X2M Connect Limited and its controlled entities
(formerly X2M Connect Pty Ltd)

ACN 637 951 154

Financial Report
9 December 2019 to 30 June 2020

X2M Connect Limited
Contents
30 June 2020

General information

The financial statements cover X2M Connect Limited (formerly X2M Connect Pty Ltd as at 30 June 2020 and incorporated as FS IOT Holdings Pty Ltd from 9 December 2019) as a group consisting of X2M Connect Limited (the 'Company' or the 'Parent') and the entities it controlled at the end of, or during, the period (collectively the 'Group'). The financial statements are presented in Australian dollars, which is X2M Connect Limited's functional and presentation currency.

X2M Connect Limited is an unlisted public company limited by shares.

The Group consists of X2M Connect Limited and the following companies:

Freestyle Energy Two Pty Ltd
Freestyle Technology Taiwan Limited
Freestyle Technology Co., Ltd*
Golden Sino Hong Kong Limited
Freestyle Technology (Shanghai) Co., Ltd
Freestyle Technology Japan KK
Beijing Freestyle Technology Co., Ltd - incorporated on 29 April 2020 (non-trading at 30 June 2020)

*South Korean operations

The above mentioned companies, excluding Beijing Freestyle Technology Co., Ltd, were acquired by X2M Connect Limited on 26 February 2020 from Freestyle Technology Limited.

These financial statements have been prepared to meet the needs of X2M Connect Limited.

X2M Connect Limited
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2020

	Note	Consolidated 9 December 2019 to 30 June 2020 $
Revenue	4	1,314,138
Other income	5	179,849
Interest revenue		63
Total revenue and other income		1,494,050
Expenses		
Cost of sales		(551,734)
Employee benefits expense		(1,281,823)
Depreciation and amortisation expense	6	(386,283)
Finance costs	6	(113,007)
Telephone expenses		(89,688)
Short-term lease expenses		(65,925)
Other expenses		(272,645)
Professional fees		(183,697)
Total expenses		(2,944,802)
Loss before income tax benefit		(1,450,752)
Income tax benefit	7	62,554
Loss after income tax benefit for the period attributable to the owners of X2M Connect Limited		(1,388,198)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation		23,813
Other comprehensive income for the period, net of tax		23,813
Total comprehensive income for the period attributable to the owners of X2M Connect Limited		(1,364,385)

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

X2M Connect Limited
Statement of financial position
As at 30 June 2020

	Note	Consolidated 30 June 2020 $
Assets		
Current assets		
Cash and cash equivalents	8	302,092
Trade and other receivables	9	520,856
Contract assets	10	437,759
Inventories	11	269,043
Other assets	12	638,976
Total current assets		2,168,726
Non-current assets		
Property, plant and equipment and right-of-use assets	13	1,306,672
Intangible assets	14	1,761,502
Other assets	12	256,118
Total non-current assets		3,324,292
Total assets		5,493,018
Liabilities		
Current liabilities		
Trade and other payables	15	1,108,204
Contract liabilities	16	7,798
Borrowings	17	4,483,548
Lease liabilities	21	62,943
Derivative financial instruments	18	112,000
Employee benefits	19	266,479
Provisions	20	87,847
Total current liabilities		6,128,819
Non-current liabilities		
Lease liabilities	21	64,273
Deferred tax	7	346,066
Employee benefits	19	317,985
Total non-current liabilities		728,324
Total liabilities		6,857,143
Net liabilities		(1,364,125)
Equity		
Issued capital	22	260
Foreign currency translation reserve		23,813
Accumulated losses		(1,388,198)
Total deficiency in equity		(1,364,125)

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

X2M Connect Limited
Statement of changes in equity
For the period ended 30 June 2020

Consolidated	**Issued capital $**	**Foreign currency translation reserve $**	**Accumulated losses $**	**Total deficiency in equity $**
Balance at 9 December 2019	-	-	-	-
Loss after income tax benefit for the period	-	-	(1,388,198)	(1,388,198)
Other comprehensive income for the period, net of tax	-	23,813	-	23,813
Total comprehensive income for the period	-	23,813	(1,388,198)	(1,364,385)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	260	-	-	260
Balance at 30 June 2020	260	23,813	(1,388,198)	(1,364,125)

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

X2M Connect Limited
Statement of cash flows
For the period ended 30 June 2020

	Note	Consolidated 9 December 2019 to 30 June 2020 $
Cash flows from operating activities		
Receipts from customers and other sources		1,418,515
Payments to suppliers and employees		(2,325,216)
Net cash used in operating activities		(906,701)
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	3	(2,825,080)
Payments for intangibles	14	(258,037)
Net cash used in investing activities		(3,083,117)
Cash flows from financing activities		
Proceeds from issue of shares	22	260
Proceeds from convertible notes	17	4,200,000
Proceeds from borrowings		113,050
Repayment of lease liabilities (including interest)		(18,893)
Net cash from financing activities		4,294,417
Net increase in cash and cash equivalents		304,599
Cash and cash equivalents at the beginning of the financial period		-
Effects of exchange rate changes on cash and cash equivalents		(2,507)
Cash and cash equivalents at the end of the financial period	8	302,092

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

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

X2M Connect Limited was incorporated at the commencement of the period being reported. As such all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that were mandatory for the current reporting period have been adopted from the commencement of the reporting period presented in these financial statements.

Going concern

The 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.

For the period 9 December 2019 to 30 June 2020, the Group reported a loss after tax of $1,388,198 and cash outflows from operating activities of $906,701 and as at 30 June 2020 the Group had net liabilities of $1,364,125 and had a working capital deficiency, being current assets less current liabilities, of $3,960,093.

The Group had $4,200,000 of convertible notes accounted for as current liabilities as at 30 June 2020. These notes converted to ordinary shares on 11 March 2021.

Subsequent to 30 June 2020 the Group issued additional convertible notes totalling $4,300,000. Of these notes $1,300,000 converted to ordinary shares on 11 March 2021. The remaining $3,000,000 of notes were redeemed on 24 April 2021, with $1,500,000 paid on 16 April 2021 and the remaining $1,500,000 plus interest scheduled to be paid in June 2021.

In May 2021, the Company raised $1,045,000 through the sale of ordinary shares to new investors.

At the time of this report, X2M Connect Limited is undertaking an IPO process to list on the Australian Stock Exchange.

In determining that the going concern assumption is appropriate, the Directors have prepared cash flow projections for the Group for the period until 30 June 2022. These cash flow projections support the Group’s ability to continue as a going concern. These cash flow projections assume the Group’s ability to achieve sales, control expenditures and successful completion of the IPO process in the second half of the 2021 calendar year.

The ability of the Group to continue as a going concern is critically dependent upon achieving much or all of the following over the forecast period:

- Completion of an initial public offering (raising at least $6m) in the second half of the 2021 calendar year;
- Approval and receipt of research and development grants of approximately $0.8m from the Government of Australia in October 2021;
- Prudent management of costs throughout the forecast period, and adherence to the projected cash flow budget, including the ability control expenditures in line with cash resources available; and
- Further achievement of sales through commercialisation activities.

In the event that the above capital raisings or exit events do not eventuate, or cash flow forecasts are not achieved thereby impacting the Group’s ability to continue as a going concern, assets may not be realised and liabilities settled at amounts stated in the financial statements. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 1. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards Board Standards and Interpretations.

Reporting period
The financial statements cover the period 9 December 2019, being the date of incorporation of X2M Connect Limited, to 30 June 2020.

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.

Foreign currency translation
The financial statements are presented in Australian dollars.

Foreign currency translation
Transactions in foreign currencies are translated into Australian dollars at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Parent entity information
These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of X2M Connect Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period then ended. X2M Connect Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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.

Note 1. Significant accounting policies (continued)

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.

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 unconditional right 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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets 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.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and carry forward tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

Onerous contracts
A provision has been made for onerous contracts. The provision is calculated based on an estimate of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The estimate of expected net cost of continuing with the contract is based on the Group's experience with the delivery of similar products and services.

Financial instruments measured at fair value through profit or loss
The Group must estimate the probability of an initial public offering by particular dates and the expected IPO share price when calculating the value of the convertible derivative component of convertible notes. This estimate is inherently difficult and subject to much judgement. Material changes in this assumption can have a material impact on the price.

Functional currency
The Group makes judgements in defining the functional currency of entities within the Group based on economic substance of the transactions relevant to these entities. By default the functional currency is the one of the country in which the entity is operating.

Note 3. Business combinations

The Group consists of X2M Connect Limited and the following companies:
Freestyle Energy Two Pty Ltd
Freestyle Technology Taiwan Limited
Freestyle Technology Co., Ltd*
Golden Sino Hong Kong Limited
Freestyle Technology (Shanghai) Co., Ltd
Freestyle Technology Japan KK
Beijing Freestyle Technology Co., Ltd

*South Korean operations

The above mentioned companies, excluding Beijing Freestyle Technology Co., Ltd, were acquired by X2M Connect Limited on 26 February 2020 from Freestyle Technology Limited.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	174,920
Trade & other receivables	421,699
Contract assets	415,774
Inventories	212,493
Other assets	239,710
Property, plant and equipment and right-of-use assets	1,525,202
Trade & other payables	(897,714)
Employee benefits	(102,211)
Provisions (onerous contract)	(107,368)
Lease liabilities	(84,740)
Identifiable intangible assets recognised on acquisition (intellectual property, patents and copyright)	1,610,855
Deferred tax liability on intellectual property, patents and copyright	(408,620)
Net assets acquired	3,000,000
Goodwill	-
Acquisition-date fair value of the total consideration transferred	3,000,000
Representing:	
Cash paid or payable to vendor	3,000,000
Less: Cash and cash equivalents acquired	(174,920)
Net cash and cash equivalents on purchase of business	2,825,080

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 3. Business combinations (continued)

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 4. Revenue

	Consolidated 9 December 2019 to 30 June 2020 $
Platform subscriptions revenue - over time	741,546
Hardware sales - point in time	572,592
Revenue	1,314,138

Note 4. Revenue (continued)

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.

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.

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.

Type of product/service	Nature and timing of satisfaction of performance obligations
Platform subscription revenue	The nature and timing of revenue recognition can differ between customers based on the deliverables and pricing of each customer's contract. 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.

Interest
Interest revenue 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.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established, when the revenue does not give rise to an obligation.

Note 5. Other income

	Consolidated 9 December 2019 to 30 June 2020 $
Research and development tax credits	44,849
Government assistance	135,000
Other income	179,849

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 will the conditions attached to the tax credits and that the tax credits will be received.

Government assistance represents the JobKeeper payments received/receivable from the government in response to the ongoing novel coronavirus (COVID-19) pandemic. Government assistance is recognised as income once the Group is satisfied that there are no unfulfilled conditions or other contingencies attaching to these amounts under the JobKeeper Payment scheme and that the assistance will be received.

Note 6. Expenses

	Consolidated 9 December 2019 to 30 June 2020 $
Loss before income tax includes the following specific expenses:	
Finance costs	
Interest on lease liabilities	1,007
Interest on convertible notes	112,000
Finance costs expensed	113,007
Depreciation and amortisation expense	
Depreciation of property, plant and equipment and right-of-use assets	278,893
Amortisation of intangible assets	107,390
Total depreciation and amortisation expense	386,283

Note 7. Income tax

	Consolidated 9 December 2019 to 30 June 2020 $
Income tax benefit	
Current tax	-
Deferred tax	(62,554)
Aggregate income tax benefit	(62,554)
Deferred tax included in income tax benefit comprises:	
Decrease in deferred tax liabilities	(62,554)
Numerical reconciliation of income tax benefit and tax at the statutory rate	
Loss before income tax benefit	(1,450,752)
Tax at the statutory tax rate of 27.5%	(398,957)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Permanent differences	108,437
Difference in overseas tax rates	36,876
Current period tax losses not recognised (net of difference in overseas tax rates)	191,090
Income tax benefit	(62,554)

	Consolidated 30 June 2020 $
Carry forward tax losses not recognised	
Carry forward tax losses not recognised comprise:	
Carry forward losses: Freestyle Technology Taiwan Limited (1)	322,727
Carry forward losses: Freestyle Technology Co., Ltd (2)	1,060,533
Carry forward losses: Freestyle Technology Japan KK (2)	21,218
Total carry forward tax losses recognised	1,404,478

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

(1) 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.

(2) Tax losses may be carried forward for up to 10 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).

Note 7. Income tax (continued)

	Consolidated 30 June 2020 $
Deferred tax liability	
Deferred tax liability comprises temporary differences attributable to:	
Intellectual property, patents and copyright	443,597
Employee benefits	(75,178)
Other	(22,353)
Deferred tax liability	346,066
Movements:	
Opening balance	-
Credited to profit or loss	(62,554)
Additions through business combinations (note 3)	408,620
Closing balance	346,066

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. Cash and cash equivalents

	Consolidated 30 June 2020 $
Current assets	
Cash on hand	260
Cash at bank	301,832
	302,092

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 9. Trade and other receivables

	Consolidated 30 June 2020 $
Current assets	
Trade receivables	478,729
Other receivables	42,127
	520,856

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 10. Contract assets

	Consolidated 30 June 2020 $
Current assets	
Contract assets	437,759

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 11. Inventories

	Consolidated 30 June 2020 $
Current assets	
Finished goods - at cost	269,043

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.

Note 12. Other assets

	Consolidated 30 June 2020 $
Current assets	
Research and development tax credit receivables	244,514
Government assistance receivables	135,000
Prepayments	252,734
Other assets	6,728
	638,976
Non-current assets	
Deposits	256,118
	895,094

Note 13. Property, plant and equipment and right-of-use assets

	Consolidated 30 June 2020 $
Non-current assets	
Office equipment - at cost	18,698
Less: Accumulated depreciation	(1,059)
	17,639
Deployed infrastructure - at cost	1,421,764
Less: Accumulated depreciation	(258,503)
	1,163,261
Right-of-use assets (land & buildings) - at cost	145,103
Less: Accumulated depreciation	(19,331)
	125,772
	1,306,672

Note 13. Property, plant and equipment and right-of-use assets (continued)

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

Consolidated	Office equipment $	Deployed infrastructure $	Right-of-use assets (land & buildings) $	Total $
Balance at 9 December 2019	-	-	-	-
Additions through business combinations	18,698	1,421,764	84,740	1,525,202
Additions (net of exchange differences)	-	-	60,363	60,363
Depreciation expense	(1,059)	(258,503)	(19,331)	(278,893)
Balance at 30 June 2020	17,639	1,163,261	125,772	1,306,672

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.

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

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 period 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. 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 are expensed to profit or loss as incurred.

Note 14. Intangible assets

	Consolidated 30 June 2020 $
Non-current assets	
Intellectual property, patents and copyright - at cost	1,610,855
Less: Accumulated amortisation	(107,390)
	1,503,465
Intellectual property in progress - at cost	258,037
	1,761,502

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

Consolidated	Intellectual property, patents and copyright $	Intellectual property in progress $	Total $
Balance at 9 December 2019	-	-	-
Additions through business combinations	1,610,855	-	1,610,855
Capitalisation of expenses (net of exchange differences and tax credits)	-	258,037	258,037
Amortisation expense	(107,390)	-	(107,390)
Balance at 30 June 2020	1,503,465	258,037	1,761,502

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. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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.

Note 15. Trade and other payables

	Consolidated 30 June 2020 $
Current liabilities	
Trade payables	562,809
Accrued expenses	545,395
	1,108,204

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.

Note 16. Contract liabilities

	Consolidated 30 June 2020 $
Current liabilities	
Contract liabilities	7,798

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 17. Borrowings

	Consolidated 30 June 2020 $
Current liabilities	
Other borrowings	283,548
Convertible notes	4,200,000
	4,483,548

Accounting policy for borrowings
Other borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The interest rate on other borrowings ranges from 4-6%. The other borrowings are classified as current as they are either currently due to be settled or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Note 17. Borrowings (continued)

Convertible notes that exhibit characteristics of a liability is 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.

The Group issued 4,200,000 convertible notes during the period that are able to be converted to ordinary shares in the event of an IPO or certain exit events occurring. The Group has the ability to redeem the notes at any time pending certain conditions being met. The notes converted to ordinary shares on 11 March 2021.

Derivatives on convertible notes are accounted for separately. Refer to note 18 for further details.

Note 18. Derivative financial instruments

	Consolidated 30 June 2020 $
Current liabilities	
Derivative on convertible notes	112,000

Accounting policy for derivative financial instruments
The derivatives relate to the convertible notes issued during the period as disclosed in note 17. The conversion features that give rise to the recognition of the derivative include that the number of shares to be issued on conversion can vary.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 19. Employee benefits

	Consolidated 30 June 2020 $
Current liabilities	
Employee benefits	266,479
Non-current liabilities	
Employee benefits	317,985
	584,464

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.

Note 19. Employee benefits (continued)

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 20. Provisions

	Consolidated 30 June 2020 $
Current liabilities	
Onerous contract	87,847

Accounting policy for provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Onerous contracts
A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

In the 2017 financial year, a company within the Group entered into a non-cancellable contract for a rollout of an advanced water meter reading solution to the city of Gochang in South Korea. This was the first deployment of its type in South Korea and the contract is for 5 years with a 3 year option period. The deployment to 24,000 households was to showcase the Group’s technology to future potential customers and was priced accordingly. In determining the provision, the Group has taken into consideration the costs of executing the project over the 5 years period which have been contracted, without including cash inflows expected from an extension at the option of the customer. The equipment is expected to have an effective useful life of 5 years. The obligation of the total costs of the contract, net of expected income, has been provided for in the provision.

Note 21. Lease liabilities

	Consolidated 30 June 2020 $
Current liabilities	
Lease liability	62,943
Non-current liabilities	
Lease liability	64,273
	127,216

Note 21. Lease liabilities (continued)

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.

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

	Consolidated	
	30 June 2020 Shares	30 June 2020 $
Ordinary shares - fully paid	2,598	260

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.

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. Key management personnel disclosures

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

	Consolidated 9 December 2019 to 30 June 2020 $
Aggregate compensation	398,892

Note 24. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2020.

Note 25. Commitments

The Group had no material commitments not accounted for in the statement of financial position as at 30 June 2020

Note 26. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 28.

Directors details
The following are the periods of service of Directors of X2M Connect Limited:

Name	Commenced	Ceased
Michael An	9 December 2019	12 February 2021
Narender Lahkwani	12 August 2020	17 November 2020
Lee Mayberry	12 August 2020	8 February 2021
Alan Stockdale	8 February 2021	N/A
Jodie Leonard	8 February 2021	N/A
Damien Johnston	8 February 2021	N/A
John Stewart	8 February 2021	N/A

Key management personnel
Disclosures relating to key management personnel are set out in note 23.

Transactions with related parties
Michael An is a Director of Perle Ventures Pty Ltd. The loans to/from related parties section below provides details in relation to borrowings during the period from two entities for which Perle Ventures Pty Ltd is the trustee.

Perle Ventures Pty Ltd is the trustee of an entity that has loaned $615,000 to X2M Connect Limited subsequent to year end. A 2% establishment fee was paid to Perle Ventures Pty Ltd upon commencement of the loan.

Michael An's nominee Null Cipher was issued 720,000 fully paid ordinary shares on 12 February 2021 (259,201 post share consolidation on 7 June 2021) as compensation for Chairman and Director services rendered to X2M Connect Limited. No other remuneration has been paid to Michael An, Narender Lahkwani or Lee Mayberry.

Alan Stockdale is the controller of EC Strategies Pty Ltd. EC Strategies Pty Ltd provided consultancy services of Alan Stockdale worth $45,455 to X2M Connect Limited from 1 August 2020 to 31 January 2021. Alan Stockdale has been paid Director remuneration of $100,000 per annum excluding superannuation since 8 February 2021. Alan Stockdale's nominee Dominique Fisher was issued with 608,000 fully paid ordinary shares on 24 March 2021 (218,881 post share consolidation on 7 June 2021) as compensation for Chairman and Director services rendered to X2M Connect Limited.

Jodie Leonard has been paid Director remuneration of $50,000 per annum including superannuation since 8 February 2021. Jodie Leonard's nominee J Leonard Super Fund was issued with 304,000 fully paid ordinary shares on 24 March 2021 (109,441 post share consolidation on 7 June 2021) as compensation for Director services rendered to X2M Connect Limited.

Damien Johnston has been paid Director remuneration of $50,000 per annum including superannuation since 8 February 2021. Damien Johnston was issued with 304,000 fully paid ordinary shares on 24 March 2021 (109,441 post share consolidation on 7 June 2021) as compensation for Director services rendered to X2M Connect Limited.

John Stewart has been paid Director remuneration of $50,000 per annum including superannuation since 8 February 2021. John Stewart's nominee JT & SI Stewart Family Trust was issued with 304,000 fully paid ordinary shares on 24 March 2021 (109,441 post share consolidation on 7 June 2021) as compensation for Director services rendered to X2M Connect Limited.

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

Note 26. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 30 June 2020 $
Current borrowings:	
Other borrowings - related parties of Perle Ventures Pty Ltd	91,850
Convertible notes - related parties of Perle Ventures Pty Ltd	1,968,000

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 9 December 2019 to 30 June 2020 $
Loss after income tax	(557,652)
Total comprehensive income	(557,652)

Statement of financial position

	Parent 30 June 2020 $
Total current assets	835,247
Total assets	4,135,789
Total current liabilities	4,220,483
Total liabilities	4,693,181
Equity	
Issued capital	260
Accumulated losses	(557,652)
Total deficiency in equity	(557,392)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020

Note 27. Parent entity information (continued)

Significant accounting policies
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 28. 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 30 June 2020 %
Freestyle Energy Two Pty Ltd	Australia	100%
Freestyle Technology Taiwan Limited	Taiwan	100%
Freestyle Technology Co., Ltd	South Korea	100%
Golden Sino Hong Kong Limited	Hong Kong	100%
Freestyle Technology (Shanghai) Co., Ltd	China	100%
Freestyle Technology Japan KK	Japan	100%
Beijing Freestyle Technology Co., Ltd - incorporated on 29 April 2020	China	100%

The above mentioned companies, excluding Beijing Freestyle Technology Co., Ltd, were acquired by X2M Connect Limited on 26 February 2020 from Freestyle Technology Limited.

Note 29. Events after the reporting period

During the financial period the COVID-19 pandemic has had a significant impact on local and international economies. While the short-term impact to the Group has been estimated when considering the going concern assumption in the preparation of the financial report, the longer term impacts of COVID-19 on the operations of the Group remain uncertain and cannot be quantified at this time.

On 14 August 2020, the Company changed its type to a public company and changed its name to X2M Connect Limited.

On 16 November 2020, the Company entered into a loan of $500,000 with two of its shareholders. On 19 January 2021, the Company extended the loan amount to $1,000,000. On 9 February 2021, the Company amended the loan to repay an initial amount of $500,000 (paid on 3 March 2021) and defer the repayment of the balance of the loan and interest until after subsequent capital raisings occur. On 30 April 2021, the Company made a drawdown of $204,000 of the repaid funds and further amended the loan to convert 50% of the total outstanding amount to ordinary shares and to pay the remaining 50% into the broker account for the planned IPO.

On 13 January 2021, the Company received in principle advice from the ASX that it could proceed with the process to list on the ASX.

On 4 February 2021, the Company split its shares from 2,598 shares into 50,800,480 shares.

On or about 8 February 2021, the shareholders determined that, in preparation for the IPO, an experienced and independent Board should be put in place and should replace the existing Board. The existing Board nominated and appointed four new independent directors and then resigned their positions from the Board.

Note 29. Events after the reporting period (continued)

The Company had $4,200,000 of convertible notes accounted for as current liabilities as at 30 June 2020. These notes converted to ordinary shares on 11 March 2021.

Subsequent to 30 June 2020 the Company issued additional convertible notes totalling $4,300,000. Of these notes $1,300,000 converted to ordinary shares on 11 March 2021. The remaining $3,000,000 of notes were redeemed on 24 April 2021, with $1,500,000 paid on 16 April 2021 and the remaining $1,500,000 plus interest scheduled to be paid in June 2021.

On or about 24 March 2021 18,599,520 shares (6,695,827 post share consolidation on 7 June 2021) were issued to directors, executives and staff under the Company employee incentive scheme.

In May 2021, the Company raised $1,045,000 through the sale of ordinary shares to new investors.

On 7 June 2021, the Company consolidated its shares from 200,769,652 shares to 72,277,075 shares.

No other matter or circumstance has arisen since 30 June 2020 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 30. Non-cash investing and financing activities

	Consolidated 9 December 2019 to 30 June 2020 $
Additions to the right-of-use assets	60,363

X2M Connect Limited
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors

Hon. Alan Stockdale AO
Non-Executive Chairman

12 June 2021

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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 2020, 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 period 9 December 2019 to 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of X2M Connect Limited:

a presents fairly, in all material respects, the Group's financial position as at 30 June 2020 and of its performance and cash flows for the period 9 December 2019 to 30 June 2020; and

b complies with Australian Accounting Standards – Reduced Disclosure Requirements.

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 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group for the period 9 December 2019 to 30 June 2020 reported a loss after tax of $1,388,198 and cash outflows from operating activities of $906,701 and as at 30 June 2020 the Group had net liabilities of $1,364,125 and had a working capital deficiency, being current assets less current liabilities, of $3,960,093. 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.

Responsibilities of management and those charged with governance for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements. This responsibility also includes such internal control as management determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 12 June 2021