

Changing the utility landscape with IoT



Equity Raise Presentation

July 2022

ASX Code: X2M

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FY22 trading update

- FY22 revenue \$10.4m¹, up 82% on FY21 full year result
- Connected devices at 30 June 2022: 245,265, up 99% on previous corresponding period (pcp)
- Enterprise/government customers at 30 June 2022: 46, up 35% on pcp
- Zero customer churn²
- Australian energy management market entry announced, with X2M's first customer Resi Ventures

Outlook and prospects

- Well placed for momentum to continue into FY23
- 12 contracted deployments as at 19 July 2022 are in progress in South Korea and will continue roll out with revenue recognition of approximately \$8.2 million anticipated in H1FY23
- Hebei Contract secured in China for \$1.4 million deployment over a three month period
- Resi Ventures Echuca energy management estate expected to roll out in FY23

Capital Raising

- X2M is announcing a non-underwritten equity raising of -A\$3.97 million (Capital Raising or Offer) at an issue price of A\$0.085, consisting of
 - A \$3.97 million 1 for 3 pro-rata accelerated, non-renounceable entitlement offer (Entitlement Offer)
- Participants in the Entitlement Offer will also receive 1 free attaching option for every 2 new shares subscribed for, exercisable at A\$0.16 and expiring on 31 August 2024. X2M will seek quotation of options subject to satisfaction of relevant ASX Listing Rules criteria. If the ASX Listing Rules criteria are not satisfied, the Options will still be issued but will not be tradeable on the market conducted by ASX.
- The offer price of A\$0.085 represents a 39.3% discount to the last close on 22 July 2022 of A\$0.140
- The proceeds from the capital raise will be used for increased sales and marketing to drive expansion with X2M's Australian smart communities solution, platform enhancements, hardware and prototypes, administration and general working capital

All figures are in AUD, unless stated otherwise

1. Unaudited
2. X2M has not lost a customer to date



Company Update

X2M's strong growth continues into H1 2023



FY22 Revenue: \$10.4m¹, up 82% on pcp



12 contracted deployments in South Korea and 1 in China : approx. \$9.6 million in Revenue to be recognised in 1HFY23



Connected devices at 30 June 2022: 245,265, up 99% on pcp



Enterprise/government customers at 30 June 2022: 46, up 35% on pcp



Customer churn: Zero

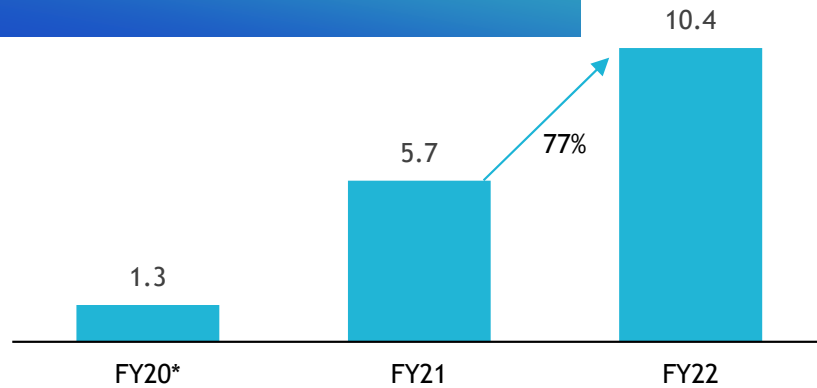


Australian Energy Management Market entry announced. 1st customer announced

Key metrics deliver strong growth

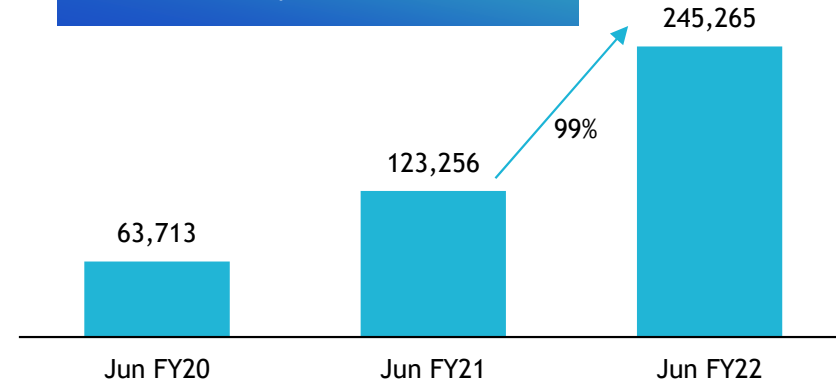
Revenue (\$A millions)

FY22 revenue of \$10.4m¹, up 82% on pcp



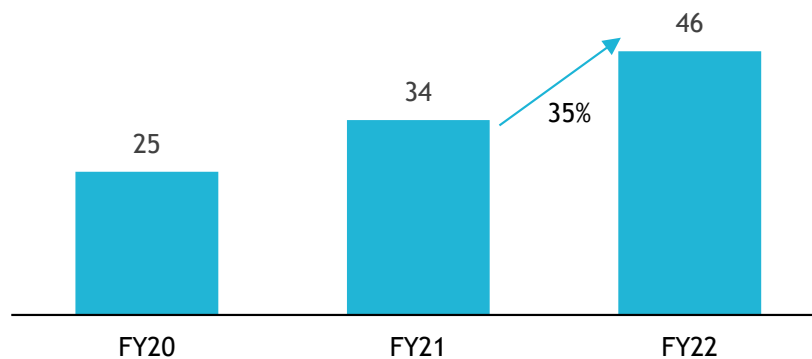
Connected devices

Connected devices totaled 245,265 at 30 June 2022, up 99% on 30 June 2021



Enterprise and government customers

Enterprise and government customers rose by 12 to 46 by 30 Jun 2022, up 35% on 30 Jun 2021



X2M has delivered strong FY22 growth in connected devices, enterprise and government customers and revenue

1. Unaudited

*The company was originally incorporated on 9 December 2019. As such, FY20 reporting period is from the date of incorporation to 30 June 2020.

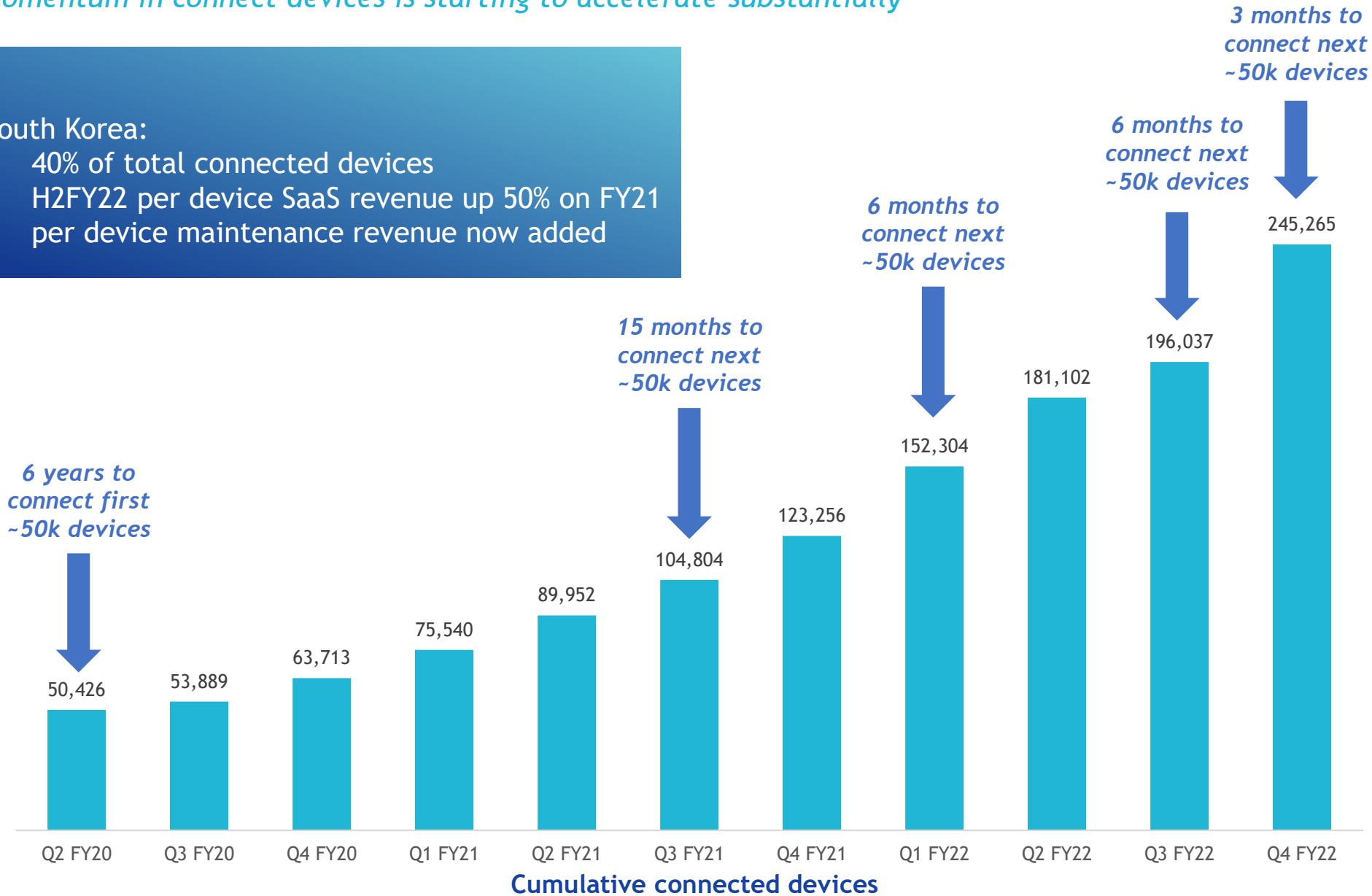
Connected Devices to underpin future SaaS Revenues



Momentum in connect devices is starting to accelerate substantially

South Korea:

- 40% of total connected devices
- H2FY22 per device SaaS revenue up 50% on FY21
- per device maintenance revenue now added

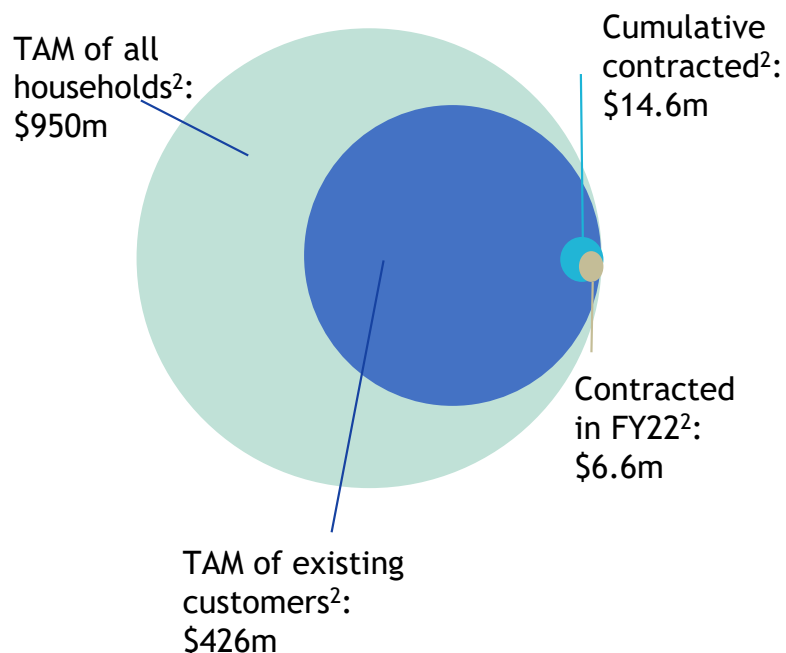


1. Q2 FY20 data is from periods when X2M subsidiaries were operated by a prior owner

X2M Business has significant market potential

Total addressable market is huge. Importantly, the portion representing the X2M existing customer base represents a substantial opportunity

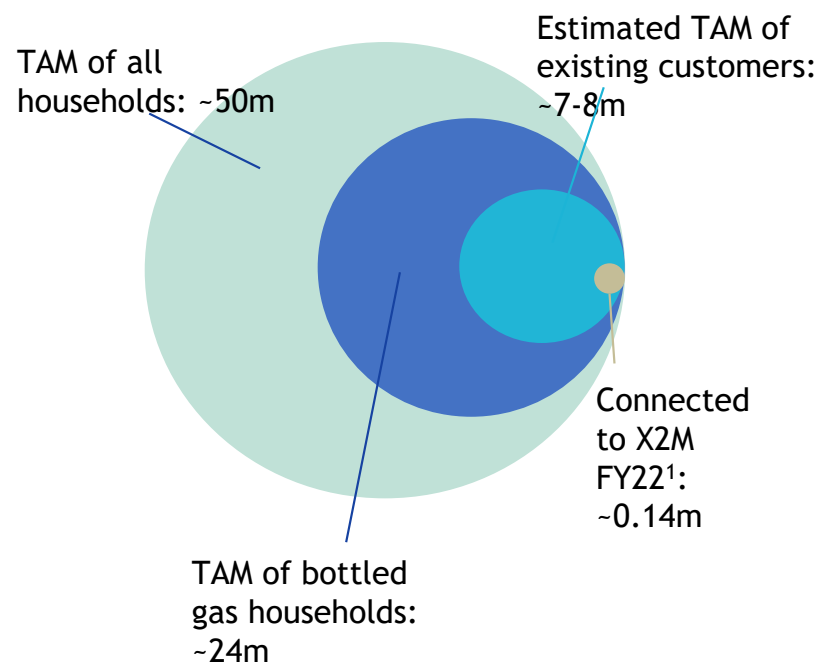
South Korea market



Existing customers provide a substantial potential market that is being progressively penetrated

- Total addressable market (TAM) 7.9m households, \$950m in potential value²
- Existing customer TAM - 3.5m households, \$426m in potential value²

Japan



Connected devices in Japan have grown ~130% during FY22

- Approximately 50% of households in Japan use bottled gas
- There is significant potential to grow through existing customers

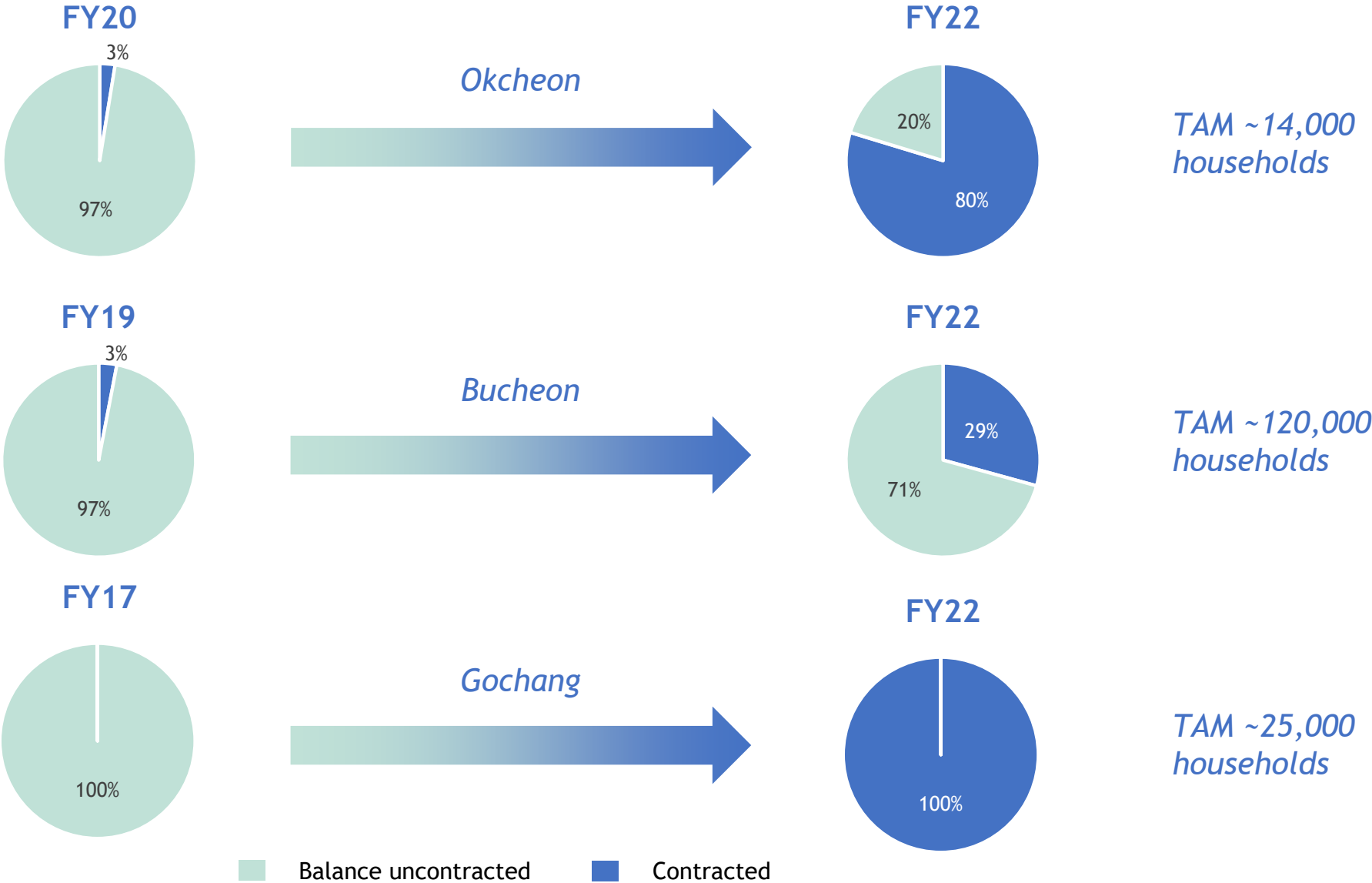
1. Japan data as at 30 June 2022.

2. South Korea total addressable market (TAM) and contracted values are based on a nominal per device charge of A\$120. South Korea data as at 31 May 2022.

Validated business model - secure and convert customers



This demonstrates that the X2M strategy of securing customers and pursuing conversion of the customer's available market is working and reflects the stickiness of the X2M business model



1. All charts as at 30 June 2022.

-  Well placed for momentum to continue into FY23 with contracted FY23 revenues already at c.92% of FY22 full year result
-  12 contracted deployments in progress in South Korea and will continue roll out post June 2022. Revenue recognition of c.\$8.2 million in H1FY23
-  Hebei contract secured in China for \$1.4 million deployment in H1FY23
-  3 contracted deployments are in progress in Taiwan and will continue rollout post June 2022 with revenue recognition of c.\$0.4 million
-  Resi Ventures Echuca energy management estate planned to roll out in FY23



Capital Raising Details

Capital raising details



| | |
|--------------------|--|
| Structure | <ul style="list-style-type: none">• Equity raising consisting of a 1 for 3 pro-rata accelerated, non-renounceable entitlement offer to eligible existing shareholders with registered addresses in Australia and New Zealand of approximately 46.7 million New Shares to raise approximately A\$3.97 million (Entitlement Offer), (together with the offer of options below, the Offer)• The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferable |
| Offer price | <ul style="list-style-type: none">• Offer Price of A\$0.085 per New Share under the Offer, which represents<ul style="list-style-type: none">- 32.7% discount to the theoretical ex-rights price (TERP) of A\$0.126- 39.3% discount to the last close on 22 July 2022 of A\$0.140- 21.6% discount to the 10-day VWAP of A\$0.102- 12.5% discount to the 30-day VWAP of A\$0.097 |
| Options | <ul style="list-style-type: none">• Participants will receive 1 free attaching option for every 2 shares subscribed for under the Entitlement Offer with an exercise price of \$0.16 per option and an expiry date of 31 August 2024• The option exercise price represents an 64.7% premium to the 30 day VWAP of A\$0.097• X2M will seek quotation of the options, subject to satisfaction of the relevant ASX Listing Rules criteria |
| Ranking | <ul style="list-style-type: none">• The New Shares issued under the Offer (including on exercise of options) will rank equally with existing X2M shares on issue on the relevant issue |

Capital raising details continued



Institutional Entitlement Offer

- The Institutional Entitlement Offer will open on 25 July and close on 26 July
- The Institutional Entitlement offer will be open to eligible institutional holders in Australia and New Zealand. Eligible institutional shareholders will have the opportunity to subscribe for 1 New Share for every 3 existing X2M shares held at the record date (5.00pm on 22 July)
- Entitlements not taken up under the Institutional Entitlement Offer will be offered to new and existing eligible institutions in the above jurisdictions at the Offer Price via a shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer

Retail Entitlement Offer

- The Retail Entitlement Offer is expected to open on 29 July and close on 17 August. Eligible retail shareholders will have the opportunity to subscribe for 1 New Share for every 3 existing X2M shares held as at the Record Date (5.00pm on 27 July)
- Eligible retail shareholders, who must have a registered address in Australia or New Zealand, will have the ability to subscribe for shares over and above their entitlement, subject to the level of uptake of the Retail Entitlement Offer, under a Top Up Facility. There is no guarantee that those Shareholders will receive the number of New Shares applied for under the Top Up Facility, or any. The number of New Shares available under the Top Up Facility will not exceed the shortfall from the Retail Entitlement Offer. The Directors, reserve the right to allot and issue New Shares under the Top Up Facility at their discretion.
- Further details will be provided to eligible retail shareholders in the Prospectus lodged with ASIC

Underwriting

- The Offer is not underwritten

Use of funds

| Category ¹ | Amount (\$ m) |
|---|---------------|
| Increase Sales and Marketing | \$1.1 |
| Platform Enhancements for Australian energy | \$0.9 |
| Hardware and Prototypes | \$0.45 |
| Korea energy marketing | \$0.3 |
| Administration | \$0.6 |
| Working capital | \$0.325 |
| Capital raising costs | \$0.325 |
| Total | \$4.0 |

1. Indicative only. Numbers may not add due to rounding.

Pro-forma balance sheet



| \$'000s | NOTES | X2M GROUP | X2M GROUP | ADJUSTMENT | PRO-FORMA |
|---|---------|---------------------|------------------|--------------|---------------|
| | | 31 December 2021 | 31 MARCH 2022 | | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 1, 2, 3 | 5,121 | 2,241 | 4,699 | 6,940 |
| Trade and other receivables | | 484 | 515 | | 515 |
| Contract assets | | 258 | 609 | | 609 |
| Inventories | | 67 | 172 | | 172 |
| Other assets | 3 | 1,442 | 1,968 | 329 | 2,297 |
| Total Current Assets | | 7,372 | 5,505 | 5,028 | 10,533 |
| Non-Current Assets | | | | | |
| Property, plant and equipment and right-of-use assets | | 570 | 575 | | 575 |
| Intangible assets | | 2,574 | 2,858 | | 2,858 |
| Other assets | | 170 | 230 | | 230 |
| Total Non-Current Assets | | 3,314 | 3,663 | - | 3,663 |
| Total assets | | 10,686 | 9,168 | 5,028 | 14,196 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | | 1,381 | 1,633 | - | 1,633 |
| Contract liabilities | 3 | 2,606 | 2,671 | 633 | 3,304 |
| Borrowings | 2 | 173 | 58 | 750 | 808 |
| Lease liabilities | | 173 | 166 | - | 166 |
| Employee benefits | | 741 | 689 | - | 689 |
| Total Current Liabilities | | 5,074 | 5,217 | 1,383 | 6,600 |
| Non-current liabilities | | | | | |
| Lease liabilities | | 378 | 376 | | 376 |
| Employee benefits | | 241 | 264 | | 264 |
| Total Non-Current Liabilities | | 619 | 640 | - | 640 |
| Total Liabilities | | 5,693 | 5,857 | 1,383 | 7,240 |
| Net Assets | | 4,993 | 3,311 | 3,645 | 6,956 |
| Equity | | | | | |
| Issued capital | 1 | 19,299 | 19,299 | 3,721 | 23,020 |
| Reserves | | 1,859 | 1,971 | - | 1,971 |
| Accumulated losses | 1 | (16,165) | (17,959) | (76) | (18,035) |
| Total equity | | 4,993 | 3,311 | 3,645 | 6,956 |

Notes on Pro-forma adjustments

The following notes define the contemplated transactions and adjustments in this Prospectus which are to take place on or before the completion of the accelerated non-renounceable entitlement offer and are presented as if they, together with the Offers, had occurred subsequent to 31 March 2022 and are set out below.

With the exception of the transactions noted below, no other material transactions have occurred between 31 March 2022 and the date of this offer which the Directors consider require disclosure.

1. Offer: the issue of up to 46,700,512 Shares, at \$0.085 per Share, amounting to \$3.97 million. Total expenses associated with this Offer including Lead Manager fees, legal and administrative fees as well as printing, advertising and other miscellaneous expenses are estimated to be \$0.33 million. \$0.25 million of the Offer costs are capitalised and the balance is expensed.
2. Research and Development (R&D) funding arrangement: the Company took out a R&D loan to the value of \$0.75 million, which will be repaid upon submission of FY22 Income Tax Return and receiving R&D refund.
3. Customer deposits for future deployments: the Company received \$0.6 million deposits from a customer for future deployments, of which \$0.3 million were spent to secure component parts.

Timetable



| Key events ¹ | Indicative dates (2022) |
|---|--|
| Trading halt and announcement of equity Capital Raising | Before market open, Monday, 25 July 2022 |
| Institutional Entitlement Offer opens | Monday, 25 July 2022 |
| Institutional Entitlement Offer closes | (12:00pm AEST) Tuesday, 26 July 2022 |
| Trading halt lifted | Wednesday, 27 July 2022 |
| Record Date for Retail Entitlement Offer | (5:00pm AEST) Wednesday, 27 July 2022 |
| Retail Entitlement Offer opens | Friday, 29 July 2022 |
| Retail Offer Prospectus dispatched | Friday, 29 July 2022 |
| Settlement of Institutional Entitlement Offer and Institutional Entitlement Offer shortfall | Friday, 29 July 2022 |
| Issue of New Shares under Institutional Entitlement Offer and Institutional Entitlement Offer shortfall | Monday, 1 August 2022 (no later than 12:00pm AEST) |
| Retail Entitlement Offer closes | (5:00pm AEST) Wednesday, 17 August 2022 |
| Announce results of the Retail Entitlement Offer | (Before 12:00pm AEST), Friday, 19 August 2022 |
| Issue of New Shares Under the Retail Entitlement Offer and Retail Entitlement Offer shortfall and issue of New Options under the Entitlement Offers | Friday, 19 August 2022 (no later than 12:00pm AEST) |
| Quotation of New Shares under the Retail Entitlement Offer and New Options under the Entitlement Offers | Monday, 22 August 2022 |

1. Timetable is indicative only and may be subject to change



Australian Energy Opportunity

Current crisis in Australian energy landscape

"A forecast spike in wholesale gas prices in Victoria of more than 50 times normal levels has prompted the Australian Energy Market Operator to impose a price cap
May 31, Australian Financial Review

"The world will need "as much LNG as we can get" this decade as the shunning of Russian gas worsens the global energy crunch, warns Shell's global head of gas and energy transition"
June 1, Australian Financial Review

"Bring out the thermals: There's no quick fix to the energy crisis"
June 7, The Sydney Morning Herald

"Resources minister wants coal-fired plants back online to ease energy crisis amid fears of 'expensive winter'"
June 7, SBS News

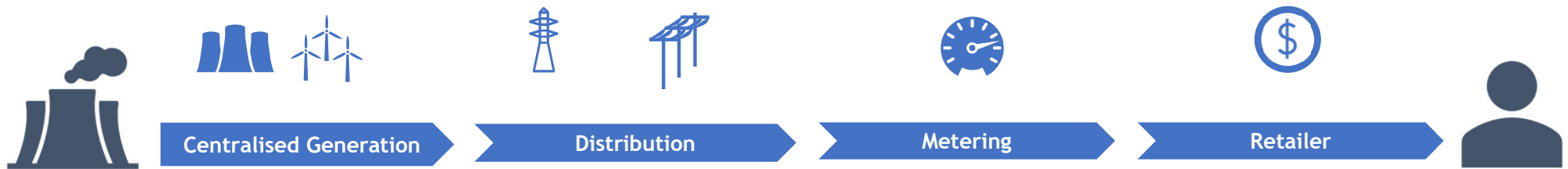
"Treasurer Jim Chalmers has written to the competition regulator the ACCC about the energy crisis in Australia"
June 6, SkyNews

"Australia's energy ministers have been urged to find solutions to the nation's soaring prices and to calm the "chaos"
June 8, The West Australian

"Chris Bowen says Labor 'actively managing' energy crisis as Dutton criticises response"
June 5, The Guardian

"Labor urged to provide \$1,000 debt relief to low-income earners before power bills soar"
June 5, The Guardian

The energy value chain - traditional vs distributed generation



Continuous energy moving in one way to the customer. Relatively easy to manage. All participants know their role. Australian Energy Market Operator (AEMO) can oversee supply and demand



Intermittent and continuous energy (often connected to LV lines) moving in one way to the customer, however with end users also supplying and using energy across the network. Complex ecosystem. Roles are fluid. AEMO finds it difficult to oversee supply and demand

Smart Communities are better - “Powered by X2M”



Normal Community

Individual homes with no energy or resource optimising features

Higher cost utility bills

High emissions

Contributing to climate problems

Smart Homes

Individual homes with some energy and resource optimising features

Reduced cost utility bills

Lower emissions

A feeling of helping combat climate change

Smart Community

Coordinated homes with in home and community wide energy and resource optimising features

Significantly reduced cost utility bills

Significantly reduced emissions

Community spirit and wellbeing in an eco-friendly and sustainable environment

Increasing savings and benefits as move to more interconnected solution

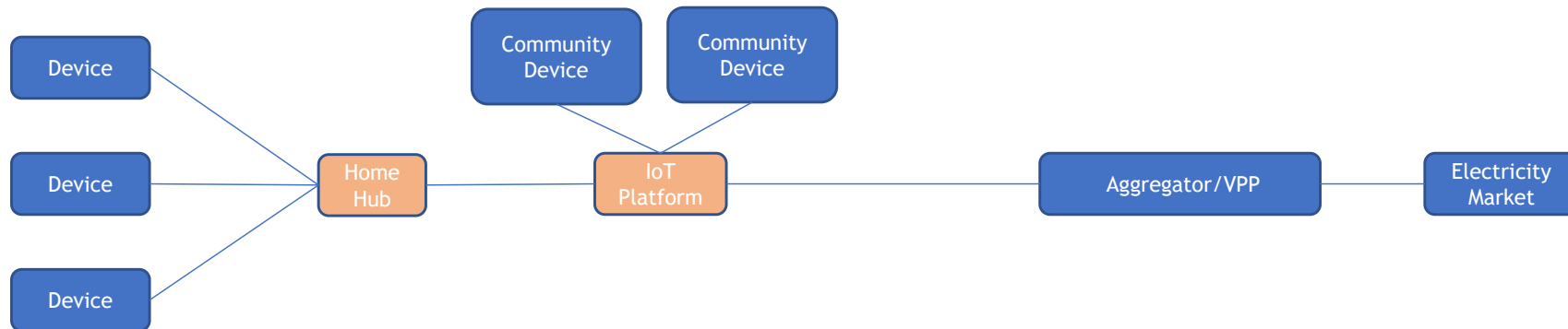
The X2M solution for smart communities

Smart community with large number of smart homes plus community resources all working cohesively



Consumer enjoys a sustainable, eco-friendly, environment and community

- ↓ Significantly reduced energy consumption
- ↑ Significantly increased use of renewables
- ↓ Significantly reduced emissions



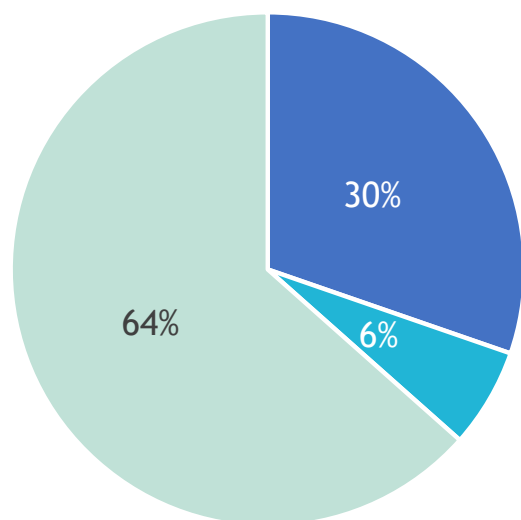
Monitor and control distributed energy resources (DER) devices from Hub. Homeowner has a mobile and desktop user interface

Control multiple home Hubs and community resources from the central platform and interface to aggregator and Virtual Power Plant (VPP) partners

Partners operate the whole community network, VPP and trade energy in the electricity market

The path to net zero in conjunction with the Australian energy environment provides a huge opportunity for disruptive energy management solutions

Australian Solar Penetration¹



- Already fitted with Solar
- Forecast solar additions by 2024
- Balance of Households

- Australia has almost 10 million households
- The forecast market for solar additions over the next 3 years is > 600,000 households
- The balance of households also provide a significant future market for X2M
- These markets are prime candidates for advanced energy management and the existing installs also provide a substantial retrofit market
- Adoption may accelerate due to the Government 'net-zero' target



Property owner

- 40%-50% reduction in electricity bill
- No peak tariffs
- Visibility of electricity use and ability to control and optimise
- Feeling of community and contribution to future



Australian economy and the environment

- Contributes to drive towards net zero in Australia
- Good for the environment through reduced emissions
- Improves the stability of the grid



Technology providers like X2M

- Provides opportunities for innovation and deployment of technology
- High margin SaaS business
- Access to data that can be leveraged

The revenue mix is increasingly subscription based SaaS model



Hardware Sales

- Sale of hardware such as home or commercial hubs
- Sale of batteries, inverters, PV panels in Taiwan



Connection fees

- Upfront connection fee for X2M hub device connected to the X2M IoT platform



SaaS fees

- Monthly subscription fee for every device connection to Vision (web platform) and PRISM (mobile application)
- Connection contracts are long-dated, targeting 5-10 years with large deployments



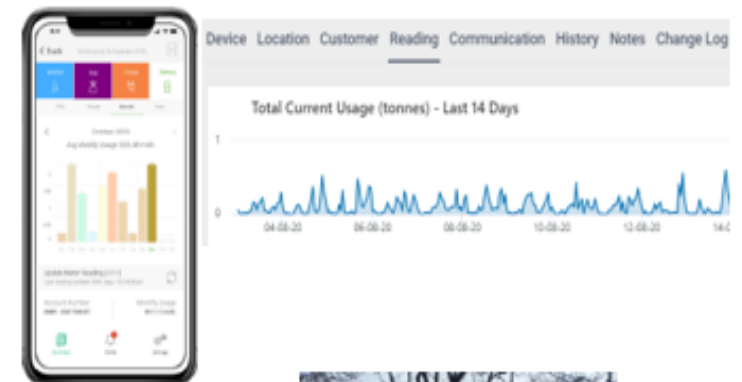
Appendices

Water digitisation - South Korea - from analog to digital

Currently servicing 22 municipalities for water monitoring and control in South Korea

Use case:

- Billing and process automation - cost savings
- Identification and reduction in lost billable water
- Infrastructure management and leak detection
- Data analytics - aged care and disability management
- Optional bolt on applications - water quality detection



More than 90,000 households monitored and controlled and 30,000 currently being deployed at June 2022

Gas monitoring - Japan driven by the value of data generated

From reactive to proactive, driven by data collection and analysis

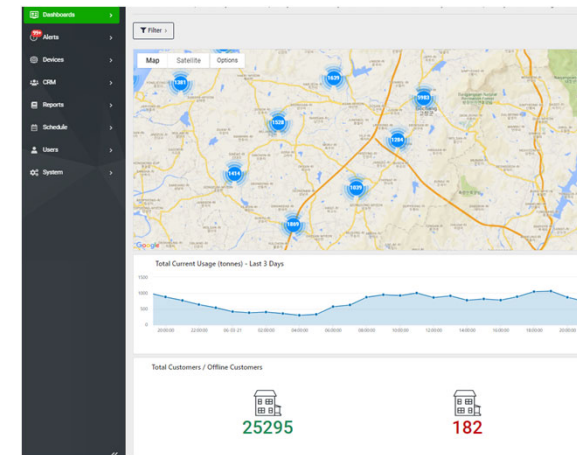
Data collection and analytics drives value proposition

- Data collection and prediction enables improved bottle gas replacement programme
- Route management can reduce delivery fleet, kilometers travelled and delivery days
- Improves customer satisfaction
- Drives optimisation with an estimated 20% cost reduction for the gas provider

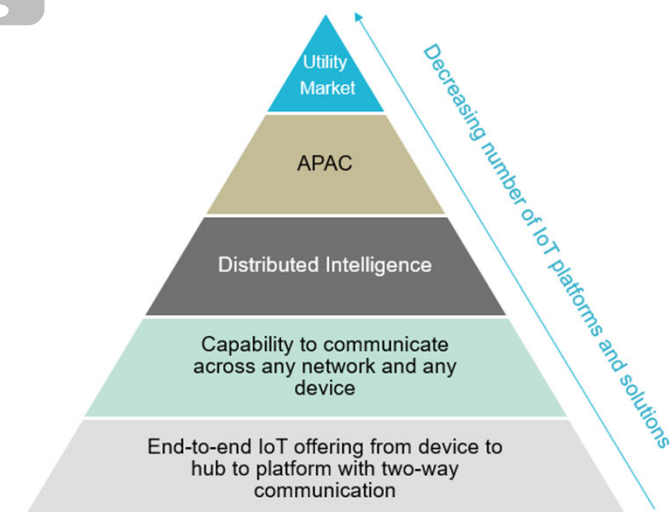


More than 140,000 households monitored and controlled as at 30 June 2022

- **Leading edge patented platform**
 - making dumb devices smart
 - distributed intelligence autonomously monitors and controls devices
 - IoT platform provides visibility, control, aggregation, predictive and pre-emptive device management
- **Many devices, radios, networks** - operating simultaneously across short range, long range, cellular, unlicensed communications and radio networks
- **Maintain patent portfolio** - building on > 60 patents with additional applications pending
- **Competitive advantage** - few competitors with the same capabilities

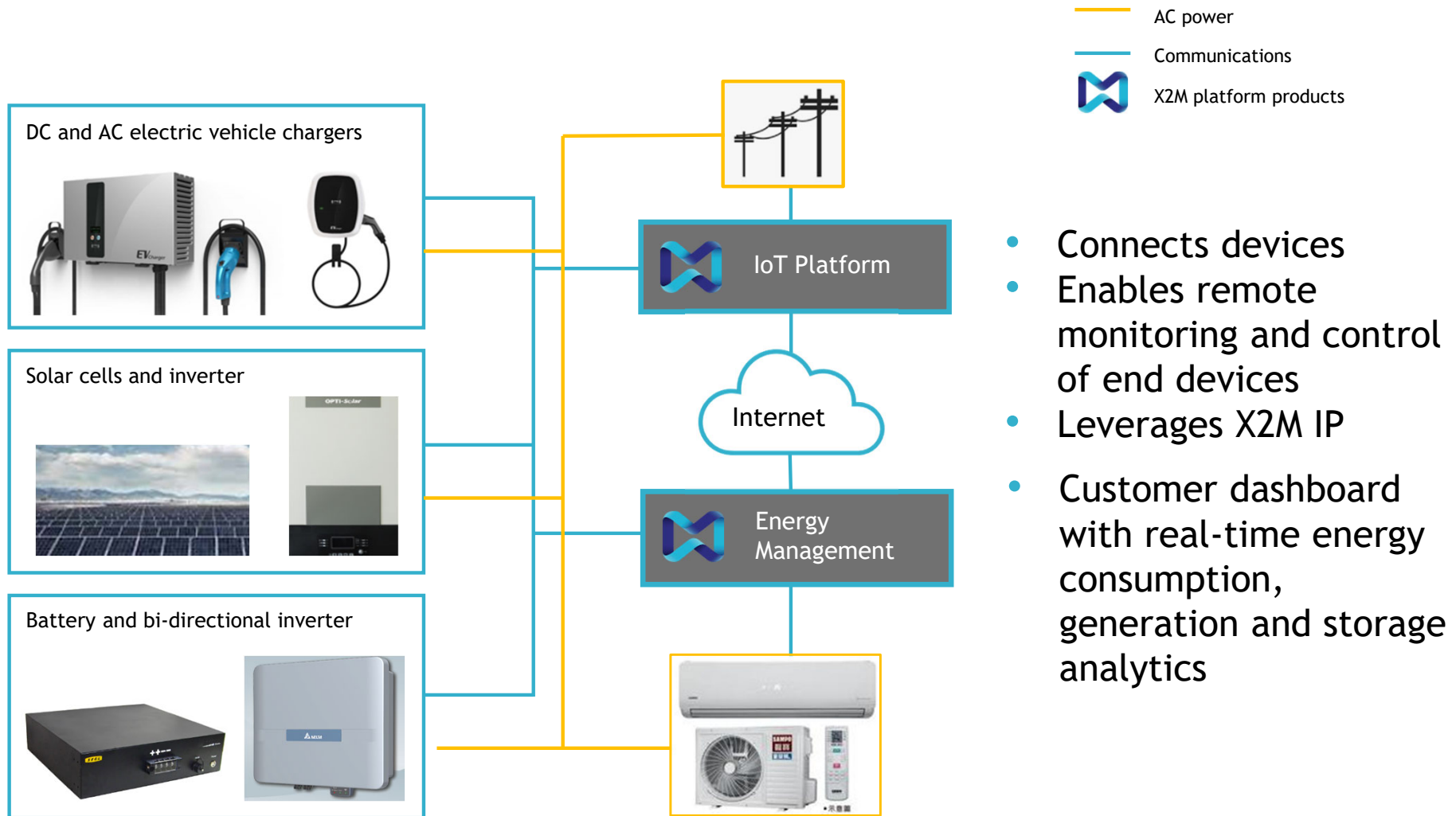


WiSUN | NB-IoT | ZigBee | LoRa



X2M in Taiwan - we do it now

X2M's energy management solution optimises energy generation, storage and usage. Plays to the strength of our patents and platform



X2M energy related experience



X2M has past experience in the energy applications that are the focus of Australia's move to 'net zero'

| Application | Description | Existing X2M activity | Benefits |
|-----------------------------------|---|---|--|
| Microgrids | <ul style="list-style-type: none">Platforms for managing a grid independent from the central traditional grid | <ul style="list-style-type: none">Supplied base platform for SAPN and AusNET community solutions | <ul style="list-style-type: none">✓ Improving security of supply, creating interoperability and flexibility between microgrids and the main grid; and offering stable electricity prices for the consumers |
| Battery Management Systems | <ul style="list-style-type: none">Data analytics for activating battery at the most suitable time | <ul style="list-style-type: none">Supplied base platform for SAPN and AusNET. Basic system deployed in Taiwan | <ul style="list-style-type: none">✓ Battery life optimisation. Grid load management |
| Smart buildings | <ul style="list-style-type: none">Centralised and remote control of appliances, sensors and devices on premises | <ul style="list-style-type: none">Basic system deployed in Taiwan | <ul style="list-style-type: none">✓ Improved energy management. Increased renewables. Environmental contribution |
| Electric vehicle charging | <ul style="list-style-type: none">Management and grid support for fast electric vehicle charger deployments | <ul style="list-style-type: none">Supplied base platform for resort deployment of fast EV chargers | <ul style="list-style-type: none">✓ Improved energy management. Grid load management |



Key Risks

Summary of key risks

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| Going concern risk | The Company's consolidated financial statements for the FY2021 period were audited by Grant Thornton. The HY2022 period has been reviewed by Grant Thornton. An unqualified audit and review opinion (as the case may be) was issued for each of those periods but each included an emphasis of matter on material uncertainty around going concern. Notwithstanding the 'going concern' qualification included in the reports for these periods, the Directors believe that upon the successful completion of the Offer, the Company will have sufficient funds to adequately meet the Company's current operational commitments and short-term working capital requirements. In the event that the Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities. |
| Potential for dilution | Upon implementation of the Offer, assuming all entitlements are accepted and no securities are exercised prior to the record date, the number of Shares in the Company will increase from 140,101,536 currently on issue to 186,802,048. This means that each Share will represent a lower proportion of the ownership of the Company. |
| 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. |
| Disruption of key business processes risk | The Company's business model relies on the execution of several critical business processes, which could be disrupted by events outside of the Company's control and that 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. |
| Price risks | The price of the Company's products may be too high compared to other products, in particular, within emerging markets and the APAC region where the Company operates in, where there is a high price pressure. This may lead to difficulties in the market acceptance for the Company's products. As a result, there could be lower operating margins |

Summary of key risks

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| 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 were able to be sought or that the key components provided by third party suppliers are defective. 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. |
| Contract non-renewal risk and key customers | The Company's contracts with customers are generally long term contracts of several years. Further the nature of the Company's business means it contracts with relatively few but large customers. There is a risk that when these large customers reach the end of their service contracts, they will not renew the term of their contract which may materially impact the Company's expected revenue. |
| New markets | Whilst the Company is of the view that the 2020 Foreign Investment Negative List (Negative List) does not apply to the existing operations in China, the Negative List may be expanded to capture the Company's activities, at which time, any expansion into China would be adversely impacted. |
| Competition risk | The utility industry in which the Company operates is subject to competition. The Company's competitors may decide to enter the Company's target markets and may have stronger financial capabilities than the Company which may negatively affect the operating and financial performance of the business. |
| Cyber security and 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 and Taiwan. 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. |
| 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. The Company may require further financing in addition to amounts raised under the Offer. 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. |

Summary of key risks



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| Legal proceedings | <p>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. As at the date of this Prospectus, there are no legal proceedings affecting the Company and the Directors are not aware of any other legal proceedings pending or threatened against or affecting the Company except as detailed below.</p> <p>Legal proceedings were commenced against Freestyle (the vendor who sold the Company its assets through a liquidation sale) in May 2019. Subsequently, the plaintiffs in those proceedings joined the Company to the proceedings as a defendant. As at the date of this Presentation, those proceedings against X2M are temporarily stayed given the plaintiffs have failed to comply with Court orders to provide security for the Company's legal costs. If the stay is not lifted and the security not provided by 17 August 2022, the proceedings against the Company will be dismissed with costs. The next scheduled Court date is 2 September 2022. The Directors' view, based on advice, is that the Company has a strong prospect of defending the proposed claims and that the plaintiffs have not suffered any relevant loss in any event.</p> |
| Intellectual property risk | <p>The Company has a patent portfolio of over 60 patents to assist to protect its proprietary rights. The success of the Company's technology depends largely on the ability of the Company to protect its intellectual property rights (including, patents and know how) while not infringing the proprietary rights of others. There is a risk that unauthorised use or copying of the Company's software, data or platforms will occur. If the Company fails to protect its intellectual property, know-how or trade secrets, competitors may gain access to its proprietary information which could harm the Company's businesses. If the Company believes its intellectual property rights have been infringed, it may initiate or otherwise be involved in litigation against third parties. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel.</p> |
| Personal information collation risk | <p>The Company collects, stores and processes highly sensitive, highly regulated and confidential information. The provision of secure and reliable information storage and processing services is integral to the businesses and operations of the Company in the utility management industry. While the Company has in place strict policies and procedures when collecting data, if the Company's systems or data is compromised for any reason there is a risk that the Company may become involved in legal action due to breaching data confidentiality agreements.</p> |
| Sales cycle | <p>It takes considerable time for the Company's customers to evaluate, test and make a final decision about the purchase of its technology solution. The Company mainly deals with large corporations and municipal organisations, which are subject to certain formal administrative procedures and requirements which increase the time required for approval of a transaction and or sale.</p> |

Summary of key risks



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| Legal title to intellectual property risk | On 26 February 2020, the Company, Freestyle and liquidators of Freestyle entered into an asset sale agreement (Asset Sale Agreement) under which Freestyle agreed to sell certain assets to the Company and novate certain contracts to the Company. Whilst completion of the sale under the Asset Sale Agreement occurred on 26 February 2020, there has been a delay in transferring legal title to some of the assets to the Company, specifically, a number of patents. If the intellectual property rights of the Company are infringed before the intellectual property is registered in the Company's name, the Company may have limited recourse to enforce its legal and beneficial rights to the intellectual property, which may have an adverse effect on the Company and its operations. |
| South Korean lease | The Company, via its wholly owned South Korean subsidiary, Freestyle Technology Co., Ltd, has leased part of a building located in the Seoul Digital National Industrial Complex for use as its head office. Whilst the Company has entered into a lease for the office, the Company has not entered into an occupancy agreement with the relevant management agency of the industrial complex. Under the South Korean Industrial Cluster Development and Factory Establishment Act (South Korean Act), a company that wishes to lease part of a building located in an industrial complex is required to execute an occupancy agreement with the management agency of the industrial complex. The Company is in the process of entering into an occupancy agreement as required under the South Korean Act. Until such time as the process is completed, there is a risk that the Company may be sanctioned for failing to have the occupancy agreement in place in accordance with applicable laws. |
| Asset Sale Agreement risk | The Company and Freestyle have entered into the Asset Sale Agreement under which completion occurred on 26 February 2020. Notwithstanding completion occurring, as at the date of this Prospectus, the transfer of legal title to certain assets acquired under the Asset Sale Agreement from Freestyle to the Company has not been completed. As such, until such time as the Company is recorded as legal owner of those assets, the Company may have limited recourse to enforce its legal and beneficial rights to the assets. Furthermore, there are risks that other matters unknown at this time may arise related to the Asset Sale Agreement. |




X2M CONNECT


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