

ASX Announcement | 28 August 2023

X2M Connect Limited (ASX:X2M)

X2M strengthens balance sheet with a successful capital raising and implements cash conservation initiatives

Release summary

- X2M completes a Convertible Note issue raising \$1.7 million and implements a number of cash conservation measures as it moves closer to being EBITDA and cashflow positive
- Subject to shareholder approval, 50% of Directors' remuneration to be paid through premium priced options
- Australian Executive short term cash incentives to be paid through premium priced options (subject to shareholder approval for the CEO)
- 20% of Chief Executive Officer and Chief Operating Officer base remuneration to be paid through premium priced options (subject to shareholder approval for the CEO)

X2M completes issue of convertible notes

The Company has completed a capital raising of \$1.7 million through entering into convertible note agreements (**Convertible Notes**). The transaction is implemented in two tranches of Convertible Notes with Series 1 utilising existing capacity under Listing Rule 7.1 for a total of \$1.05m, and Series 2 for \$0.65m, with conversion subject to Shareholder approval to be sought at a General Meeting of Shareholders to take place before 20 October 2023. No Series 1 or Series 2 Convertible Note holder is a related party.

The key terms of the Convertible Notes are as follows:

- (a) Each Convertible Note has a face value of \$1.00 and an expiry date of 30 June 2025;
- (b) The Convertible Note holder can convert Notes at any time into Shares at the rate of \$0.05 per Share.
- (c) Convertible Notes not converted are to be redeemed at the expiry date of the Notes;
- (d) Interest on Convertible Notes not yet converted or redeemed accrues at the rate of 18% per annum, however a minimum of 12 month's interest must be paid;
- (e) Interest is capitalised through the issue of further Notes on the same terms;
- (f) The Company may, at its sole discretion, redeem the Convertible Notes at any time by repaying the then outstanding unconverted Convertible Notes and accrued interest, provided at that time it pays at least 12 months of interest and it notifies and provides the Convertible Note holder the opportunity to issue a Conversion Notice for 5 business days prior to any redemption;
- (g) The Convertible Notes are partly secured parri passu against the Company's anticipated FY24 R&D tax refund amount and the Company must keep that refund in a trust account until the total amount outstanding under the Convertible Notes is less than the trust account amount. The amount of refund is estimated to be between \$1.5 and \$1.7m and the Company is not obliged to provide any other form of security. The Company can progressively release funds from the trust account amount provided those funds match or are greater than the total Convertible Notes amount outstanding.

- (h) Series 2 Convertible Notes have not been issued as the Company has exhausted its ASX Listing Rule 7.1 placement capacity through Series 1. Series 2 Convertible Notes will not be issued until the ASX Listing Rules allow the issue of the Series 2 Convertible Notes, i.e. once Shareholder approval has been obtained.
- (i) If Series 2 Convertible Notes cannot be converted, the Series 2 Convertible Notes are redeemed at the expiry date and the Series 2 Convertible Notes amount plus interest must be repaid by the Company at that time.
- (j) Conversion must at all times be in accordance with applicable laws including the ASX Listing Rules.

The estimated timetable for the General Meeting is shown below.

Issue of Notice of Meeting	11 September 2023
Closing Date for Proxy Forms	8 October 2023 10.00am
General Meeting	10 October 2023 10.00am

The Company reserves the right to change the above timetable.

Changes to Director and Executive Remuneration arrangements

Over the last 12 months the Company has put in place a range of measures aimed at reducing its cost base which saw its annual cash outflow from operating activities in the 2023 financial year reduce by 62% against the prior comparable period (see ASX announcement - Quarterly Activity Report and Appendix 4C published on 28 July 2023). The graph below provides an illustration of the Company’s progress in improving cash flow from operating activities.

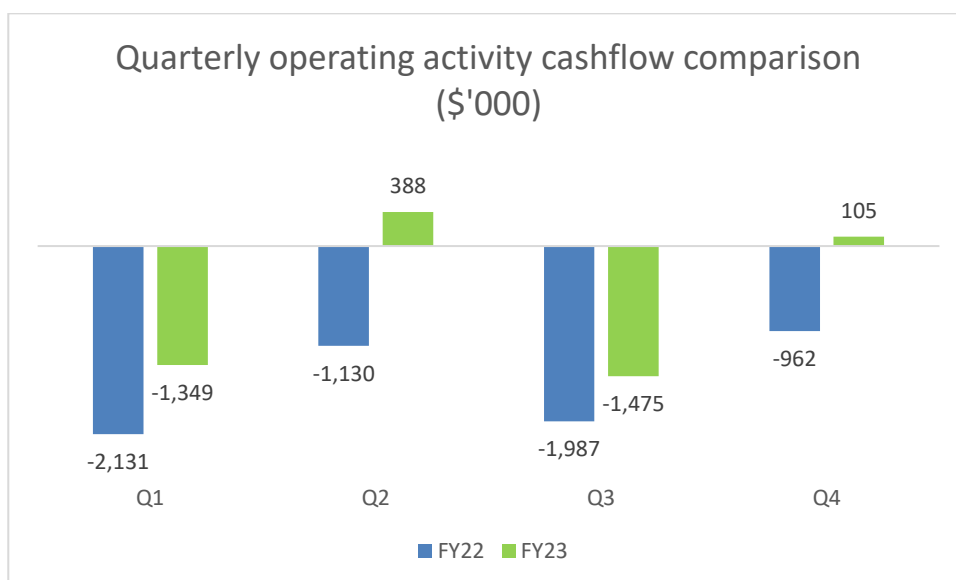


Chart 1: Quarterly operating activity cashflow comparison

The company will also make a number of changes to Board and Executive remuneration that reduce cash consumption, further align Investor, Board and Executive interests and are subject to Shareholder approval (for the issue of the relevant securities) at the 2023 Annual General Meeting. If Shareholders do not approve the issue of the relevant securities, the Company will revert to the original cash payment arrangements. The changes proposed to be implemented are as follows:

- 50% of Directors' remuneration to be paid through premium priced options.
- 100% of Australian Executive short term incentives for FY23 to be paid as premium priced options in what has been strong year across key business metrics including revenue growth, margin growth and cost control.
- 20% of Chief Executive Officer and Chief Operating Officer base remuneration to be paid through premium priced options.
- The premium attaching to the options will be 67% to the 5 day VWAP of Shares on the issue date.
- These arrangements relate to the balance of the 2024 financial year and these FY24 remuneration arrangements are designed to provide cash savings of approximately \$0.53 million in FY24.

X2M CEO Mohan Jesudason said: “This successful capital raise, primarily led by a cross section of top 20 shareholders, is a strong vote of confidence in X2M. I expect the cost and cash saving initiatives to make a material contribution in our journey towards being cash flow positive.”

Ends

The Board of X2M has approved this announcement.

For further information contact:

X2M Connect Limited
Mohan Jesudason
Chief Executive Officer
investor.relations@x2mconnect.com
1 800 926 926 (1 800 X2M X2M)

Shareholder Enquiries
Automic Share Registry
T: +61 (2) 9698 5414
E: hello@automic.com.au

About X2M Connect Limited

X2M Connect Limited (ASX:X2M) is an Australian technology company that has developed and commercialised a patented proprietary Internet of Things (IoT) solution which delivers productivity improvements, cost savings and improved public safety to enterprise and government clients in the utilities sector.

X2M's technology connects devices such as water, gas and electricity meters and other utility sensors to the internet, enabling data exchange and the remote control of these devices. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 430,000 devices connected to its IoT platform and distributed intelligence solution, providing real-time information and control to a steadily increasing customer base operating over multiple radio technologies.

X2M's current focus is on servicing the utility sector in the Asia-Pacific region, where it has a significant number of government and enterprise customer relationships already in place. Going forward, X2M will look to continue its global expansion, with subsidiaries already operating in Japan, South Korea, Taiwan and, most recently, China.

To learn more about X2M click here: www.x2mconnect.com or follow us on [LinkedIn](#).