u>(174,768)</u>
	<u>(12,973,619)</u>	<u>(6,512,167)</u>
Tax at the statutory tax rate of 25%	(3,243,405)	(1,628,042)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax losses on Impairment of capitalised development costs not recognised	1,220,743	-
Permanent differences	407,311	360,320
Difference in overseas tax rates	147,523	(145,157)
Current period tax losses not recognised	1,426,987	1,166,179
Other deferred tax assets not recognised	40,841	246,700
Prior period adjustments	<u>745</u>	<u>713</u>
Income tax expense	<u>745</u>	<u>713</u>

	Consolidated	
	2025	2024
	\$	\$
<i>Carry forward tax losses not recognised</i>		
Carry forward tax losses not recognised comprise:		
Carry forward losses: X2M Connect Limited	3,278,229	2,668,437
Carry forward losses: Freestyle Technology Taiwan Limited <sup>(1)(3)</sup>	557,585	794,365
Carry forward losses: Freestyle Technology Co., Ltd <sup>(2)</sup>	3,043,506	1,971,028
Carry forward losses: Freestyle Technology Japan KK <sup>(2)(4)</sup>	<u>419,009</u>	<u>283,246</u>
Total carry forward tax losses not recognised	<u>7,298,329</u>	<u>5,717,076</u>

The above carry forward tax losses have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

<sup>(1)</sup> Tax losses may be carried forward for up to 10 years provided the entity keeps accounting records and files an annual corporate tax return that has been examined and certified by a local CPA within the prescribed period, both in the year the losses are incurred and the year the losses are utilised.

<sup>(2)</sup> Tax losses may be carried forward for up to 15 years, no restrictions on the amount of tax losses to be utilised in a fiscal year, on the basis the company is classified as a small or medium sized enterprise (SME).

<sup>(3)</sup> As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M Co. Ltd.

<sup>(4)</sup> As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M KK.

### Note 7. Income tax (continued)

#### *Accounting policy for income tax*

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

### Note 8. Discontinued operations

#### *Description*

During the year ended 30 June 2024, the Board announced the China business would be paused. During the year ended 30 June 2025, the Group's Board resolved to discontinue its operations in China. This decision followed a strategic review which identified that the China business was primarily focused on lower-margin hardware sales with unfavourable payment terms and other challenges. These characteristics were inconsistent with the Group's revised strategic focus on higher-margin, recurring revenue streams and scalable platform services.

Accordingly, the China operations have been treated as a discontinued operation in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The results of the discontinued operation are presented separately in the consolidated statement of profit or loss and other comprehensive income for the current and comparative periods. Comparative information has been re-presented where necessary to conform with this presentation.

**Note 8. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
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	(17,980)	(79,798)
Professional fees	(25,097)	(26,580)
Depreciation and amortisation expense	-	(8,261)
Provision for doubtful debts	(465,067)	-
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 current financial year, the Group was required to reverse revenue previously recognised in relation to sales recorded in the year ended 30 June 2023 and 2024. These sales had been recognised in prior periods following customer acceptance of the goods and delivery in accordance with contractual terms. Following customer acceptance, the customer had reconfirmed their intention to settle all outstanding amount in accordance with the contractual terms. Despite multiple attempts to recover the outstanding amounts, the customer ultimately refused to make any further repayments in Q4FY25. As a result, the Group determined that the collectability of the receivables was no longer probable, and the associated revenue was reversed in accordance with AASB 15.

To mitigate the financial impact, the Group successfully negotiated the return of the goods from the customer. In parallel, the Group reached an agreement with the original supplier to accept the returned goods in lieu of outstanding payment obligations. This arrangement allowed the Group to avoid further losses and close out the transaction without additional financial exposure. The original supplier accepted the returned goods in April 2025 and issued a credit note for all outstanding amounts payable. The reversal of revenue and associated inventory adjustments have been recognised within the results of discontinued operations in accordance with AASB 5. Subsequent to this outcome being finalised, the Board resolved to discontinue its operations in China, which had previously been paused.

*Cash flow information*

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

## Note 8. 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>

### *Accounting policy for 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 9. Cash and cash equivalents

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Cash on hand	40	278
Cash at bank	1,691,325	1,938,604
	<u>1,691,365</u>	<u>1,938,882</u>

### *Accounting policy for cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Note 10. Trade and other receivables

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Trade receivables	507,124	2,838,915
Other receivables	50,002	33,319
	<u>557,126</u>	<u>2,872,234</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 10. Trade and other receivables (continued)

#### *Accounting policy for trade and other receivables*

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

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

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

### Note 11. Contract assets

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Contract assets	51,071	61,979

#### *Accounting policy for contract assets*

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets at amortised cost for impairment purposes.

### Note 12. Inventories

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Finished goods - at cost	95,163	71,671

#### *Accounting policy for inventories*

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 13. Financial assets at fair value through other comprehensive income

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Shares in an unlisted entity	-	520,000
	<u>-</u>	<u>520,000</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial period are set out below:		
Opening fair value	520,000	-
Additions	-	520,000
Disposals	(520,000)	-
	<u>-</u>	<u>-</u>
Closing fair value	-	520,000
	<u>-</u>	<u>520,000</u>

Refer to note 24 for further information on financial instruments.

#### *Accounting policy for financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

### Note 14. Other assets

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Research and development tax credit receivables	1,439,584	1,528,511
Prepayments	576,170	794,460
Other assets	24,438	151,747
	<u>2,040,192</u>	<u>2,474,718</u>
<i>Non-current assets</i>		
Deposits	438,974	602,592
	<u>438,974</u>	<u>602,592</u>
	<u>2,479,166</u>	<u>3,077,310</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 15. Property, plant and equipment and right-of-use assets

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Office equipment - at cost	113,449	97,266
Less: Accumulated depreciation	(61,723)	(27,296)
	51,726	69,970
Deployed infrastructure - at cost	-	1,090,486
Less: Accumulated depreciation	-	(1,090,486)
	-	-
Right-of-use assets (land & buildings) - at cost	726,431	724,902
Less: Accumulated depreciation	(500,077)	(295,671)
	226,354	429,231
	278,080	499,201

#### Reconciliations

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

Consolidated	Office equipment \$	Right-of-use assets (land & buildings) \$	Total \$
Balance at 1 July 2023	59,080	391,190	450,270
Additions (net of exchange differences)	41,500	264,915	306,415
Exchange differences	(1,277)	(1,529)	(2,806)
Depreciation expense from discontinued operation	(951)	(7,310)	(8,261)
Depreciation expense	(28,382)	(218,035)	(246,417)
Balance at 30 June 2024	69,970	429,231	499,201
Additions (net of exchange differences)	3,012	-	3,012
Exchange differences	7,226	10,007	17,233
Depreciation expense	(28,482)	(212,884)	(241,366)
Balance at 30 June 2025	51,726	226,354	278,080

#### Accounting policy for property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

## Note 15. Property, plant and equipment and right-of-use assets (continued)

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives commencing from the time each asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The estimated useful lives of property, plant and equipment are as follows:

Office equipment	5-20 years
Deployed infrastructure	5 years
Right-of-use assets	2-5 years

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

### *Accounting policy for right-of-use assets*

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired term of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life of 2-5 years. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets of \$55,759 (2024: \$55,482) are expensed to profit or loss on a straight line basis.

## Note 16. 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)	-
	-	4,228,983
Intellectual property in progress - at cost	-	249,708
	-	4,478,691
	-	4,478,691

**Note 16. Intangible assets (continued)**
*Reconciliations*

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

<b>Consolidated</b>	<b>Intellectual property, patents and copyright \$</b>	<b>Intellectual property in progress \$</b>	<b>Total \$</b>
Balance at 1 July 2023	3,834,418	112,282	3,946,700
Capitalisation of expenses (net of exchange differences and tax credits)	-	1,614,877	1,614,877
Exchange differences	(2,204)	(379)	(2,583)
Transfers in/(out)	1,474,065	(1,474,065)	-
Amortisation expense	(1,077,296)	(3,007)	(1,080,303)
Balance at 30 June 2024	4,228,983	249,708	4,478,691
Capitalisation of expenses (net of exchange differences and tax credits)	84,502	1,579,165	1,663,667
Exchange differences	4,753	-	4,753
Impairment of assets	(4,882,970)	-	(4,882,970)
Transfers in/(out)	1,819,029	(1,819,029)	-
Amortisation expense	(1,254,297)	(9,844)	(1,264,141)
Balance at 30 June 2025	<u>-</u>	<u>-</u>	<u>-</u>

*Recoverable amount of capitalised development cost*

In accordance with AASB 136 Impairment of Assets, the Group undertakes an assessment of impairment indicators at each reporting date. The Group undertook a review of impairment indicators as at 30 June 2025. This review considered both internal and external sources of information, including changes in market conditions, financial performance, and strategic direction.

As a result of this assessment, indicators of impairment were identified for capitalised development costs and other intangible assets. In response, the Group performed an impairment test using the value-in-use methodology, consistent with the requirements of AASB 136.

The value in use was determined based on management's best estimates of future cash flows, discounted at an appropriate rate reflecting the risks associated with the assets. Base cash flow projections were used and adjusted to ensure the assumptions applied were reasonable and supportable.

The analysis concluded that the recoverable amount of these assets was nil, and accordingly, the entire carrying value of the affected intangible assets of \$4.9m was impaired.

The impairment of \$4.9m has been recognised in the statement of profit or loss and other comprehensive income.

Key assumptions included within the impairment model include:

- Year 1 cash flows have been modelled based on the Board Approved Budget for the year ending 30 June 2026. Forecasted revenue thereafter has been reflected on a business-as-usual basis.
- All costs, including operating expenses and capitalised development costs, are modelled to grow at 5% year on year.
- Long term growth rate of 2.5%.
- Pre-tax discount rate of 19.75% per annum was applied in the value-in-use calculation.

## Note 16. Intangible assets (continued)

### *Accounting policy for intangible assets*

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### *Intellectual property, patents and copyright*

Costs associated with intellectual property, patents and copyright are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development, where applicable; and its costs can be measured reliably. At the election of the Group, costs are capitalised net of related tax credits under AASB 120.

Such costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Research costs are expensed in the period in which they are incurred. X2M incurred research and development expense of \$608,321 (2024: \$744,554) which are included in the statement of profit or loss and other comprehensive income.

### *Intellectual property in progress*

Costs associated with intellectual property in progress are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development, where applicable; and its costs can be measured reliably. At the election of the Group, costs are capitalised net of related tax credits under AASB 120. Such costs will be amortised once the project is completed.

## Note 17. Trade and other payables

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Trade payables	2,283,777	4,048,408
Accrued expenses	935,810	1,378,325
Other payables	150,000	830,000
	<u>3,369,587</u>	<u>6,256,733</u>

Refer to note 24 for further information on financial instruments.

### *Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition, except for China suppliers which are paid upon receipts from customers.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 18. Contract liabilities

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Advanced payments received from customers	1,429,022	1,734,347
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial period are set out below:		
Opening balance	1,734,347	3,552,254
Payments received in advance	2,401,191	5,150,443
Transfer to revenue	(2,706,516)	(6,968,350)
Closing balance	1,429,022	1,734,347

#### *Accounting policy for contract liabilities*

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

### Note 19. Borrowings

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Insurance premium funding	15,530	22,611
Other borrowings	452,545	201,895
Convertible loans - host liability	3,102,378	-
Convertible loans - embedded derivative	23,573	-
Financial liability at fair value through profit or loss*	1,892,073	-
Convertible notes	1,139,214	-
	6,625,313	224,506
<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
	548,546	2,787,185
	7,173,859	3,011,691

Refer to note 24 for further information on financial instruments.

**Note 19. Borrowings (continued)**

\*Financial liability at fair value through profit or loss relate to \$1,258,623 of previously issued convertible notes which the noteholders had agreed to extinguish and replace with a right to Ordinary Shares, Free Options and Piggyback Options subject to shareholder approval in July 2025, otherwise the amounts outstanding would be repayable. The fair value at inception date resulted in a fair value loss of \$1,634,507 and a fair value gain of \$1,001,057 was recognised from inception date to reporting date resulting in a net fair value loss of \$633,450 calculated with reference to the Company's share price and fair value of options at measurement date.

**Convertible notes (Non-current liabilities)**

In April and June 2025, X2M completed a capital raising of \$0.6 million through entering into convertible note agreements (Convertible Notes) with three existing shareholders. The key terms of the Convertible Notes are as follows:

Lender	PD Crutchfield Pty Ltd	Lisafield Pty Ltd ATF Double Happiness Trust	Vanew Pty Ltd ATF GM Tauber Family Trust
Face value	\$202,032	\$100,000	\$300,000
Expiry date	30 March 2028	30 March 2028	30 March 2028
Interest rate	13%	13%	15%
Rejection interest rate	20%	20%	20%
Conversion price	Conversion price: The lesser of: a) \$0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion  with either value subject to a minimum value of \$0.02 per Share	Conversion price: The lesser of: a) \$0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion  with either value subject to a minimum value of \$0.02 per Share	Conversion price: The lesser of: a) \$0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion  with either value subject to a minimum value of \$0.02 per Share

Management assessed the recognition of the convertible notes in accordance with AASB 9 *Financial Instruments* and determined that these notes were a compound financial instrument with the embedded derivatives valued at \$28,581 as at 30 June 2025, using Binomial valuation methodology. The valuation model inputs used to determine the fair value at the balance date, are as follows:

Lender	Issue date	Expiry date	Share price at value date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at value date
PD Crutchfield Pty Ltd	28/04/2025	30/03/2028	\$0.016	\$0.02	70%	-	3.18%	\$0.00093
Lisafield Pty Ltd	14/05/2025	30/03/2028	\$0.016	\$0.02	70%	-	3.18%	\$0.00093
Vanew Pty Ltd	27/06/2025	30/03/2028	\$0.016	\$0.02	70%	-	3.18%	\$0.00093

**Note 19. Borrowings (continued)**

**Convertible loans**

	<b>Barkers Hawthorn ATF Barkers Hawthorn Property Trust</b>	<b>Vanew Pty Ltd ATF GM Tauber Family Trust</b>
Loan principal balance	\$2,500,000	\$1,000,000
Repayment date	30 November 2025 unless: - early payment is requested after 31 October 2024 by the lender;  - the date of receipt of the R&D Incentive Tax refund for 2025 ("R&D Tax Refund") is before 30 November 2025, in which case the date of receipt applies;  - conversion into Shares occurs	31 December 2025 unless conversion into Shares occurs
Conversion terms	Lender may elect to convert any advance loan amount to Shares at the following conversion pricing per share  - at the 5 day volume weighted average price leading to a request for conversion in the 30 days following execution; or  - at a discount of 15% to the 5 day volume weighted average price leading to a request for conversion after the date that is 30 days following execution;  provided no more than 100,000,000 Shares in total can be issued. Once this ceiling is reached further conversions cannot occur;  Any conversion is subject to shareholder approval and if not received, the higher interest rate below applies	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 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 rate and payment term	Interest is payable monthly in cash at a rate of 15% per annum	Interest is payable quarterly in cash at a rate of 15% per annum
Rejection rate	20%	20%
Security	Loan amounts advanced are secured against the FY25 R&D Tax Refund	Loan amounts advanced are secured against the assets of the Company excluding the FY24 R&D Tax Refund.

Management assessed the recognition of the converting loan in accordance with AASB 9 *Financial Instruments* and determined that the loan was a compound financial instrument with the embedded derivatives valued at \$23,573 as at 30 June 2025, using Binomial valuation methodology. The valuation model inputs used to determine the fair value at the balance date, are as follows:

**Note 19. Borrowings (continued)**

Lender	Value date	Expiry date	Share price on value date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at value date
Barkers Hawthorn Vanew Pty Ltd	30/06/2025	30/11/2025	\$0.016	\$0.136	70%	-	3.32%	\$0.00037
	30/06/2025	31/12/2025	\$0.016	\$0.05	70%	-	3.32%	\$0.00004

**Accounting policy for Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

**Accounting policy for financial liability at fair value through profit or loss**

The financial liability has been classified as a derivative and measured at Fair Value Through Profit or Loss (FVTPL) as there is a contractual obligation to deliver cash or exchange the financial liability with another entity under conditions that are potentially unfavourable to the Group, otherwise there is a contractual obligation to repay the exit value. The combined instruments are considered a single financial instrument (as required by the IFRIC Agenda Decisions - 16 January 2021) and are required to be measured and presented as a single instrument at FVTPL.

**Accounting policy for convertible notes**

Convertible notes that exhibit characteristics of a liability are recognised as a liability in the statement of financial position, net of transaction costs. Convertible notes accounted for as financial liabilities are measured at amortised cost until extinguished on conversion or redemption.

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

**Accounting policy for convertible loan**

Convertible loan exhibits the characteristics of a liability which is recognised as a liability in the statement of financial position, net of transaction costs. On the drawdown of the converting loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or repayment. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion feature that is recognised as embedded derivatives in non-current liabilities, which is fairly valued using Binomial valuation methodology on balance date.

## Note 20. Employee benefits

	Consolidated 2025 \$	2024 \$
<i>Current liabilities</i>		
Employee benefits	<u>1,108,723</u>	<u>935,397</u>
<i>Non-current liabilities</i>		
Employee benefits	<u>657,446</u>	<u>560,035</u>
	<u><u>1,766,169</u></u>	<u><u>1,495,432</u></u>

### *Accounting policy for employee benefits*

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Note 21. Lease liabilities

	Consolidated 2025 \$	2024 \$
<i>Current liabilities</i>		
Lease liability	<u>199,369</u>	<u>215,416</u>
<i>Non-current liabilities</i>		
Lease liability	<u>64,989</u>	<u>261,450</u>
	<u><u>264,358</u></u>	<u><u>476,866</u></u>

Refer to note 24 for further information on financial instruments.

### *Accounting policy for lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 21. Lease liabilities (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Note 22. Issued capital

	2025 Shares	Consolidated 2024 Shares	2025 \$	2024 \$
Ordinary shares - fully paid	<u>435,056,842</u>	<u>326,520,782</u>	<u>31,562,291</u>	<u>29,046,310</u>

#### 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	13,280,000	\$0.025	332,000
Issue of shares as consideration for services	21 December 2024	2,000,000	\$0.025	50,000
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		-	-	(109,563)
Balance	30 June 2025	<u>435,056,842</u>		<u>31,562,291</u>

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

## Note 22. Issued capital (continued)

### *Ordinary shares*

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

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

### *Share buy-back*

There is no current on-market share buy-back.

### *Capital risk management*

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

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

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

The Group might look to raise capital to fund further growth or when an opportunity to invest in a business or company was seen as value adding shareholder value. The Group will continue to assess investments which create shareholder value.

### *Accounting policy for issued capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 23. Reserves

	<b>Consolidated</b>	
	<b>2025</b>	<b>2024</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(99,879)	(51,932)
Share-based payments reserve	4,757,101	4,036,719
Convertible note reserve	419,853	419,853
	<u>5,077,075</u>	<u>4,404,640</u>

### *Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

### *Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### *Convertible note reserve*

The reserve is used to recognise the value of embedded equity conversion feature of the convertible notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 23. Reserves (continued)

#### *Movements in reserves*

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

<b>Consolidated</b>	<b>Foreign currency reserve \$</b>	<b>Share-based payments reserve \$</b>	<b>Convertible note reserve \$</b>	<b>Total \$</b>
Balance at 1 July 2023	(203,019)	2,874,027	-	2,671,008
Foreign currency translation	151,087	-	-	151,087
Share based payments	-	563,829	-	563,829
Options issued to a lender as part of borrowing costs	-	278,448	-	278,448
Options issued for FY23 short term incentive	-	320,415	-	320,415
Embedded derivative equity component	-	-	419,853	419,853
Balance at 30 June 2024	(51,932)	4,036,719	419,853	4,404,640
Transfers for expired options	-	(390,025)	-	(390,025)
Issue of shares on conversion of performance rights	-	(27,037)	-	(27,037)
Options issued as cost of capital raising	-	109,563	-	109,563
Foreign currency translation	(47,947)	-	-	(47,947)
Share based payments	-	519,291	-	519,291
Options issued as consideration for convertible notes and loans	-	292,492	-	292,492
Options issued for short term incentive	-	216,098	-	216,098
Balance at 30 June 2025	<u>(99,879)</u>	<u>4,757,101</u>	<u>419,853</u>	<u>5,077,075</u>

### Note 24. Financial instruments

#### *Financial risk management objectives*

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Derivatives are not currently used by the Consolidated Entity for hedging purposes. The Consolidated Entity does not speculate in the trading of derivative instruments.

#### *Market risk*

##### *Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. However, given the Group generates and holds significant balances of foreign currencies, the Group foreign currency risk exposure are mitigated through natural hedging.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 24. Financial instruments (continued)

The carrying amount in Australian dollars of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2025 \$	2024 \$	2025 \$	2024 \$
Korean Won (KRW)	613,863	555,565	(1,448,984)	(1,301,961)
Japanese Yen (JPY)	42,204	30,392	(115,540)	(14,236)
Taiwan dollars (TWD)	114,729	624,871	(122,022)	(113,896)
Chinese Renminbi (CNY)	70,383	2,800,781	(586,618)	(2,801,545)
United States dollars (USD)	1,695	1,810	-	-
Hong Kong dollars (HKD)	-	-	-	-
	<u>842,874</u>	<u>4,013,419</u>	<u>(2,273,164)</u>	<u>(4,231,638)</u>

The Group is primarily exposed to changes in KRW, JPY, TWD, USD, CNY, HKD exchange rates. The sensitivity of profit or loss to changes in these exchange rates arises mainly from financial assets and liabilities.

Consolidated - 2025	% change	AUD strengthened		AUD weakened		
		Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Net KRW denominated financial liabilities	10%	83,512	(83,512)	10%	(83,512)	83,512
Net JPY denominated financial liabilities	10%	7,334	(7,334)	10%	(7,334)	7,334
Net TWD denominated financial liabilities	10%	729	(729)	10%	(729)	729
Net CNY denominated financial liabilities	10%	51,624	(51,624)	10%	(51,624)	51,624
Net USD denominated financial assets	10%	(170)	170	10%	170	(170)
Net HSD denominated financial assets	10%	-	-	10%	-	-
		<u>143,029</u>	<u>(143,029)</u>		<u>(143,029)</u>	<u>143,029</u>

**Note 24. Financial instruments (continued)**

Consolidated - 2024	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Net KRW denominated financial liabilities	10%	74,640	(74,640)	10%	(74,640)	74,640
Net JPY denominated financial assets	10%	(1,616)	1,616	10%	1,616	(1,616)
Net TWD denominated financial assets	10%	(51,098)	51,098	10%	51,098	(51,098)
Net CNY denominated financial liabilities	10%	76	(76)	10%	(76)	76
Net USD denominated financial assets	10%	(181)	181	10%	181	(181)
Net HKD denominated financial assets	10%	-	-		-	-
		<u>21,821</u>	<u>(21,821)</u>		<u>(21,821)</u>	<u>21,821</u>

**Price risk**

The Group was exposed to price risk on its investment in an unlisted entity (refer to note 12). The investment was classified on the statement of financial position as financial assets at fair value through other comprehensive income. The assets and liabilities within the investment indirectly exposed the Group to equity price risks. It was not considered practicable to 'look through' the investments to analyse these risks in detail. The investment was made during the FY24 financial year.

In February 2025, the Group sold this investment for NTD 11 million (approximately AUD \$0.52 million), as it was no longer regarded as a core asset.

**Interest rate risk**

The Group is not exposed to any significant interest rate risk.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk**

Prudent liquidity risk management implies maintain sufficient cash balances. The directors regularly monitor the cash position of the group, giving consideration to the level of expenditure and future project commitments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 24. Financial instruments (continued)

#### Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2025</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	3,369,587	-	-	-	3,369,587
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	4.69%	15,530	-	-	-	15,530
Other borrowings	-	452,545	-	-	-	452,545
Financial liability at fair value through profit or loss	15.47%	1,258,623	-	-	-	1,258,623
Convertible notes payable	16.27%	1,139,214	873,321	-	-	2,012,535
Convertible loan payable	15.00%	3,765,885	-	-	-	3,765,885
Lease liabilities	7.37%	199,368	53,863	-	-	253,231
<b>Total non-derivatives</b>		<b>10,200,752</b>	<b>927,184</b>	<b>-</b>	<b>-</b>	<b>11,127,936</b>
<b>Consolidated - 2024</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	6,256,733	-	-	-	6,256,733
<i>Interest-bearing - fixed rate</i>						
Insurance premium funding	4.70%	22,611	-	-	-	22,611
Other borrowings	10.77%	318,046	-	-	-	318,046
Convertible notes payable	18.00%	-	2,367,759	-	-	2,367,759
Convertible loan payable	15.00%	147,854	1,075,695	-	-	1,223,549
Lease liabilities	7.72%	232,185	203,092	64,766	-	500,043
<b>Total non-derivatives</b>		<b>6,977,429</b>	<b>3,646,546</b>	<b>64,766</b>	<b>-</b>	<b>10,688,741</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Note 25. Key management personnel disclosures

#### Directors

The following persons were Directors of X2M Connect Limited during the financial period:

Alan Stockdale	Non-Executive Chairman
Mohan Jesudason	Chief Executive Officer and Managing Director
Damien Johnston	Non-Executive Director
John Stewart	Non-Executive Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 25. Key management personnel disclosures (continued)

#### *Other key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial period:

Keith Jelley Chief Operating Officer

#### *Compensation*

The aggregate compensation paid to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2025	2024
	\$	\$
Short-term employee benefits	702,511	786,049
Post-employment benefits	82,859	76,794
Long-term benefits	15,472	15,506
Share-based payments	245,446	536,275
	<u>1,046,288</u>	<u>1,414,624</u>

### Note 26. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated	
	2025	2024
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>128,625</u>	<u>97,679</u>
<i>Other services*</i>		
Tax compliance	<u>15,000</u>	<u>15,000</u>
	<u>143,625</u>	<u>112,679</u>

\* X2M engages Grant Thornton Australia Limited to provide permitted non-audit services where there is a compelling reason to do so provided auditor independence requirements are satisfied.

### Note 27. Contingent liabilities

The Directors are not aware any contingent assets or contingent liabilities as at 30 June 2025 (2024: Nil).

### Note 28. Commitments

The Group had no material commitments not accounted for in the statement of financial position as at 30 June 2025 (2024: Nil).

## Note 29. Related party transactions

### *Parent entity*

X2M Connect Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 31.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the Directors' report.

### *Transactions with related parties*

During the 2025 financial year, X2M paid \$24,500 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2024: \$27,500). 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 30. Parent entity information

Set out below is the supplementary information about the parent entity.

### *Statement of profit or loss and other comprehensive income*

	Parent	
	2025	2024
	\$	\$
Loss after income tax	(9,770,660)	(6,361,794)
Total comprehensive income	<u>(9,770,660)</u>	<u>(6,361,794)</u>

## Note 30. Parent entity information (continued)

### Statement of financial position

	Parent	
	2025 \$	2024 \$
Total current assets	2,964,086	2,964,228
Total assets	3,353,711	6,876,442
Total current liabilities	8,672,267	3,318,215
Total liabilities	9,343,109	6,331,543
Equity		
Issued capital	31,562,031	29,046,050
Share-based payments reserve	4,757,101	4,036,719
Convertible note reserve	419,853	419,853
Accumulated losses	(42,728,383)	(32,957,723)
Total deficiency/(equity)	<u>(5,989,398)</u>	<u>544,899</u>

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2025.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2025.

### Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 31. 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 <sup>(1)</sup>	Taiwan	100%	100%
Freestyle Technology Co., Ltd	South Korea	100%	100%
Freestyle Technology Japan KK <sup>(2)</sup>	Japan	100%	100%
Golden Sino Hong Kong Limited <sup>(3)</sup>	Hong Kong	100%	100%
Freestyle Technology (Shanghai) Co., Ltd <sup>(3)</sup>	China	100%	100%
Beijing Freestyle Technology Co., Ltd <sup>(3)</sup>	China	100%	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 31. Interests in subsidiaries (continued)

- (1) As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M Co. Ltd.  
 (2) As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M KK.  
 (3) Discontinued operations

### Note 32. 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 \$1.9 million of borrowings at reporting date were converted to equity. These funds strengthen X2M's balance sheet and allow the repayment of debt, including convertible notes and convertible loans.

As part of renaming, the company's wholly owned Taiwan and Japan subsidiaries changed names to X2M Co. Ltd. and X2M KK respectively.

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 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2025 \$	2024 \$
Loss after income tax expense for the period	(12,974,364)	(6,512,880)
Adjustments for:		
Depreciation and amortisation	1,505,507	1,326,720
Deprecation from discontinued operation	-	8,261
Impairment of capitalised development costs	4,882,970	-
Net fair value loss on derivative financial instruments	60,873	-
Share-based payments expense	654,291	1,034,795
Bad and doubtful debts expense	674,827	-
Interest and other finance costs	1,113,763	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(315,918)	(306,677)
(Increase)/decrease in inventories	(23,492)	156,492
Decrease in other assets	298,784	2,241,841
Decrease in net assets directly associated with discontinued operations	311,164	-
Decrease in contract assets	10,908	899,748
Increase in trade and other payables	454,766	418,461
Decrease in contract liabilities	(305,325)	(1,817,907)
Increase in employee benefits	270,737	169,344
Increase in net liabilities associated with discontinued operations	490,102	-
Net cash used in operating activities	<u>(2,890,407)</u>	<u>(2,381,802)</u>

### Note 34. Share-based payments

Unlisted options issued to key management personnel and employees

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 34. Share-based payments (continued)

A share option plan has been established by the Group and approved by under the IPO Replacement Prospectus dated 24 August 2021, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel and employees of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board or as approved by shareholders at a general meeting.

The options were independently valued using either Black-Scholes or Binominal option pricing model. \$382,139 share based payments expense was recognised for the year ending 30 June 2025 (2024: \$431,697).

Class	Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited / other	Balance at the end of the period
Pre-IPO options	16/07/2021	15/07/2025	\$0.25	9,411,283	-	-	-	9,411,283
IPO options*	14/09/2021	13/09/2025	\$0.358	9,559,588	-	-	-	9,559,588
IPO options*	14/09/2021	13/09/2025	\$0.358	5,188,029	-	-	-	5,188,029
FY22 LTI options	14/04/2022	14/04/2027	\$0.5	2,058,286	-	-	-	2,058,286
FY22 LTI options	27/06/2022	27/06/2027	\$0.5	1,359,264	-	-	-	1,359,264
FY23 LTI options	29/08/2022	29/08/2027	\$0.14	986,822	-	-	-	986,822
FY23 LTI options	02/09/2022	02/09/2027	\$0.138	5,785,510	-	-	-	5,785,510
FY23 LTI options	17/03/2023	17/03/2028	\$0.141	1,518,028	-	-	-	1,518,028
FY24 LTI options	05/09/2023	04/09/2028	\$0.098	6,790,812	-	-	-	6,790,812
FY24 LTI options	28/11/2023	04/09/2028	\$0.098	5,405,405	-	-	-	5,405,405
FY24 Premium priced options	28/11/2023	23/01/2029	\$0.067	6,603,770	-	-	-	6,603,770
FY23 STI options	28/11/2023	23/01/2029	\$0.067	12,664,271	-	-	-	12,664,271
FY25 LTI options	25/10/2024	25/10/2029	\$0.067	-	11,796,243	-	-	11,796,243
FY25 LTI options	26/11/2024	25/10/2029	\$0.067	-	9,389,672	-	-	9,389,672
FY25 Premium priced options**	11/12/2024	10/12/2029	\$0.067	-	11,765,869	-	-	11,765,869
FY24 STI options***	11/12/2024	10/12/2029	\$0.067	-	11,314,016	-	-	11,314,016
				<u>67,331,068</u>	<u>44,265,800</u>	-	-	<u>111,596,868</u>
Weighted average exercise price				\$0.193	\$0.017	-	-	\$0.143

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 34. Share-based payments (continued)

\* Pre-IPO and IPO options were issued for services in establishing and building the Company through to the IPO. These were disclosed in the Replacement Prospectus dated 14 August 2021.

\*\* Premium priced options were issued on 11 December 2024, following shareholders' approval at FY23 Annual General Meeting. These options were issued as part of a cash outflow reduction initiative.

\*\*\* FY24 STI options were issued to key management personnels and an employee.

Set out below are the options exercisable at the end of the financial period:

Grant date	Expiry date	2025 Number	2024 Number
16/07/2021	15/07/2025	9,411,283	9,411,283
14/09/2021	13/09/2025	9,559,588	9,559,588
14/09/2021	13/09/2025	5,188,029	5,188,029
14/04/2022	14/04/2027	2,058,286	-
27/06/2022	27/06/2027	1,359,264	-
28/11/2023	23/01/2029	6,603,770	6,603,770
28/11/2023	23/01/2029	12,664,271	12,664,271
11/12/2024	10/12/2029	11,765,869	-
11/12/2024	10/12/2029	11,314,016	-
		<u>69,924,376</u>	<u>43,426,941</u>

The weighted average remaining contractual life of options outstanding at the end of the financial period was 3 years.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/10/2024	25/10/2029	\$0.033	\$0.067	70%	-	4.00%	\$0.0096
26/11/2024	25/10/2029	\$0.032	\$0.067	70%	-	4.07%	\$0.0089
11/12/2024	10/12/2029	\$0.032	\$0.067	70%	-	4.07%	\$0.0143
11/12/2024	10/12/2029	\$0.032	\$0.067	70%	-	4.07%	\$0.0143

#### Performance rights

On 25 October 2024, X2M issued 8,253,086 performance rights to overseas employees as part of their FY25 LTI arrangement. The performance rights expect to vest on 30 September 2027, subject to price hurdle and staff retention. These performance rights were independently valued using binomial pricing model. \$27,954 share based payments expense was recognised for the year ending 30 June 2025.

For the performance rights granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
25/10/2024	31/12/2027	\$0.033	-	70%	-	3.91%	\$0.0146

**Note 34. Share-based payments (continued)**

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

	Consolidated	
	2025	2024
	\$	\$
Issue of STI shares to employees	-	80,972
Unlisted options to key management personnel and employees	382,139	431,697
Performance rights to overseas employees	137,152	132,132
Unlisted options to be issued to key management personnel and employee	-	240,998
STI shares to be issued to overseas employees	-	96,438
Shares to be issued to overseas employee for salary forgone	-	52,558
Issue of shares for advisory fees	135,000	-
	<u>654,291</u>	<u>1,034,795</u>

*Accounting policy for share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, options and performance rights over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 34. Share-based payments (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Note 35. 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>(12,147,378)</u>	<u>(6,338,112)</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	(3.29)	(2.51)
Diluted earnings per share	(3.29)	(2.51)
	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)

**Note 35. Earnings per share (continued)**

	Consolidated	
	2025	2024
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of X2M Connect Limited	<u>(12,974,364)</u>	<u>(6,512,880)</u>
	<b>Number</b>	<b>Number</b>
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>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(3.51)	(2.58)
Diluted earnings per share	(3.51)	(2.58)

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of X2M Connect Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Entity name	Entity type	Place formed Country of incorporation	Ownership interest %	Australian resident	Place of foreign residence
Freestyle Energy Two Pty Ltd <sup>(1)</sup>	Body corporate	Australia	100%	Yes	N/A
Freestyle Technology Taiwan Limited <sup>(2)</sup>	Body corporate	Taiwan	100%	No	Taiwan
Freestyle Technology Co., Ltd	Body corporate	South Korea	100%	No	South Korea
Freestyle Technology Japan KK <sup>(3)</sup>	Body corporate	Japan	100%	No	Japan
Golden Sino Hong Kong Limited <sup>(4)</sup>	Body corporate	Hong Kong	100%	No	Hong Kong
Freestyle Technology (Shanghai) Co., Ltd <sup>(4)</sup>	Body corporate	China	100%	No	China
Beijing Freestyle Technology Co., Ltd <sup>(4)</sup>	Body corporate	China	100%	No	China

<sup>(1)</sup> This is a dormant Australian company that is part of Australian tax consolidated group with X2M Connect Limited.

<sup>(2)</sup> As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M Co. Ltd.

<sup>(3)</sup> As part of renaming process subsequent to 30 June 2025, the company's name was changed to X2M KK.

<sup>(4)</sup> Discontinued operations

### **Key assumptions and judgements**

#### **Determination of Tax Residence**

Section 295 (3A) of the Corporation Acts 2001 requires that the tax residency of each entity which is included in the Consolidated entity disclosure statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the Income Tax Assessment Act 1997.

In determining tax residency, the consolidated entity has applied the following interpretations:

#### **Australian tax residency**

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5.

#### **Foreign tax residency**

The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

On behalf of the Directors



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Hon. Alan Stockdale AO  
Non-Executive Chairman

26 September 2025

## Independent Auditor's Report

### To the Members of X2M Connect Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of X2M Connect Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2025, 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 year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of \$12,974,364 during the year ended 30 June 2025, and as of that date, the Group’s current liabilities exceeded its current assets by \$8,297,097 and the Group reported a deficiency in net equity of \$8,851,024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition of contracts that contain multiple element arrangements – Notes 2, 4 and 18</b></p> <p>Multiple-element arrangements, as defined in AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15) exist within the Group’s hardware, licensing and services revenue streams. Revenue recognition for multiple-element arrangements involves management judgement, including:</p> <ul style="list-style-type: none"> <li>• identification of each performance obligation in the arrangements;</li> <li>• determination of the appropriate allocation of the amount of revenue to each element in particular as many of the Group’s arrangements involve the delivery of hardware, licences and other services; and</li> <li>• determining when the performance obligation of each element is satisfied, as the associated revenue can be recognised.</li> </ul> <p>This is a key audit matter due to the judgment surrounding the bundled contract revenue recognition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• considering the appropriateness of management’s assessment of revenue streams in accordance with accounting standard AASB 15;</li> <li>• documenting our understanding of the various arrangements used by the Group and evaluating management’s revenue recognition of the elements they contained to assess compliance with AASB 15;</li> <li>• sample testing revenue recorded to contracts with customers to assess whether revenue is being recognised in accordance with the Group’s revenue recognition policies;</li> <li>• assessing the sales selected in our sample above, where applicable, for the accuracy of revenue to be deferred at year-end;</li> <li>• substantiating sales transactions around reporting date and agreeing transactions to supporting documents to assess whether revenue is recognised in the correct periods; and</li> <li>• assessing the adequacy of disclosures for compliance with the revenue recognition requirements of Australian Accounting Standards (AASBs).</li> </ul>

### Impairment of intangible assets – Note 2 and 16

The Group recorded an impairment against intangible assets of \$4,882,970. The assessment of the recoverable amount of intangible assets requires management to exercise significant judgment including the determination of the following key assumptions used in the calculation of recoverable amount:

- cash flow forecast adjusted to reflect reasonable and supportable assumptions;
- future growth rates;
- terminal growth rates;
- discount rate.

This was a key audit matter due to the management judgement required in estimating future cash flows for impairment assessment.

Our procedures included, amongst others:

- obtaining an understanding of managements process of evaluating the recoverable amount of intangible assets;
- comparing growth rates with third party independent data and other appropriate and supportable audit evidence;
- challenging key inputs to the discount rate utilised by management to external data sources;
- performing sensitivity analysis on the growth and discount rates; and
- assessing the appropriateness of the disclosures in Note 2 and 16 of the financial statements.

### Extinguishment of certain convertible notes in exchange for the right to acquire ordinary shares with attached options – Note 2 and 19

The Group extinguished certain convertible notes which gave the holders the right to acquire ordinary shares with attached free and piggyback options.

This is a key audit matter due to the complexity associated with the accounting treatment to ensure compliance with AASB 132 *Financial Instruments: Presentation* (AASB 132).

Our procedures included, amongst others:

- inspecting the original convertible note agreements and subsequent subscription agreements for the issue of ordinary shares and any attaching free and piggyback options;
- identifying key terms including conversion and settlement mechanics, shareholder approval clauses, timing of extinguishment and any contingent features;
- in consultation with our technical accounting specialist, evaluation of the Group's accounting policy to determine whether the adopted accounting policy following extinguishment is consistent with the requirements of AASB 132 as a Financial Liability at Fair Value through Profit or Loss (FVTPL);
- agreeing material valuation inputs included in the measurement of the Financial Liability at FVTPL at inception date including the fair value loss on initial recognition; and
- assessing the appropriateness of the disclosures in Note 2 and 19 of the financial statements.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of:

- a the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and
- b the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/media/bwvjcgre/ar1\\_2024.pdf](https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 20 to 33 of the Directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of X2M Connect Limited, for the year ended 30 June 2025 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



P M Glynn  
Partner – Audit & Assurance

Melbourne, 26 September 2025

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# Corporate Governance

AS AT 26 SEPTEMBER 2025

## CORPORATE GOVERNANCE STATEMENT

X2M (the Company) is committed to achieving and demonstrating high standards of corporate governance to protect and enhance shareholder interests.

This Corporate Governance Statement reports against the ASX Corporate Governance Principles and Recommendations (4th Edition) (ASX Principles). The practices detailed in the Corporate Governance Plan are current as of 26 September 2025 and have been approved by the Board. A full copy of the Corporate Governance Plan can be found on the company website at [www.x2mconnect.com](http://www.x2mconnect.com). Key details of the plan are detailed below.

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### Principle 1: The Board Lays Solid Foundations for Management Oversight

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#### Board Responsibilities and Delegations

The Company's Board Charter was adopted by the Board in February 2021. The Board Charter is located on the Company website at [www.x2mconnect.com](http://www.x2mconnect.com).

The Board Charter provides a framework for the effective operation of the Board, setting out:

- a) the Board's role and responsibilities and size and composition.
- b) the establishment of the Audit and Risk Committee (as described below) and the Board's ability to delegate any of its powers to a Board Committee, a Director or other person from time to time, subject to ultimate responsibility residing with the Directors;
- c) the responsibilities delegated by the Board to the Chief Executive Officer (CEO) and members of the Executive Team; and
- d) the role of the Board Chair and the Company Secretary.

The Board Charter provides that the Board's role is to, amongst other things:

- a) set X2M's values and standards of conduct and ensure that they are adhered to.
- b) provide and demonstrate leadership.
- c) define and set X2M's strategic direction.
- d) monitor the operational and financial position and performance of the Company and monitor that the Company is properly managed to protect and enhance shareholder interests and
- e) adopt internal controls, a risk management framework, as well as corporate governance policies and practices that promote the responsible management and conduct of X2M.

The Board's responsibilities include:

- a) the appointment of a Chair.
- b) the appointment and removal of the CEO.
- c) approval of X2M's Group's statement of values and Code of Conduct; and
- d) approval of major capital expenditure, acquisitions, and divestitures in excess of authority levels delegated to management.

The Board Charter provides that the Company Secretary is accountable to the Board through the Chair on all matters to do with the proper functioning of the Board. This includes advising the Board and its Committees on governance matters and monitoring that Board and Committee policies and procedures are followed.

The Board Charter delegates responsibility for day-to-day management and administration of X2M to the CEO and members of the Executive Team. The CEO is responsible for providing effective leadership, direction and supervision of the Executive Team to achieve the strategies, business plans and budgets

## CORPORATE GOVERNANCE STATEMENT

adopted by the Board and in accordance with the values and culture set by the Board. The Board has procedures in place to regularly assess the performance of the CEO and members of the Executive Team.

### Board Committees

The Board has established an Audit and Risk Committee to assist it in discharging its function. All other responsibilities are managed by the full Board.

### Board Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to X2M to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the period, the Board met 12 times.

For full details of Directors' attendance at Board and Committee Meetings for 2025, refer to "Board and Committee Meeting Attendance" on page 20.

### Access to Information and Independent Professional Advice.

Directors have access to Management to seek explanations and information, as well as to the Auditors to seek explanations and information without Management present, at any time they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek, at the expense of the Company, any independent professional advice that they consider necessary to fulfil their responsibilities subject to the approval of the Chair which cannot be unreasonably withheld or delayed.

The Company has appointed a Company Secretary who is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### Background Checks Before Appointing Directors and Senior Executives

X2M formally undertakes background checks for Directors and senior executives and will require certain information to be provided to shareholders each time an existing Director stands for re-election. In addition, the Company will provide shareholders with any other material information relevant to a decision on whether to elect or re-elect a Director at a General Meeting.

Prior to the appointment of a new Director or senior executive (being a member of the Executive Team), the Board undertakes appropriate background checks as to the candidate's character, experience and education and confirms that the candidate does not have a criminal record. For Directors only, confirmation is also obtained that the Director is not an undischarged bankrupt. Having satisfied the background checks, the candidate for a Director is required to provide the Chair with the commitment that they will have adequate time to fulfil their responsibilities as a Non-Executive Director of X2M. The Chair must be satisfied that the candidate for Director can materially contribute to the overall skills and experience of the Board with reference to the X2M Director Skills Matrix.

X2M has entered into written agreements with each Director setting out the terms, conditions and responsibilities of their appointment, as well as the key terms of all employment, service or consultancy agreements with the CEO, the Directors and any other related parties to the CEO and the Directors.

### Diversity

Consistent with X2M's values, the Company is committed to providing an inclusive, equitable and fair workplace where everyone is treated with respect and dignity regardless of gender, marital or family status, sexual orientation, gender identity, age, ability, ethnicity, religious beliefs, cultural background, socio-economic background, perspective, and experience.

X2M's Diversity Policy includes requirements to ensure that employment related decisions are

## CORPORATE GOVERNANCE STATEMENT

transparent, equitable and fair; that a diverse range of candidates are considered for positions; to guard against any conscious or unconscious biases that might discriminate against certain candidates; to ensure that staff have access to development and career opportunities based on merit; and to ensure a workplace which is free from discrimination, harassment, bullying, victimisation and vilification.

The Board is responsible for reviewing the Company's Diversity Policy periodically to check that it is operating effectively. The Diversity Policy was approved by the Board in February 2021 and a copy is available on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

### Diversity Status

The Board plays a specific role in driving diversity, particularly gender diversity across the business by reviewing and approving annual diversity objectives and progress towards these objectives.

X2M has a diverse workforce and is represented by a broad range of ages and nationalities. Gender diversity remains a challenge across the technology industry and in the geographies in which X2M operates, and is represented in the table below. However, X2M is an equal opportunity employer and is committed to improving diversity as far as possible as the business scales. The workforce diversity as at the 30<sup>th</sup> of June 2025 follows:

	FEMALE		MALE	
	NUMBER	%	NUMBER	%
Board	-	-	4	100
Senior Management*	6	25%	18	75%
Total Employees	9	17%	44	83%

(\*Senior Management includes the CEO and the Executive Team who report to the CEO.)

The Board is responsible for assessing whether there is any gender or other inappropriate bias with respect to the remuneration of Directors, the Executive Team or other employees. The Board also sets and reviews the diversity targets annually.

### Diversity Targets

X2M set gender diversity targets annually. Given the current size of the team and the limited opportunity for change, X2M will only be able to address gender diversity as it adds to or replaces team members. Further, and as stated, gender diversity remains a challenge across the technology industry and in the geographies in which X2M operates. However, the Company is an equal opportunity employer and will seek to improve gender diversity as the business grows.

The long term gender diversity targets are:

TARGET	
Board*	≥25%
Senior Management**	≥25%
Total Employees	≥25%

## CORPORATE GOVERNANCE STATEMENT

### Performance Review of the Board

The X2M's Board Charter requires an annual Board assessment and review of its performance, its committees, and Directors. During the period a formal review was not undertaken however the Board informally reviews and assesses its performance regularly.

### Performance Review of the CEO and Executive Team

X2M's Board Charter provides that the Board is responsible for monitoring the performance of the Executive Team. The performance of the CEO and Senior Executives is assessed annually with reference to agreed milestones. Performance reviews were undertaken during the reporting period. Details of the remuneration of the Executive Team considered by the Company to be Key Management Personnel is set out in the Remuneration Report.

The Board is responsible for agreeing the remuneration arrangements and terms of employment for the CEO and Executive Team. The Board is also responsible for:

- any equity-based remuneration plans for the Executive Team and other employees.
- reviewing and approving the design and total proposed payments from any Executive Team incentive plan; and
- the proposed award to each member of the Executive Team under the rules of any Executive Team incentive plan.

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## Principle 2: The Board is Structured to be Effective and to Add Value

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### Nomination Committee

Due to the size of the Board, X2M does not have a separate Nomination Committee. The roles and responsibilities of the Nomination Committee are currently undertaken by the Board.

### Composition of the Board and Details of Directors

X2M currently has four Directors, three of whom are Non-Executive Directors and one of whom is the Managing Director. The Board considers that the current size of the Board is appropriate to discharge its duties effectively.

The criteria by which the Board determines the independence of a Director are set out in the Board Charter. The Board has determined that all of the Non-Executive Directors are independent. There is a clear division of responsibility between the Chair, who is an Independent Non-Executive Chair, and the CEO.

Each Director must provide to the Board all information relevant to the assessment of his or her independence and where a Director's independent status changes, X2M will immediately disclose and explain this to the market.

DIRECTOR	STATUS	APPOINTMENT DATE
Alan Stockdale	Independent	8 February 2021
Mohan Jesudason	Not independent	17 March 2025
Damien Johnston	Independent	8 February 2021
John Stewart	Independent	8 February 2021

Table 21: Status of Director Independence

## CORPORATE GOVERNANCE STATEMENT

For details of the current Directors, their qualifications, skills, and experience refer to page 18 of Directors' Report.

### Board Skills Matrix

Under the Company's Constitution, the Board must comprise at least three Directors and a maximum of twelve Directors. The Board regularly reviews the composition of the Board, considering the number and skill mix of the Directors.

The Board recognises the need to review and consider the composition of the Board to align it with ASX best practice and ensure that it comprises the necessary skills to establish and deliver upon the Company's strategic objectives. The Board considers, and, updates, the Board skills matrix at least annually to ensure that as X2M grows, the Board comprises the appropriate mix of skills, expertise, experience, and diversity. In 2021, the Board developed a Board skills matrix which it updates as required and which includes the following skills and experience:

Key Board Skills and Experience	Number
<b>Asia Pacific Market Experience</b> Experience working in/leading an organisation with global operations, or an understanding of different political, cultural, regulatory, and business environments	4
<b>Strategy</b> Experience defining strategic objectives, assessing business plans and driving execution.	4
<b>Digital, Data and Technology</b> Expertise in adopting new digital technologies or implementing technology projects, and experience with managing digital disruption, leveraging digital technologies or understanding the use of data and data analytics.	4
<b>Governance and Compliance</b> Experience in the design and application of corporate governance and compliance programs with a commitment to high standards of governance.	4
<b>Financial and Risk Management</b> Understand financial drivers of the business and experience implementing or overseeing financial accounting, reporting, internal controls, and risk management frameworks.	4
<b>Merger and Acquisitions</b> Experience in undertaking or overseeing corporate mergers and acquisitions with ability to evaluate transactions and govern the transition phase.	4
<b>Capital Management</b> Experience in capital management strategies including debt financing and capital raisings.	4
<b>People and Culture</b> Experience monitoring a company's culture, OHS program, people management, succession planning, and remuneration frameworks.	4
<b>Legal and Regulatory</b> Experience in a capacity requiring skills and knowledge in relation to the law, especially with reference to company law and other relevant legal disciplines.	4
<b>Government, Regulatory Agencies and Politics</b> Experience in dealing with Governments and	4

## CORPORATE GOVERNANCE STATEMENT

Government agencies and a broad knowledge of the workings of governments and politics.	
<b>Experience with Infrastructure Industries</b> Experience in dealing with and/or marketing and selling to infrastructure industries, especially electricity, gas water and other utilities.	2

Table 22: Board Skills Assessment

### Director Selection, Appointment and Induction

From time to time, the Board reviews the size, structure and composition of the Board, taking into consideration the balance of skills, experience and knowledge of Board members. Given the current state of the Company's operations the Board considers that the current size of the Board is appropriate.

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## Principle 3: The Board instils a culture of acting lawfully, ethically, and responsibly

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### Code of Conduct

The Board recognises the need to observe a high standard of corporate practice and business conduct. Accordingly, the Board adopted the Code of Conduct, which outlines how X2M expects everyone to behave and conduct business, consistent with the Company values.

All Directors, Officers, senior executives, employees, contractors, and consultants must comply with the Code of Conduct. The Code details the core values that are expected to drive Director and employee behaviour and aspirations. As set out in the Code of Conduct, the Company expects all parties to comply with the letter and spirit of the law, rule or regulation and not knowingly participate in any illegal or unethical activity. In addition, X2M expects that all parties carry out the Company's operations with high standards of honesty, integrity, and ethical, responsible and law-abiding behaviour.

The Code of Conduct was approved by the Board in February 2020 and a copy can be found on the Company's website at [www.x2mconnect.com](http://www.x2mconnect.com).

### Trading Policy

The X2M Trading Policy governs the sale and purchase of Company securities by Directors and Employees (Relevant Persons). Relevant Persons must not trade, arrange for someone else to trade, pass on information to someone they know, who may use the information to trade (or procure another person to trade) X2M shares when they are in possession of price sensitive information which is not generally available to the market. The policy also prohibits Relevant Persons from undertaking any financial arrangements to hedge the economic risk of X2M securities or to enter margin lending arrangements over securities.

Relevant Persons are prohibited from dealing in X2M securities (subject to exceptional circumstances) other than during the following mandated Open Periods:

- a) the period six weeks from commencement of the release Company's Annual Results.
- b) the period six weeks from commencement of the release Company's half year results; and
- c) any other period designated by the Board from time to time.

Provided a that relevant person may not deal in X2M securities at any time at which they are in possession of price sensitive information. If a Director, the CEO or the Executive Team wish to trade in

## CORPORATE GOVERNANCE STATEMENT

X2M shares during an Open Period, the Trading Policy provides for:

- a) prior written approval by the Chair to be given to Directors (the Chair himself must seek prior written approval from the Chair of the Audit and Risk Committee); and
- b) prior written approval from the CEO or Chair to be given to the members of the Executive Team.

For all Relevant Persons, notification to the Company Secretary prior to, and after, trading is also required under the policy.

The current Trading Policy was adopted by the Board in February 2021. The Policy is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

### Whistleblower Policy and Anti-Bribery and Corruption Policy

X2M recognises the important role whistleblowing can play in the early detection of misconduct and has adopted a Whistleblower Policy. The purpose of this policy is to establish a reporting system which secures protections for individuals who disclose misconduct and encourages employees and X2M's partners to report known or suspected misconduct. The Whistleblower Policy is located on the X2M Company website at [www.x2mconnect.com](http://www.x2mconnect.com).

The Company also recognises the importance of protecting the assets and reputation of the Company and has adopted an Anti-Bribery and Corruption Policy. The purpose of the Anti-Bribery and Corruption Policy is to reinforce the commitment and responsibility of X2M in identifying fraudulent and corrupt activities and to establishing policies, controls and procedures for prevention and detection of these activities. In addition, the Policy reinforces the requirement that all employees must refrain from and report any corrupt and fraudulent conduct. The Anti-Bribery and Corruption Policy is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

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## Principle 4: The Board Safeguards the Integrity of Corporate Reports

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### Audit and Risk Committee (ARC)

The ARC has three members, Damien Johnston (Chair), Alan Stockdale and John Stewart.

The ASX Principles recommend that an audit committee have at least three members, all of whom are non-executive Directors and a majority of whom are independent and that the chair of the audit committee be an independent Director who is not the chair of the board. The ARC met these requirements in 2025.

For full details of Committee members' attendance at Committee Meetings for 2025, refer to "Board and Committee Meeting attendance" which is contained in the Directors' Report on page 20.

The ARC Charter requires that all members of the ARC can read and understand financial statements and that at least one member is a qualified accountant or other financial professional with appropriate experience of financial and accounting matters. The ARC met these requirements in 2025. For details of the qualifications, skills and experience of the ARC, refer to page 18 for further details.

The ARC Charter sets out the role and responsibilities of the ARC and the Charter is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com). The ARC reviews its Charter annually or as required.

## CORPORATE GOVERNANCE STATEMENT

The objectives of the ARC are to:

- a) assist the Board to achieve its objectives in relation to corporate and financial reporting, the application of accounting policies, business policies and practices, legal and regulatory compliance and internal control and the risk management framework.
- b) maintain and improve the quality, credibility, and objectivity of the financial accountability process; and
- c) promote a culture of compliance across X2M.
- d) provide a forum for communication between the Board and the Company's management in relation to audit and compliance matters affecting X2M.
- e) oversee the internal audit (if any) and external audit functions and communication between the Board and the internal auditor (if any) and the external auditor; and
- f) review and comment on Management's plans for managing the material financial, non-financial and reporting risks faced by the Company.

### Independent Audit

The responsibilities of the ARC in relation to external audit include:

- a) approving the terms of engagement with the external auditor at the beginning of each financial year.
- b) reviewing the external auditor's proposed audit scope and approach.
- c) recommending to the Board for approval, the appointment or removal of the external auditor.
- d) reviewing the performance of the external auditor and approving the fees payable to the external auditor.
- e) developing and overseeing the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and monitoring compliance with that policy.
- f) providing advice to the Board in relation to whether the ARC is satisfied that the provision of non-audit services is compatible with the general standard of independence and an explanation of why those non-audit services do not compromise audit independence; and
- g) meeting with the external auditor to review audit reports.

The external auditor must be independent of X2M. The ARC regularly reviews and assesses the independence of the external auditor and makes recommendations to the Board.

The ARC may obtain information from, and consult with, management, the external Auditor and external advisers, as it considers appropriate. The ARC also has access to the external auditor to discuss matters without management being present.

The ARC is responsible for engaging in the proactive oversight of, and adequacy of, the Company's financial reporting and disclosure processes. The ARC reviews all periodic financial reports with management, advisers and the external auditor (as appropriate) and recommends to the Board, adoption of applicable financial reports if the reports reflect the understanding of the ARC Committee and provide a true and fair view of the financial position and performance of the Company.

### CEO and CFO Declaration

Prior to Board approval of X2M's annual financial reports, the CEO and CFO must provide the Board with the declarations required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles. This declaration is also provided prior to Board approval of the Company's half-year financial reports.

For the half-financial year ended 31 December 2024 and for the financial year ended 30 June 2025, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

## CORPORATE GOVERNANCE STATEMENT

### Auditor at the AGM

At X2M's 2025 AGM, Grant Thornton, as the independent external auditor, will be present and available to answer shareholder questions on the:

- a) conduct of the independent external audit.
- b) preparation and content of the independent external auditor's report.
- c) accounting policies adopted by X2M in relation to the preparation of the financial statements; and
- d) independence of Grant Thornton in relation to the conduct of the audit.

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### Principle 5: The Board Makes Timely and Balanced Disclosure

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It is the intention of the Board to ensure that shareholders are kept informed of all major developments affecting the state of affairs of X2M.

The Company's Continuous Disclosure Policy sets out the disclosure obligations under the Corporations Act and ASX Listing Rules and is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

Under the Continuous Disclosure Policy, the Board bears the primary responsibility for X2M's compliance with its continuous disclosure obligations and is responsible for overseeing and implementing this policy. The Board makes the ultimate decision on whether there is any materially price sensitive information that needs to be disclosed to the ASX, and Board approval is required for any release which relates to any matter which is both material and strategically important for the Company.

In addition, at each Board meeting, consideration is given to any information that must be disclosed to the ASX in accordance with X2M continuous disclosure obligations.

The Company Secretary has primary responsibility for all communication with the ASX in relation to ASX Listing Rule matters. The Company Secretary is also responsible for ensuring that the Directors receive copies of all material market announcements promptly after they have been made.

The Board is responsible for regularly reviewing the Continuous Disclosure Policy to ensure that it remains effective and consistent with all relevant legal pronouncements and the ASX Principles.

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### Principle 6: The Board Respects the Rights of Security Holders

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X2M respects the rights of its shareholders and promotes effective two-way communication with shareholders and other stakeholders. The Company will ensure shareholders are fully informed of X2M's business, governance, and financial performance, and they understand how to assess relevant information about the Company's activities.

### The Company Website

X2M's website is located at [www.x2mconnect.com](http://www.x2mconnect.com). The site is kept current to maintain effective communication with shareholders and stakeholders. Information available on the website includes information about the Company's operations and its brands; the Board of Directors; copies of all key

## CORPORATE GOVERNANCE STATEMENT

governance documentation; announcements; archived investor presentations; current share price information; and company events.

All ASX announcements made by the Company can also be accessed via the 'Announcements' section of the ASX website [www.asx.com.au/markets/trade-our-cash-market/announcements](http://www.asx.com.au/markets/trade-our-cash-market/announcements), using the X2M ticker code X2M.

### Investor Relations

Relationships with investors are very important to X2M. Following the release of its half-year and annual financial statements, the Company may conduct investor briefings and investor roadshows with institutional groups and analysts. X2M will send details of its half-year and full-year investor call to the ASX to ensure that a wide set of stakeholders are able to attend. The X2M AGM will be held in November and the Chair, Directors and Key Management Personnel will engage with Shareholders in advance of the AGM, as appropriate.

### Shareholder Communications

Shareholders may elect to receive all communications from X2M's share registry electronically. Electronic communications are timelier, cost effective, and are encouraged by the Company. Shareholders should contact the share registry if they wish to elect to receive electronic communications by emailing [hello@automic.com.au](mailto:hello@automic.com.au).

The Company's' share registry is managed by Automic Group Pty Ltd. Their website address is [www.automicgroup.com.au](http://www.automicgroup.com.au).

### Shareholder Engagement and Participation

To encourage shareholder engagement and participation at the AGM, when possible, shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and the Executive Team. In the event the AGM is held electronically, the Company will ensure that appropriate technology is used to facilitate the participation of shareholders at such meetings. Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting, or online through the share registry's website. For the 2025 AGM, all questions will be decided by a poll rather than a show of hands.

Shareholders have the opportunity to submit written questions and comments to X2M and its external auditor.

Presentations and speeches made by the Chair and CEO at the AGM are made available on the ASX announcements platform and X2M website before the commencement of the meeting. X2M will advise the results of the AGM to the ASX and on its website promptly following the conclusion of the AGM.

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## Principle 7: The Board Recognises and Manages Risk

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### Risk Committee

The ARC is charged with the responsibility to assist the Board in the oversight of risk. Please refer to page 18 for details of the members of the Committee, qualifications and experience of members and individual attendances at Committee meetings.

The sections of the ARC Charter with respect to risk management includes the following:

## CORPORATE GOVERNANCE STATEMENT

- a) oversee the establishment and implementation of the risk management framework and internal compliance and control systems.
- b) monitoring the mechanism for assessing the ongoing efficiency and effectiveness of the risk management framework and internal compliance and control systems.
- c) monitoring whether X2M is operating within the risk appetite set by the Board and make recommendations on any necessary changes that should be made to the risk appetite.
- d) review risk management policies and procedures at least annually to ensure that the risk systems and processes in place are operating effectively and efficiently, in regard to identifying, assessing, monitoring and managing risk; and
- e) review X2M's risk management framework at least annually to evaluate compliance and internal control processes and making recommendations to the Board.

The Audit and Risk Committee Charter is available on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

### Review of Risk Management Framework

The Board has overall responsibility for the Group's risk management and internal controls. The Board has delegated detailed review of these matters to the ARC which reports material issues to the Board.

The Company has adopted a Risk Management Policy which is available on the Company website at [www.x2mconnect.com](http://www.x2mconnect.com). This policy highlights the risks relevant to the Group's operations and the policies the Group has enacted for the supervision and management of material business risks.

The ARC oversees the establishment and implementation of, the Group's Risk Management Framework and makes recommendations to the Board on the soundness of risk management across X2M. In 2023, management in conjunction with the ARC developed the Risk Appetite Statement and Risk Register. In 2025, the risk management processes of the Company will develop further as the Company matures.

X2M's internal compliance and control systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, and managing risk across the Group's business activities. The internal control systems which have been adopted by the Company aim to develop a culture which is able to identify, communicate and manage material risk.

### Internal Audit Function

Prior to listing on the ASX, X2M did not appoint an Internal Auditor as the size and scale of the operations did not warrant the function.

Moving forward, the Management team in consultation with the ARC, will review the need for an Internal Auditor who will assist with the oversight and validation of key elements of the Company's internal governance.

### Material Exposure to Environmental or Social Risks

The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management to determine whether the Company has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risks.

The Company's Corporate Governance Plan requires the Company to disclose whether it has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risk.

## CORPORATE GOVERNANCE STATEMENT

Where the Company does not have material exposure to environmental or social risks, report the basis for that determination to the Board, and where appropriate benchmark the Company's environmental or social risk profile against its peers.

The Company considers that it does not have material exposure to environmental or social risks given the nature of its business and operations.

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### Principle 8: The Board Remunerates Fairly and Responsibly

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X2M's approach to remuneration is framed by the strategic direction and operational demands of the business, as well as the international context in which the business operates, sustainable shareholder returns, and the Company's governance standard.

The Board is responsible for:

- a) adopting appropriate remuneration policies and practices to attract and retain high quality Directors and to attract, retain and motivate senior executives who will create value for shareholders.
- b) monitoring compliance with the Board approved remuneration policies, incentives and behaviours arising from the remuneration structure;
- c) Ensure the Executive Team are fairly and responsibly rewarded having regard to the performance of the Company, the performance of the Executive Team and the general external remuneration environment; and
- d) setting the Remuneration Policy for all employees.

#### Remuneration Policies and Practices

Details about X2M's remuneration strategy, framework, policies, and practices are set out in the Company's Remuneration Report on page 20.

The Company's Remuneration Policy is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

#### Policy on Hedging Equity-based Incentive Schemes

X2M offers an equity-based remuneration scheme through its STI and LTI plans. The STI Plan Rules, LTI Plan Rules and the X2M Trading Policy prohibits employees from hedging the value of restricted shares and unvested securities.

Breaches of this prohibition will result in awards being forfeited by the relevant employee.

The Company's Trading Policy is located on the X2M website at [www.x2mconnect.com](http://www.x2mconnect.com).

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**Shareholder  
Information**

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 16 September 2025.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Unlisted options over ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued	Number of holders	% of total performance rights issued
1 to 1,000	12	-	6	-	-	-
1,001 to 5,000	77	0.03	6	-	-	-
5,001 to 10,000	77	0.06	2	-	-	-
10,001 to 100,000	226	0.94	26	0.10	-	-
100,001 and over	270	98.97	125	99.90	11	100.00
	<b>662</b>	<b>100.00</b>	<b>165</b>	<b>100.00</b>	<b>11</b>	<b>100.00</b>
Holding less than a marketable parcel	289	0.34	-	-	-	-

### Convertible notes

	Number of holders	% of total shares to be issued
1 to 1,000	-	-
1,000 to 5,000	-	-
5,001 to 10,000	-	-
10,001 to 100,000	1	16.61
100,001 and over	2	83.39
	<b>3</b>	<b>100.00</b>

## SHAREHOLDER INFORMATION

### Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
1. Staple Elements Pty Ltd (Kirzner Family A/C)	76,923,077	8.10
2. Mr Andrew Carlyle Greig	73,246,162	7.72
3. HSBC Custody Nominees (Australia) Limited	52,462,021	5.53
4. Deck Chair Holdings Pty Ltd	40,153,846	4.23
5. Kea Holdings Pty Ltd (IOS Holdings A/C)	40,153,845	4.23
6. GreenRock Energy Co Ltd	36,111,111	3.80
7. Citicorp Nominees Pty Limited	29,887,321	3.15
8. Shayne Smyth Associates	29,056,621	3.06
9. Kembla No 20 Pty Ltd (CAA A/C)	25,000,000	2.63
10. Fairwinds Associates	24,479,328	2.58
11. Crutchfield Associates	21,654,022	2.28
12. Mazzara Succession Pty Ltd (Mazzara A/C)	17,260,015	1.82
13. BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client)	16,254,198	1.71
14. Greg Gibbons (Island Super Fund A/C)	15,910,453	1.68
15. Allegro Associates	15,503,681	1.63
16. JML Capital Limited	15,447,851	1.63
17. Braunthal Associates	13,613,787	1.43
18. M & M Jesudason Co Pty Ltd (Jesudason Family A/C)	13,167,617	1.39
19. Lisafield Associates	12,453,113	1.31
20. X2M Quantum Pty Ltd	12,307,693	1.30
	<b>581,045,762</b>	<b>61.21</b>

### Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	947,097,454	165
Performance rights to be converted into ordinary shares	19,101,040	11

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Yongsun Kim	Performance rights to be converted into ordinary shares	5,124,977
Chengyu Fang	Performance rights to be converted into ordinary shares	5,105,977

## SHAREHOLDER INFORMATION

### Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Staple Elements Pty Ltd (Kirzner Family A/C)	76,923,077	8.10
Mr Andrew Carlyle Greig	73,246,162	7.72
HSBC Custody Nominees (Australia) Limited	52,462,021	5.53

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### Ordinary shares

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

#### Unquoted options and performance rights

Unquoted options and performance rights do not have voting rights.

There are no other classes of equity securities.

### Restricted securities

There are no restricted securities on issue as at 16 September 2025.

### Annual General Meeting and Director Nominations Closing date

X2M Connect Limited advises that its Annual General Meeting will be held on Tuesday 25 November 2025 at 10:00am. The details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nominations for the position of Director is Monday 13 October 2025. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Monday 13 October 2025 at the Company's Registered Office.

### Changes to Unaudited Preliminary Financial Report

On the 28th of August 2025, the Group released its unaudited preliminary financial report for the year ended 30th of June 2025. Upon finalising the audit, the following variances were noted in the statement of profit or loss and other comprehensive income:

- Increase of \$232,831 in finance costs, as the result of non-cash effective interest adjustment on a convertible loan
- Increase of \$633,450 in net fair value loss on derivative financial instruments as the result of fair value adjustment on derivatives arisen from extinguishment of previously issued convertible notes and associated free attaching options and piggyback options (refer to Note 19 for further details)

Consequentially, the Group's borrowings in current liabilities increased by \$866,281. In addition, the issued capital balance was increased by \$680,056 as a result of reversal of options recognised as cost of capital raising.

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