Annual Report 2024

X2M Connect Limited ACN 637 951 154

"X2M's planned migration away from low margin hardware only sales is delivering the anticipated results with strong growth in gross margins and reduction in EBITDA losses."

Mohan Jesudason

CONTENTS

CORPORATE DIRECTORY

Directors
Hon. Alan Stockdale AO (Non-Executive Chairman)
Mr Mohan Jesudason (Managing Director and Chief Executive Officer)
Mr Damien Johnston (Non-Executive Director)
Mr John Stewart (Non-Executive Director)

Company Secretary
Mr Oliver Carton

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Auditor
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Stock Exchange Listing
X2M Connect Limited securities are listed on the Australian Securities Exchange (ASX code: X2M)

Website
www.x2mconnect.com

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

End of Year Reporting Calendar

Reporting Requirement	**Date**
FY24 Annual Report	27 September 2024
Deadline for Nomination as Director	15 October 2024
Notice of Annual General Meeting	25 October 2024
ASX Appendix 4C - September 2024 Quarter	30 October 2024
Annual General Meeting	26 November 2024

Letter to Shareholders

Hon. Alan Stockdale AO

CHAIRMAN

Mohan Jesudason

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

We are pleased to present the X2M Connect Limited Annual Report for the financial year 2024.

X2M's financial results showed considerable momentum for a range of our most important key operational and financial metrics. Our recurring software as a service (SaaS) and maintenance revenue increased 50% and gross profit rose 29% as we continued to focus on our targeted strategy to increase the ratio of higher-margin opportunities for our patented IoT solution while also focusing on markets with strong demand for our smart devices.

Gross profit margin increased 14 percentage points to 37%, with the increase in both gross profit and margins driven by increased demand for X2M's integrated platforms, especially in South Korea, as customers benefited from the efficiency and cost savings our smart devices and unique platform bring to the utility sector. Also, in both South Korea and Japan, we operated at higher margins with positive EBITDA as we seamlessly added new technologies and software upgrades remotely over the life of our long-term contracts.

A key focus for our Company has been the continued growth in the number of connected devices. Total connected devices increased by 25% in FY24 to 537,706, driven by our core enterprise and government customers, with growth in connected devices providing the base for future recurring SaaS revenues under long-term contracts.

The breadth of X2M's customer base also continues to grow as we focus on delivering products to local households across South Korea, Taiwan, Japan and Australia and an increasing number of enterprise and government customers. These customers increased by 15% to 75 in FY24, as our Company enjoyed strong industry tailwinds and government incentives to digitise services in preparation for smart city rollouts. We are also aggressively targeting new municipalities in the markets of Japan, Taiwan and South Korea to drive further growth in these customers.

Revenue in FY24 fell 17% to $13.4 million, reflecting our targeted and previously announced strategy to exit low-margin hardware-only sales and as the Company drives towards cashflow breakeven.

As part of X2M's focus on the utility sector across APAC, and the renewable energy in particular, we secured a partnership with Taiwanese renewable energy generation, battery management and energy trading company, GreenRock Energy Co., Ltd in April.

Under the partnership, X2M is to be the preferred software platform provider to GreenRock for its renewable generation, battery storage and trading functions.

GreenRock is also our priority battery partner for X2M's Australian Smart Communities solution in Echuca and Yarrawonga. One of the components of this solution is the community batteries to be installed around the estates, with 8 batteries – each planned to be 200kW/250kWh – to be used as part of the energy cost reduction elements.

Under the partnership, GreenRock also invested $1.3 million in X2M and is entitled to a Board seat, while X2M acquired $0.52 million of GreenRock shares.

During the last quarter of FY24, we successfully completed a Placement to raise $1.13 million and secured a Converting Loan Facility of $1.5 million to facilitate our entry into the Middle East – initially the United Arab Emirates (UAE) – as well as platform enhancements for renewable energy applications and ongoing operations.

The Placement was strongly supported by our Middle East channel partner Dicode Technologies and other new investors.

Post balance date, we also secured a Term Sheet with Dicode that ensures it will use X2M's platform exclusively in the Middle East for the next 10 years.

We anticipate around $0.4 million in EBITDA per annum for every 100,000 smart devices installed in the Middle East and there is a considerable market opportunity for our Company with the UAE population of 10 million across 2.5 million households with potential opportunities across the gas, water and electricity sectors.

In August, we also launched a $2.0 million non-renounceable 1 for 7 Entitlement Offer that will support X2M's scaling up Australia, entry into the Middle East and India and customisations to our renewable platform.

Outlook

Looking ahead to FY25, X2M's evolution from a hardware company to a data management and software company will continue. There is a push by governments globally to harness the internet of things (IoT) and AI to more efficiently manage data inherent in their essential services to enable them to operate more efficiently and enhance public safety.

Our Company is ideally placed to service this need through our unique, world-leading IoT solution and we are focused on materially scaling up our existing businesses, expanding into new markets and executing on our entry into the Middle East, and accelerating our organic and new country growth plans with a supporting M&A strategy.

FY24 has been a watershed year for our Company. Our shift to concentrate on higher margin sales and not to compete for low margin business has resulted in significantly improved financial outcomes despite lower overall revenue. In a tough market for most businesses, X2M continued to attract new customers and to increase its share of many customers' total household numbers.

We have five key strategic priorities for the FY25 year ahead as follows:

- Capitalise on our incumbency and drive deeper into our existing customer base
- Move toward positive cash flow and profitability
- Scale up our renewable energy business beyond Taiwan
- Enter and deliver scale in the Middle East market starting with the UAE
- Enter the Indian market and explore other geographies.

We are sure shareholders will join us in thanking our Board Members, the X2M management team and our fully committed staff for their hard work and efforts to improve our operational and financial performance this year.

We would also like to thank you, our shareholders for your continued support.

Alan Stockdale
Chairman

Mohan Jesudason
Chief Executive Officer and Managing Director

Directors' Report

Board Of Directors

Alan Stockdale

NON-EXECUTIVE CHAIRMAN
(appointed on 8 February 2021)

Mohan Jesudason

CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR
(appointed on 17 March 2023)

Damien Johnston

NON-EXECUTIVE DIRECTOR
(appointed on 8 February 2021)

John Stewart

NON-EXECUTIVE DIRECTOR
(appointed on 8 February 2021)

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'X2M') consisting of X2M Connect Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2024.

Directors

The following persons were directors of X2M Connect Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

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

Principal activities

X2M operates in the utility sector across the Asia Pacific Region with offices in Australia, Japan, South Korea, Taiwan and China. The Company employed 54 people at the end of the year.

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

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

The technology uses the internet to deliver rich data applications from process automation to analytics and artificial intelligence. The technology connects devices over the internet to enable monitoring, data exchange and the remote control of devices such as utility meters and pressure sensors.

As of 30 June 2024, X2M had 537,706 devices connected to its IoT platform and distributed intelligence solution. It generates real-time information and control to more than 75 enterprise and government customers across Asia Pacific and operates over multiple communications technologies.

Dividends

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

Review of operations

The Company's FY24 results reflect the outcomes of its strategy to move away from low-margin hardware sales as X2M drives towards EBITDA positive and cash breakeven. Key operational metrics compared to the previous corresponding period (pcp) ended 30 June 2023 were:

- Revenues from ordinary activities were $13.4 million, down 17% on the pcp
- Recurring SaaS and maintenance revenues were $1.7 million, up 50% on the pcp
- Gross profit of $4.9 million, up 29% on the pcp
- Operating expenditure, excluding cost of sales and share-based payments, were $8.5 million, an improvement of 7% on the pcp
- South Korea delivered its first positive EBITDA of $0.5 million
- 11 new enterprise and government customers were acquired bringing the total customer base up to 75, an increase of 15% on the pcp
- Connected devices were 537,706, up 25% on the pcp

Reflecting the move away from low-margin hardware sales, revenue for the period was $13.4 million, down 17% on the pcp. Recurring SaaS and maintenance revenues continued to grow and were up 50% on pcp to $1.7 million. FY24 gross profit of $4.9 million was up 29% on the pcp largely due to the market in South Korea becoming profitable, while the gross margin was 37%, up 14 percentage points on the pcp due to reduced low-margin sales and lowered product costs. The Group's total connected devices increased to 537,706 at 30 June 2024, representing 25% growth on the pcp.

Operating expenses, excluding cost of sales and share-based payments expense, were $8.5 million, down 7% on the pcp, reflecting the result of cost saving initiatives including lower headcount.

Non-cash share-based payments were $1 million (pcp: $0.6 million) reflecting payments made to key management personnel through securities in place of cash.

The loss for the Group after income tax amounted to $6.5 million (2023: loss of $6.5 million).

The Group's cash and cash equivalents as at 30 June 2024 were $1.9 million, an increase of $0.2 million from 30 June 2023.

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

	Consolidated	
	2024 $	2023 $
Loss after income tax	(6,512,880)	(6,514,079)
Add: Income tax expense	713	1,144
Add: Finance costs	970,397	212,457
Add: Depreciation and amortisation	1,334,981	1,054,958
EBITDA	(4,206,789)	(5,245,520)
Add: Share based payments expense**	1,034,795	645,952
Adjusted EBITDA*	(3,171,994)	(4,599,568)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off IPO expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

** Share-based payments expense relates to non-cash shares, options and performance rights issued to key management personnel and employees, including for remuneration forgone by Directors and Executives.

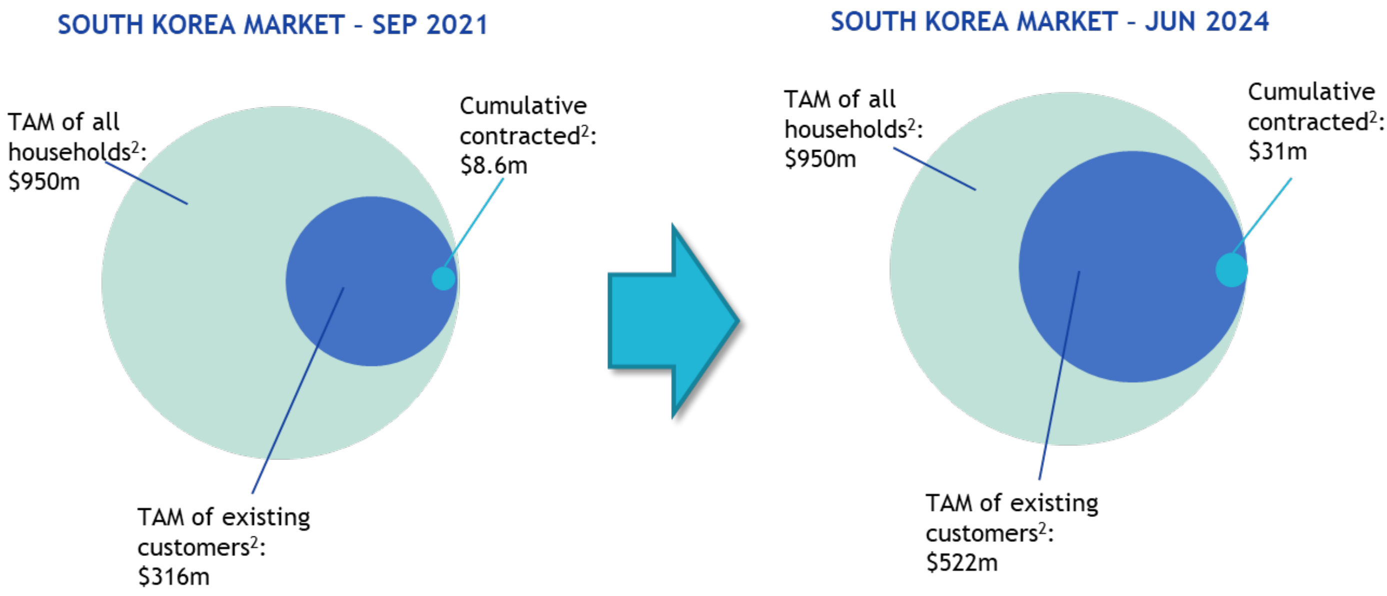
Segment performance

South Korea

The Company's South Korean operations performed strongly, driven by continued deployments for remote water reading solutions across 35 municipalities, including those managed by Korea Water Resources Corporation (K Water). In addition, many customers placed repeat orders in what is good validation of the Company, its technology offering and resulting customer use cases. FY24 revenue was $10.4 million, flat on the pcp, however gross profit increased substantially. Adjusted EBITDA profit was $0.5 million, a significant milestone for the Company. This improvement was driven by increased margins on hardware as a result of lower production costs and increased pricing implemented during the year.

During the year, X2M continued to extend deployments into the total addressable market (TAM) of its existing customers and thus further cemented its leadership position in the South Korean market. This aligned with the Company's long-term strategy to secure customers with large numbers of households that will drive future SaaS and maintenance revenues. For the year ended 30 June 2024, SaaS and maintenance revenues were $1.2 million, up 66% on the pcp.

The illustration in Chart 1 shows the success of X2M's "land and expand" strategy of increasing customer penetration once its platform has been deployed. Over the 33 months to June 2024, the TAM of X2M's existing customers has increased from $316 million to $522 million. This represents an increase from 33% to 55% of the total South Korean market. During the same period, the contracted percentage of this growing customer TAM has increased from 2.7% to 5.9%. Nonetheless our share of many of our customers' overall potential connections is still low (5.9% on average), four of our customers have 100% of their households connected and growth in connections is strong which demonstrates that our strategy is working and augers well for strong ongoing future growth.



1. Data as at 30 June 2024.

2. South Korea total addressable market (TAM) and contracted values are based on Year 1 bundled revenues of A$120 per device.

Chart 1 - progress of growing customer TAM and conversion in South Korea

China

China reported an adjusted EBITDA loss of $0.2 million, up 78% on the pcp. X2M entered the China market in 2021 with a targeted strategy to explore opportunities. Our programme to date has focused on developing channels to market through low-margin sales to establish a foundation for distribution of the Company's proprietary platform. X2M's customers typically have been government and semi-government organisations. The Chinese market will be slow to mature with lengthy payment terms and restrictions to expatriating funds out of the country. After careful consideration, the Board has determined to transition away from the China operations for the foreseeable future effective immediately. This decision is expected to enhance the significance of the Company's other operations and will not result in any impairments or asset write-downs. X2M will manage the transition via back-to-back collection and payment arrangements.

Taiwan

Taiwan achieved revenue of $0.4 million, down 55% on the pcp, mainly attributable to timing of contract deployment completions which will fall into FY25.

Taiwan, which is X2M's incubation hub for new commercial releases, has been focusing on developing energy management solutions with three initial mandates for energy efficient government buildings in Taiwan. This in turn led to the strategic partnership with GreenRock Energy Co., Ltd.

Taiwan reported an adjusted EBITDA loss of $0.8 million, an improvement of 3% on the pcp.

Other

This segment consists of Japan, Hong Kong and Australia and includes Australia being the cost centre for corporate and R&D software development costs.

In Japan, X2M continued to grow connected devices under a licensing arrangement. Total connected devices in Japan at 30 June 2024 totalled 283,374, up 27% on the pcp.

The Other segment reported an adjusted EBITDA loss of $2.7 million, flat on the pcp.

Connected devices continue to climb

Total connected devices numbered 537,706 at 30 June 2024. X2M added approximately 109,000 connected devices to its patented software platform over the year. Enterprise and government customers as at 30 June 2024 rose to 75, up 15% on the pcp.

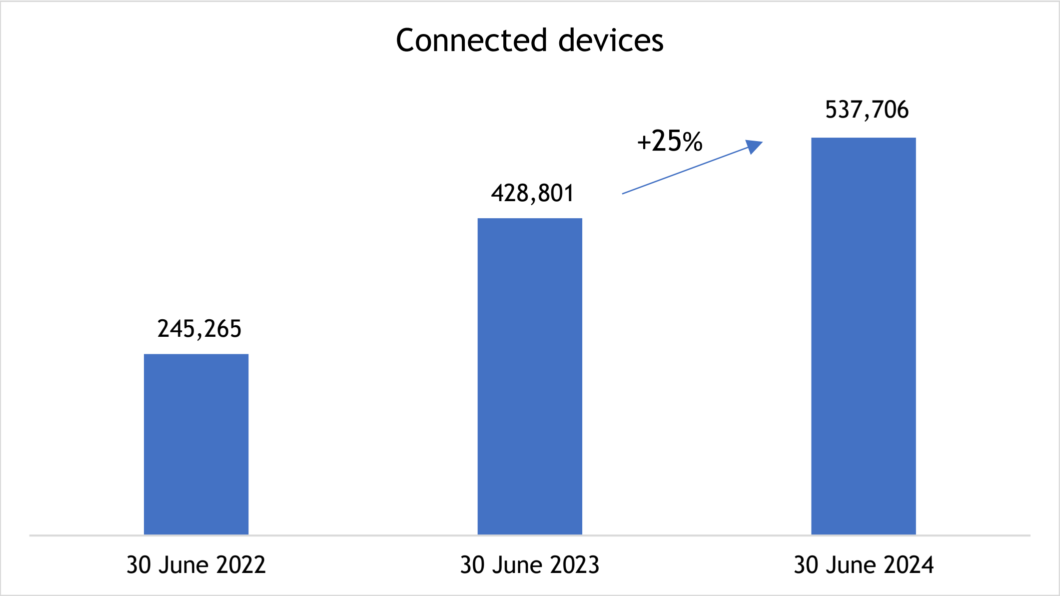


Chart 2 - growth in connected devices on the X2M platform

Strategy update

X2M's strategic programme consists of three phases. The Company is well past the Build and Commercialise stage with established operations in each of its existing markets. Strong and consistent performances over the last three years during the Land and Expand phase now positions it very well to move into phase three of its journey – the "Transformation" phase.

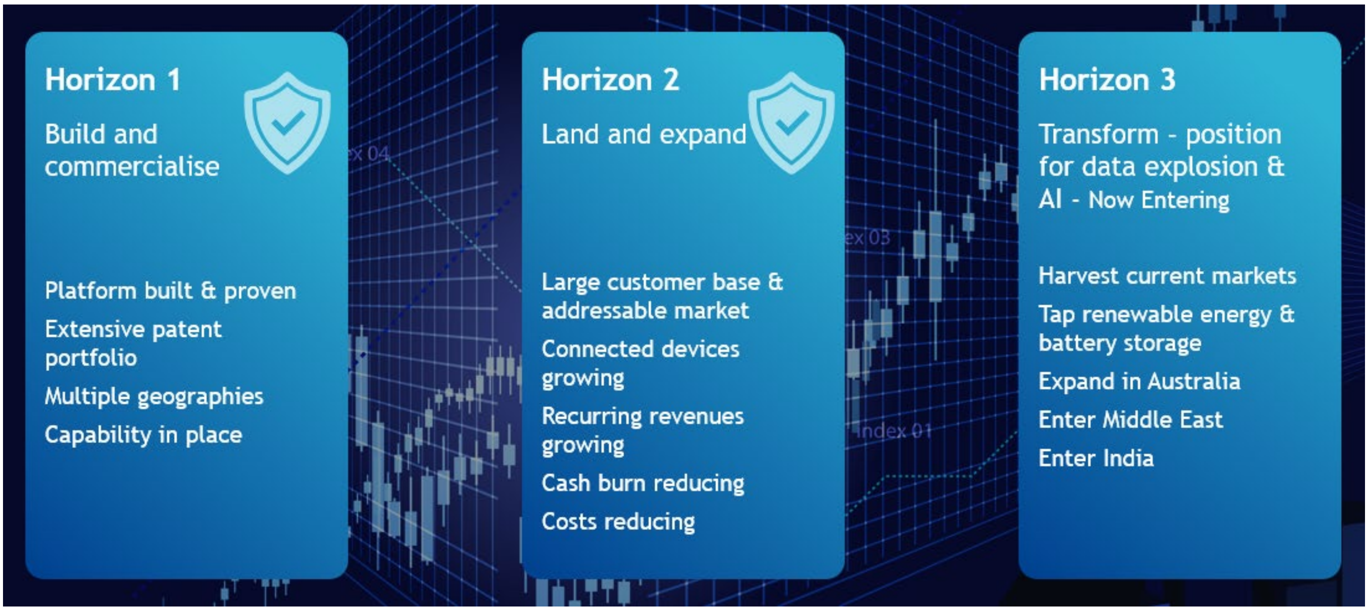


Chart 3 - The Transformation Phase is the third Horizon of the strategy

The key focus of Horizon 3 is for X2M to become EBITDA and cashflow positive. Underpinning this is an ambition to accelerate device count on the X2M "Vision" platform and to capture share of the growing demand for data driven by artificial intelligence, big data analytics and machine learning applications. The large addressable markets in the regions X2M operates in, together with the potential within its existing customer base, positions the Company very well for supplying data for these new application arenas. In addition, the Company has entered the renewable energy and battery storage arena including a strategic agreement with GreenRock Energy Co., Ltd, a large Taiwan-based renewables company. There is considerable market potential in the renewables sector in Australia encompassing Smart Communities and battery storage solutions and the Company plans to expand in this market along with remote water metering. The Company has also announced entering into the Middle East market, initially in the United Arab Emirates and is also evaluating the India market.

Significant changes in the state of affairs

In August 2023, the Company successfully completed a capital raising of $1.7 million through a convertible note offer. $650,000 of the conversion to ordinary shares was approved by shareholders at a general meeting in October 2023. In October 2023, the Company successfully completed a capital raising placement of $0.98 million.

On 23 January 2024, the Company announced that it had raised $1.1 million (before costs) from an Entitlement Offer. As announced on 3 April 2024, the shortfall shares were subsequently placed raising an additional approximately $0.422 million.

On 29 January 2024, X2M announced strategic agreements with GreenRock Energy Co., Ltd (GreenRock). This strategic alliance has five components which are as follows:

- GreenRock invests $1.3 million in X2M. Subject to meeting statutory requirements and ASX listing rules, GreenRock will have the right to appoint one Director to the Board of X2M provided it maintains at least 10% of the ordinary shares of X2M.
- X2M entered into a binding agreement to acquire $0.52 million of GreenRock shares. X2M's holding will represent less than 1% of GreenRock's issued capital.
- GreenRock to own batteries for X2M's Australian Smart Community projects.
- The parties entered into an agreement where X2M (subject to agreeing specification and commercial terms) will be the priority energy management platform provider to GreenRock for the monitoring, control and optimisation of their renewable energy and battery storage operations.
- GreenRock to partner with X2M to develop their energy management business globally.

On 29 January 2024, X2M completed a Placement of $0.4 million whereby approximately 9,925,559 shares were issued at $0.0403 per Share. The funds raised from GreenRock and from the Placement will be used for platform enhancements for renewable energy, smart communities and ongoing operations.

On 2 April 2024, the Company announced its strategic partner GreenRock Energy Co., Ltd had committed to be the owner of its initial Smart Community batteries. As part of the formal agreement, the Company issued 3,853,046 fully paid ordinary shares to GreenRock as consideration for taking on the asset ownership and related responsibilities and for battery related consultation service. The agreed value of these services is $250,000 and ownership of the batteries includes at least 15 years of maintenance and support.

On 10 April 2024, the Company announced that it had signed NTD$50 million (approximately AUD$2.3 million) project for the provision of its 'energy management solution' for GreenRock Energy Co., Ltd in Taiwan. The project is for use in a 94MW Battery Energy Storage System ("BESS") in southern Taiwan. X2M expects 80% of revenue to be recognised in FY25 with the remaining balance to be recognised over 3 years, as service revenue.

On 31 May 2024, X2M secured a converting loan facility totalling $1.5 million from Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust. As at 30 June 2024, X2M had drawn down $1 million of the converting loan facility.

In June 2024, the Company issued a total of 13,875,000 Placement shares at $0.04 per share, raising $0.56 million before costs.

There were no other significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial period

Subsequent to financial year end, the Company successfully completed capital raising of $0.9 million (before costs) through Placements.

On 5 August 2024, X2M announced the signing of a Term Sheet with Dicode Technologies LLC for a license to use X2M's 'Vision by X2M' utility solution in the Middle East for 10 years. The Term Sheet agreement with Dicode is material to X2M as it establishes a key strategic partner and customer for X2M.

On 19 August 2024, X2M launched a $2.0 million non-renounceable 1 for 7 Entitlement Offer of approximately 50 million New Shares at an issue price of $0.04 per New Share. The Entitlement Offer was completed on 11 September 2024, raising $0.4 million before costs. The funds raised will be used to fund scaling up business development in Australia, market entry into the Middle East and India, renewable energy platform customisation, customer support and ongoing operations. The Company will aim to place the shortfall from the Entitlement Offer within the next three months.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

X2M will continue to focus on growing its customer base, providing utility monitoring and control services in the APAC region. The Group will continue to add devices to its IoT platform and focus on growing platform subscription revenue.

The Company's FY25 growth strategy is premised on:

- **Capitalising on X2M's market position in APAC:** Utilities and governments in this region are migrating to sophisticated Internet-based technology solutions in search of productivity improvements and environmental sustainability. To meet demand, hardware and sensor manufacturers supplying the sector are seeking access to leading-edge technology platforms to enhance their product offerings, which X2M can provide.
- **X2M's product portfolio:** X2M's proprietary platform remains a market-leading offering protected by a strong patent portfolio and delivering a variety of product offerings across the water, gas and energy sectors. The Company will further leverage its capability across current and new customers and markets.
- **Deeper penetration of the existing customer base:** X2M's existing customer base represents a large addressable market in excess of $500 million in total revenues[1] and $40 million in annual recurring revenues[2].
- **Entering the Australian energy management sector:** There are scalable opportunities in the Australian energy management sector as organisations work towards net zero emissions and consumers seek to reduce energy costs and support environmental sustainability. X2M is introducing Smart Communities and Smart Agriculture as solutions in the Australian market with term sheets signed for two customers.
- **New markets:** With proven success in its "Land and Expand" strategy, X2M will be assessing the possibility of expanding into new geographic markets in the APAC region, Middle East and North America.

X2M is now in Horizon 3 of its strategy with the addressable markets to potentially expand materially. Chart 4 shows the populations and household numbers for current and new geographies (excluding North America).

[1] Assumes customer installs X2M current bundled services to all its households

[2] Assume customer installs X2M SaaS services to all its households at various rates

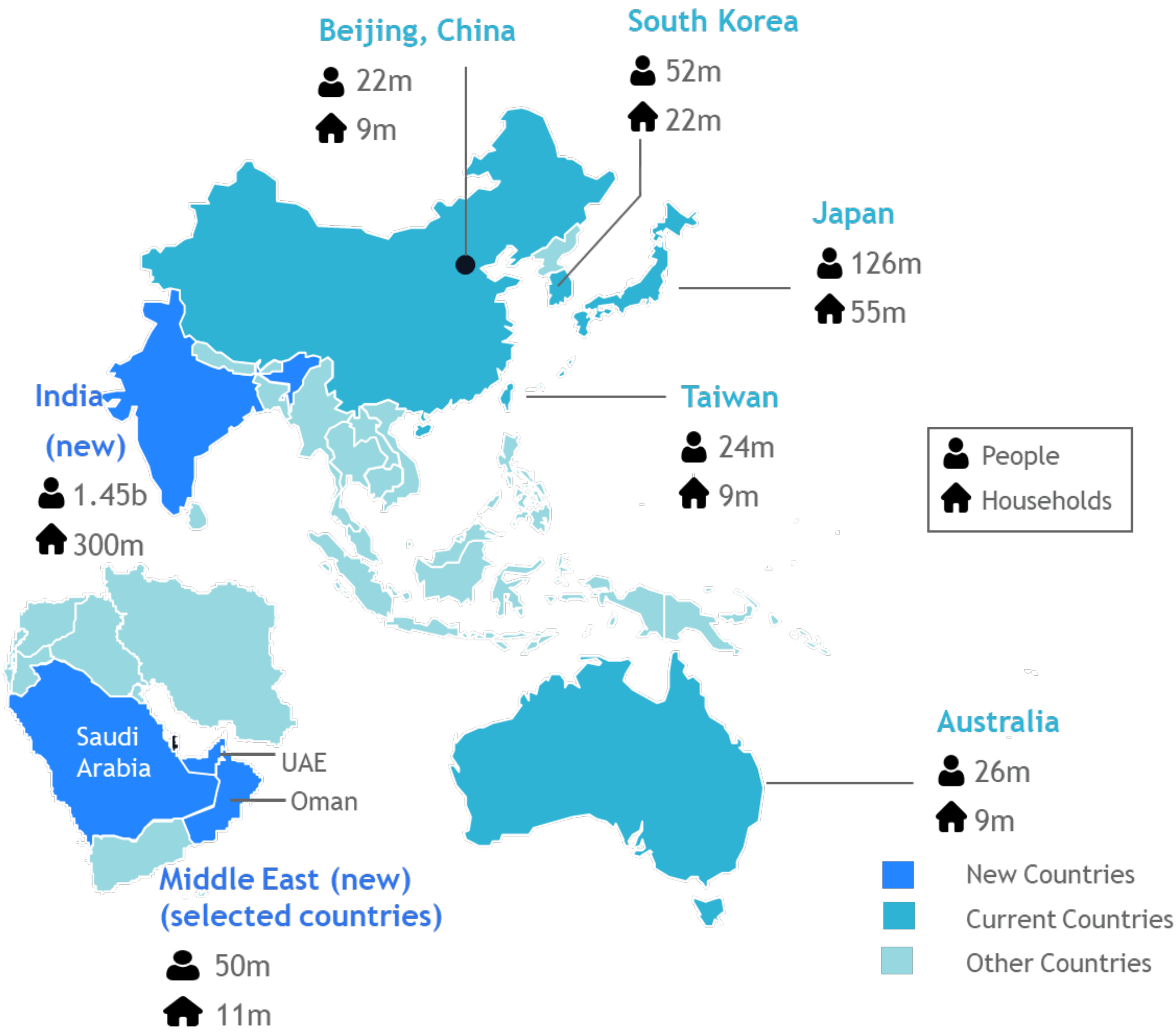


Chart 4 - Populations and household numbers in relevant geographies

Risk Statement

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

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

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

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

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

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

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

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

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

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

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

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

Cybersecurity and data protections
Given the nature of the Company's Software as a Service business, the Company collects and holds some personal information about its customers and their end customers in Japan, South Korea 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.

Mitigation Strategies: The Company implements information systems in line with best practice standards and has these audited by external parties to provide confidence of their suitability and resilience. The Company was certified to meet ISO27001:2013 in 2021 and successfully completed the annual audit in 2023, also adding the China entity to the certificate. As part of the review and audit of systems, various improvements are identified and scheduled for implementation to reduce the risk of incidents.

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

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

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

Whilst the Company is targeting to grow revenue at a greater rate than expenses, market variables or elements outside the control of the Company may come into effect. Based on the current assumptions, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgements and have concluded that the range of possible outcomes considered in arriving at this support the Group's ability to continue as a going concern as at the date of this report.

Mitigation Strategies: The Company continuously monitors its cash requirements and capital funding prospects. Subsequent to year end, the Group successfully raised $0.4 million before costs. Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet budgeted plans and commitments over the next twelve months. However, further cash may be required if the Company decides to accelerate its growth plans, invest in new verticals, pursue entry into a new market or if the planned income and expenses vary significantly from the forecasts.

Regulatory risk

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

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

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

Insurance

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

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

Legal proceedings

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

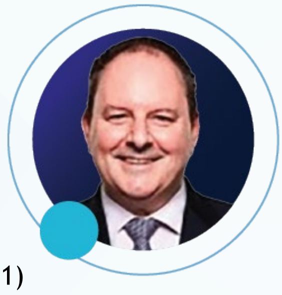
Mitigation strategies: The Company continues to monitor the possible exposure to legal proceedings.

Environmental regulation

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

Information on directors

Name:	**Hon. Alan Stockdale AO**
Title:	Non-Executive Chairman (appointed on 8 February 2021)
Experience and expertise:	Mr Stockdale has significant legal, Government, investment banking and other business experience. He was Victorian Treasurer (1992-1999) and was the Minister for IT and Multimedia from 1996 to 1999. He was a successful barrister, law firm Partner and Consultant and worked as an investment banker for Macquarie Bank. Mr Stockdale is Chairman of Knosys Limited and was previously Chairman of ASX-listed companies Senetas, Axon Instruments and Symex (now Pental) and Chairman of the Medical Research Commercialisation Fund. He has been Chairman or a Director of several other listed companies, unlisted companies and voluntary organisations.
Other current directorships:	Non-Executive Chairman of Knosys Limited (ASX: KNO)
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Board
Interests in shares:	896,844 fully paid ordinary shares*
Interests in options:	1,461,658 unlisted options*
	* Shares and options are held indirectly by a nominee



Name:	**Damien Johnston**
Title:	Non-Executive Director (appointed on 8 February 2021)
Experience and expertise:	Mr Johnston is an ASX-experienced Finance Executive. Mr Johnston is currently the Commercial Director at Tabcorp Holdings Limited where he also previously held the CFO position. He previously held several senior financial roles at BHP Group Limited. Mr Johnston has solid governance experience through his involvement with the Tabcorp Holdings Limited Board and related committees. Mr Johnston has extensive experience in mergers and acquisitions at Tabcorp Holdings Limited and BHP Group Limited.
Other current directorships	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair, Audit and Risk Committee
Interests in shares:	1,016,560 fully paid ordinary shares*
Interests in options:	790,189 unlisted options*
	* Shares and options are held indirectly by a nominee

Name:	**Mohan Jesudason**
Title:	Managing Director and Chief Executive Officer (appointed to the Board on 17 March 2023)
Experience and expertise:	Mr Jesudason has over 30 years' business and executive experience. He was previously the Managing Director of Gaming and Group Marketing at Tabcorp Holdings Limited for 10 years. He also worked 9 years at Telecom New Zealand (now Spark New Zealand Limited) which included the position of Managing Director at Telecom Mobile. Mr Jesudason also worked at National Mutual/AXA (now AMP Limited) for 16 years where he served in a variety of roles from Graduate trainee to senior executive. Mr Jesudason is on the Advisory Board of Enterprise Victoria and a past Director of the Melbourne Football Club and Racing Victoria Limited where he was also a Member of the Racing Integrity Council.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	12,556,718 fully paid ordinary shares*
Interests in options:	35,941,409 unlisted options* * Shares and options are held indirectly by a nominee

Name:	**John Stewart**
Title:	Non-Executive Director (appointed on 8 February 2021)
Experience and expertise:	Mr Stewart has 25 years' experience in merger and acquisition advisory roles and has been CEO of a start-up with 50 employees. Mr Stewart held senior roles at Gresham Partners, Lazard, JPMorgan and Thomas Weisel Partners and has strong networks in business, venture capital, finance, law and politics. Mr Stewart is a director of Stratford Retail Group (UK), Sovereign Investments, Gander Retail Holdings Pty Ltd and Access Investing Limited.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member, Audit and Risk Committee
Interests in shares:	512,485 fully paid ordinary shares
Interests in options:	670,955 unlisted options

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

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

Company secretary

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

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 30 June 2024, and the number of meetings attended by each Director were:

	Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Alan Stockdale[(1)]	12	12	5	5
Mohan Jesudason	12	12	5	5
Damien Johnston[(2)]	12	12	5	5
John Stewart	12	12	5	5

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

(1) Chair of the Board
(2) Chair of Audit and Risk Committee

Remuneration report (audited)

The Board of Directors are pleased to present the Remuneration Report for X2M Connect Limited for the financial year ended the 30th of June 2024.

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

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

Gender diversity remains a challenge across the technology industry. Given the current size of the team and the limited opportunity for change, we will only be able to address gender diversity as we add to or replace team members. However, the Company is an equal opportunity employer and will seek to improve gender diversity as the business grows. Details of the Company's diversity targets can be found in the Corporate Governance Plan on the X2M company website at www.x2mconnect.com and on page 85 of this report.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

Strategic Priorities

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

Remuneration Principles

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

Remuneration Governance

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

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

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

Remuneration Framework

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

TOTAL FIXED REMUNERATION (TFR)	SHORT TERM INCENTIVE (STI)	LONG TERM INCENTIVE (LTI)
Attract and retain the best talent.	Rewards current year performance.	Reward long-term sustainable performance.
Base salary and superannuation (where applicable).	Annual cash payment and/or premium priced options and performance rights.	Options or performance rights.
TFR is set in relation to the external market and considers size and complexity of role along, with individual responsibilities, experience, and skills.	STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes.	LTI supports alignment to long-term overall Company performance and aligns with shareholder value.
TFR preferred positioning is 50th to 75th percentile of the market comparator group.	2024 objectives based on achieving Company and Personal KPI's.	Hurdles set to align with strategic business drivers and long-term shareholder value.

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

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

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

The executive remuneration and reward framework has four components:
- base pay and superannuation
- short-term performance incentives
- share-based payments
- other remuneration such as long service leave

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

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

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

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

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

	9 December to 30 June 2020(1)	FY21	FY22	FY23	FY24
Short term measures					
Revenue $m	$1.3	$5.7	$10.4	$16.2	$13.4
OPEX $m(3)	$1.9	$7.0	$8.4	$9.1	$8.5
Adjusted EBITDA $m(4)	($1.0)	($4.4)	($6.1)	($4.6)	($3.2)
Connected Devices	63,713	123,256	245,265	428,801	537,706
Long term measures					
Share Price at June 30(2)	-	-	$0.093	$0.058	$0.037
Earnings per Share cents	(3.25)	(12.21)	(7.70)	(3.54)	(2.58)

(1) Results reflect the period from when the Company was incorporated on 9 December 2019.
(2) The share price reflects closing price on ASX on last day of trading.
(3) OPEX is a non-IFRS measure calculated as total expenditure, less cost of sales, share based payments, depreciation and amortisation, finance costs, one-off IPO bonus and one-off IPO expenses.
(4) Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off IPO expenses.

In order to incentivise executives and align with shareholder objectives, the 2024 LTI plan provided for the potential to be awarded shares, performance rights and options. The Company has two employee incentive plans used to award LTI. A summary of the key plan terms and conditions are noted in the following tables:

Share Plan Terms and Conditions

FEATURE	DESCRIPTION
Eligibility	Directors, employees, and contractors are eligible to participate.
Administration of Plan	The Board is responsible for the operation of the Share Plan and has broad discretion to administer the plan.
Issue Price	Determined by the Board.
Vesting Condition	Except in the case of Directors, the KMP and other employees must meet plan conditions including current employment, and eligibility. May vest under special conditions including death & disability, retirement, or redundancy.
Resignation	Unvested shares lapse at the time of resignation unless determined otherwise by the Board. Shares will vest pro rata to the proportion of the period from the date of issue to the date of resignation and must be Board approved.
Hedging	Hedging prohibited
Forfeiture	Forfeiture can occur under conditions that include: - Plan vesting conditions not satisfied - Participant no longer an eligible participant - Board discretion to cancel the plan - Change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition.
Good leaver	Subject to the terms of an Offer, where a Participant becomes a Good Leaver: - Options will continue in force and remain exercisable until the Expiry date - Performance rights held will continue in force and remain exercisable. The Board has discretion to allow some or all of unvested awards to be held with the remainder lapsing.
Bad leaver	Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.
Malus & Claw Back	Forfeiture due to fraud, dishonesty, or other improper behaviour.
Restriction on Transfer	Transfers not permitted unless the sale, transfer or disposal requires the preparation of a disclosure document.
Quotation on ASX	Plan shares quoted on ASX and subject to the Listing Rules, as well as any holding lock applying to that applies to the shares.
Rights Attaching to Plan Shares	Same terms and conditions as the Company's issued shares (other than plan transfer restrictions). Shares will have equal rank with all other issued Shares from the issue date (except for entitlements which have a record date before the issue date).
Appointment of Trustee	The Board retains discretion for Shares to be held by a Trustee on trust, and the Board maintains power to approve or deny application to withdraw Shares held by the Trustee on their behalf.
Maximum Number of Shares	17,731,146 Shares (being 5% of the issued capital of the Company on a fully diluted basis at the date of the 2023 AGM).

Performance Rights and Options Plan Terms and Conditions

FEATURE	DESCRIPTION
Eligibility	Directors, employees (full time and part time) and key contractors are eligible to participate.
Entitlement	Each Option/Performance Right entitles the holder to subscribe for one Share upon exercise of the Option/Performance Right.
Issue Price	Nil cash consideration. Unless the Options are quoted on the ASX, Options issued will be issued for no more than nominal cash consideration.
Options Exercise Price	Determined by the Board.
Vesting Conditions	An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards. Options/Performance Rights may vest under special conditions including death & disability, retirement or redundancy or other special circumstances including financial hardship.
Not Transferable	Subject to the Listing Rules, Awards are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.
Shares	Shares resulting from the exercise of the Awards shall, rank on equal terms with all other Shares on issue.
Quotation of Shares	Within 10 Business Days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends.
No Participation Rights	There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.
Hedging	Hedging prohibited.
Forfeiture & Lapsing	Forfeiture can occur under conditions that include: - Plan vesting conditions not satisfied. - Participant no longer an eligible participant. - Board discretion to cancel the plan. Change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition.
Malus & Claw Back	Forfeiture due to fraud, dishonesty, or other improper behaviour.
Good Leaver	Subject to the terms of an Offer, where a Participant becomes a Good Leaver: - Options will continue in force and remain exercisable until the Expiry date - Performance Rights held will continue in force and remain exercisable. The Board has discretion to allow some or all of unvested awards to be held with the remainder lapsing.
Bad Leaver	Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.
Change in Exercise price or no. underlying securities	No right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
Re-organisation	Rights consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

Performance Rights and Options Plan Terms and Conditions

FEATURE	DESCRIPTION
Cashless exercise	In lieu of paying the aggregate Exercise Price, the Board may, permit holder to receive, without payment of cash or other consideration, (upon surrender) a number of Shares determined in accordance with the following formula: A = [B x (C – D)]/ C where: A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant. B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Options being exercised. C = the market value of one Share; and D = the Exercise Price.
Amendments	The Board may make amendments subject to plan rules, the Corporations Act, Listing Rules, and any other applicable law.
Maximum Number of Securities	53,193,438 Securities (being 15% of the issued capital on a fully diluted basis at the date of the 2023 AGM).

FY24 Long Term Incentive Arrangements

Performance period	1 July 2023 - 30 June 2026
Vehicle	Premium priced options
Measurement	Share price target measured using 1 calendar month VWAP share price from the date audited 2026 accounts are released
Exercise price	$0.0975
Option value	$0.037
Targets and Vesting Schedule	

Performance Over 3 Year Period vs Target	Proportion of options capable of vesting
< 2 times issue VWAP	Nil
≥ 2 times to 3 times issue VWAP	Straight line vest 33% - 100%
Issue VWAP is 1 calendar month VWAP share price from the date the 2023 results are released	

LTI Rights awarded	8,097,783 to KMPs
Expiry date	4 September 2028
Issue VWAP	Subsequent to the issue of options, the issue VWAP was determined to be $0.04764

FY24 Short Term Incentive Plan Terms and Conditions

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

Hurdles	1. No material regulatory breaches 2. No material governance breaches 3. 90% of team to complete governance training by year end 4. Achievement of 90% of group revenue target
Weightings	Corporate KPI's - 80% Personal KPI's - 20%
Corporate KPIs	1. ≥ Total Group Budgeted Revenue (50% weighting) 2. ≥ Group Budgeted EBITDA (10% weighting) 3. ≤ Group Budgeted OPEX (10% weighting) 4. ≥ Total number of connected devices budgeted (10% weighting) Margin floor - delivery of less than budgeted gross margin % (excluding China) results in the eligible corporate STI payment being reduced by 20%
Personal KPI's	Two personal KPI's set for each executive based on individual responsibilities. Each personal KPI is weighted at 10%.
STI Outcomes	The Board may use its discretion in awarding STI against the above rules and approved payment of 75% of the FY24 STI for CEO and COO in equity rather than in cash.
Payment	FY24 STI will be paid in premium priced options subject to shareholders' approval at the upcoming 2024 Annual General Meeting.

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

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

Voting and comments made at the Company's 2023 Annual General Meeting ('AGM')
At the 2023 AGM, 95.95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The key management personnel of the Group consisted of the following directors of X2M Connect Limited:
- Alan Stockdale (Non-Executive Chairman)
- Mohan Jesudason (Chief Executive Officer and Managing Director)
- Damien Johnston (Non-Executive Director)
- John Stewart (Non-Executive Director)

Other key management personnel:
- Keith Jelley (Chief Operating Officer)

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

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

(1) Mr Jesudason was awarded a $150,000 FY24 STI bonus in equities being 75% of his FY24 STI amount. This will be awarded as premium priced options, subject to shareholders approval at the 2024 Annual General Meeting.
(2) Mr Jelley was awarded a $74,714 FY24 STI bonus in equities being 75% of his FY24 STI amount. This will be awarded as premium priced options provided shareholders approve similar options for Mr Jesudason.
(3) Reflects equity issued to the KMP or their nominee.
(4) The CEO, COO and Non-Executive Directors collectively agreed to take a component of FY24 remuneration in equities in order to reduce cash burn. Figures include remuneration options for salary forgone in FY24 as approved at the 2023 Annual General Meeting. For Non-Executive Directors it also includes an allocation for share-based payments under the IPO replacement prospectus dated 24 August 2021.

2023	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled[4] $	 Total $
Non-Executive Directors:							
Alan Stockdale[5]	100,000	-	-	10,500	-	8,820	119,320
Damien Johnston[5]	54,505	-	-	5,723	-	4,410	64,638
John Stewart[5]	45,455	-	-	4,773	-	4,410	54,638
Jodie Leonard[3][5]	38,992	-	-	4,094	-	4,410	47,496
Executive Director:							
Mohan Jesudason[1]	476,581	-	-	25,292	9,331	264,628	775,832
Other Key Management Personnel:							
Keith Jelley[2]	276,581	-	-	25,292	5,297	131,808	438,978
	992,114	-	-	75,674	14,628	418,486	1,500,902

(1) Mr Jesudason was awarded a $200,000 FY23 STI bonus, including 50% or $100,000 payable in cash, for achieving 100% of his FY23 STI KPIs. It was mutually agreed between the Board and Mr Jesudason that the full FY23 STI bonus will be awarded as premium priced options, subject to shareholder approval, otherwise cash will be paid.
(2) Mr Jelley was awarded a $99,618 FY23 STI bonus, including 50% or $49,809 payable in cash, for achieving 100% of his FY23 STI KPIs. It was mutually agreed between the Board and Mr Jelley that the full FY23 STI bonus will be awarded as premium priced options provided shareholders approve similar options for Mr Jesudason.
(3) Ms Leonard resigned from the Board on 17 March 2023.
(4) Reflects equity awarded to the KMP or their nominee.
(5) For Non-Executive Directors, an allocation for share-based payments under the IPO replacement prospectus dated 24 August 2021.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Non-Executive Directors:						
Alan Stockdale[1]	69%	93%	-	-	31%	7%
Damien Johnston[1]	69%	93%	-	-	31%	7%
John Stewart[1]	69%	92%	-	-	31%	8%
Jodie Leonard[1]	-	91%	-	-	-	9%
Executive Director:						
Mohan Jesudason[1]	60%	66%	20%	26%	20%	8%
Other Key Management Personnel:						
Keith Jelley[1]	63%	70%	17%	23%	20%	7%

[1] Fixed remuneration portions issued as premium priced options are regarded as at risk remuneration since the options may expire worthless.

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

	Cash bonus paid/payable		Cash bonus forfeited	
Name	**2024**	**2023**	**2024**	**2023**
Executive Directors:				
Mohan Jesudason[1]	75%	100%	25%	-
Other Key Management Personnel:				
Keith Jelley[1]	75%	100%	25%	-

[1] Cash bonuses indicated were not actually paid in cash but were paid in premium priced options.

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

Name:	Mohan Jesudason
Title:	Chief Executive Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jesudason will receive a base remuneration of $501,874 per annum inclusive of superannuation. The Company may issue shares and options to Mr Jesudason under incentive plans as part of Mr Jesudason's ongoing remuneration as deemed appropriate by the Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act. The Company has agreed to pay Mr Jesudason a combined cash and premium options based Short Term Incentive (STI) of 40% of base remuneration per annum for on target performance as and when deemed appropriate by the Board under the STI Plan developed by the Company and such STI to be based on Mr Jesudason's achievement of KPIs (as determined by the Board in its sole discretion, acting reasonably) agreed between the Board and Mr Jesudason for the year concerned. Either party may terminate the employment in writing at any time by giving at least 12 months' notice.
Name:	Keith Jelley
Title:	Chief Operating Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jelley will receive a base remuneration of $301,874 per annum inclusive of superannuation. The Company may issue Shares and Options to Mr Jelley under incentive plans as part of the Mr Jelley's ongoing remuneration as deemed appropriate by the Chief Executive Officer and Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act. The Company has agreed to pay Mr Jelley a combined cash and premium options based Short Term Incentive (STI) of 33% of the base remuneration per annum for on target performance as deemed appropriate by the CEO and the Board under the Short Term Incentive Plan. Either party may terminate the employment in writing at any time by giving at least 6 months' notice.

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

Share-based compensation
Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2024.

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mohan Jesudason	5,405,405	28 November 2023	30 September 2026	4 September 2028	$0.0975	$0.013
Keith Jelley	2,692,378	5 September 2023	30 September 2026	4 September 2028	$0.0975	$0.0166
Mohan Jesudason*	7,905,139	28 November 2023	23 January 2024	23 January 2029	$0.067	$0.0253
Keith Jelley*	3,937,471	28 November 2023	23 January 2024	23 January 2029	$0.067	$0.0253

* Options were issued on 23 January 2024, following shareholders' approval at FY23 Annual General Meeting. Share-based payment expenses were accrued in prior year.

Remuneration options

On 23 January 2024, the Company issued 6,603,770 unquoted options to Directors and other key management personnel for FY24 fees and salary forgone as part of cost reduction initiatives. These options were approved by the shareholders at FY23 Annual General Meeting.

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Alan Stockdale*	1,317,523	28 November 2023	30 June 2024	23 January 2029	$0.067	$0.0253
Damien Johnston*	718,121	28 November 2023	30 June 2024	23 January 2029	$0.067	$0.0253
John Stewart*	598,887	28 November 2023	30 June 2024	23 January 2029	$0.067	$0.0253
Mohan Jesudason*	2,511,629	28 November 2023	30 June 2024	23 January 2029	$0.067	$0.0253
Keith Jelley*	1,457,610	28 November 2023	30 June 2024	23 January 2029	$0.067	$0.0253

* Options were issued on 23 January 2024 and one seventh vested each month from December 2023 until 30 June 2024.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel during the period ended 30 June 2024 are set out below:

Name	Number of options granted during the period 2024	Number of options granted during the period 2023	Number of options vested during the period 2024	Number of options vested during the period 2023
Alan Stockdale	1,317,523	96,091	1,317,523	96,091
Mohan Jesudason	15,822,173	4,987,732	10,416,768	1,125,808
Damien Johnston	718,121	48,046	718,121	48,046
John Stewart	598,887	48,046	598,887	48,046
Keith Jelley	8,087,459	2,347,195	5,395,081	423,609
Jodie Leonard	-	48,046	-	48,046

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel during the period ended 30 June 2024 are set out below:

Name	Value of options granted during the period $	Value of options exercised during the period $	Value of options lapsed during the period $	Remuneration consisting of options for the period %
Alan Stockdale	33,333	-	-	31%
Damien Johnston	18,168	-	-	31%
John Stewart	15,152	-	-	31%
Mohan Jesudason	63,544	-	-	40%
Keith Jelley	36,878	-	-	37%

Performance rights
There were no performance rights issued to directors and other key management personnel as part of compensation during the period ended 30 June 2024.

Additional disclosures relating to key management personnel

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

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
Alan Stockdale	768,722	-	128,122	-	896,844
Damien Johnston	678,479	-	113,081	-	791,560
John Stewart	384,362	-	64,062	-	448,424
Mohan Jesudason	11,898,387	-	388,539	-	12,286,926
Keith Jelley	3,985,737	-	-	-	3,985,737
	17,715,687	-	693,804	-	18,409,491

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

	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Options over ordinary shares					
Alan Stockdale	240,226	1,317,523	-	-	1,557,749
Damien Johnston	120,114	718,121	-	-	838,235
John Stewart	120,114	598,887	-	-	719,001
Mohan Jesudason	20,589,825	15,822,173	-	-	36,411,998
Keith Jelley	7,774,259	8,087,459	-	-	15,861,718
	28,844,538	26,544,163	-	-	55,388,701

Loans to key management personnel and their related parties
No loans were provided from the Company to any key management person or their related parties in 2024 (2023: Nil).

Other transactions with key management personnel and their related parties
During the 2024 financial year, X2M paid $27,500 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2023: $19,500). The transactions were made on normal commercial terms.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
16 July 2021	15 July 2025	$0.25	9,411,283
14 September 2021	13 September 2025	$0.358	9,559,588
14 September 2021	13 September 2025	$0.358	5,188,029
14 April 2022	14 April 2027	$0.5	2,058,286
27 June 2022	27 June 2027	$0.5	1,359,264
29 August 2022	29 August 2027	$0.14	986,822
2 September 2022	2 September 2027	$0.138	5,785,510
17 March 2023	17 March 2028	$0.14	1,518,028
17 March 2023	17 March 2028	$0.34	961,180
5 September 2023	4 September 2028	$0.098	6,790,812
26 October 2023	26 October 2026	$0.025	11,000,000
1 November 2023	31 October 2024	$0.045	9,388,888
1 December 2023	31 October 2024	$0.045	1,500,000
28 November 2023	4 September 2028	$0.098	5,405,405
23 January 2024	23 January 2029	$0.025	19,268,041
			90,181,136

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

Shares issued on the exercise of options

There were no ordinary shares of X2M Connect Limited issued on the exercise of options during the period ended 30 June 2024 and up to the date of this report.

Shares under performance rights

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

Grant date	Expiry date	Performance rights exercise price	Number under performance rights
17 March 2023	31 December 2024	-	835,000
17 March 2023	31 December 2025	-	5,029,940
5 September 2023	31 December 2026	-	6,866,892
			12,731,832

Shares issued on the conversion of performance rights

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

Except for the above, there were no ordinary shares of X2M Connect Limited issued on the conversion of performance rights during the period ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

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

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

On behalf of the directors

Hon. Alan Stockdale AO
Non-Executive Chairman

27 September 2024

Grant Thornton Audit Pty Ltd
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Melbourne VIC 3001

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Auditor’s Independence Declaration

To the Directors of X2M Connect Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of X2M Connect Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 September 2024

Financial Statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2024

	Note	Consolidated 2024 $	Consolidated 2023 $
Revenue	4	13,384,140	16,213,089
Cost of sales		(8,467,156)	(12,410,381)
Gross profit		4,916,984	3,802,708
Other income	5	364,983	658,617
Expenses			
Employee benefits expense	6	(4,620,899)	(5,313,786)
Share based payments expense	33	(1,034,795)	(645,952)
Depreciation and amortisation expense	6	(1,334,981)	(1,054,958)
Finance costs	6	(970,397)	(212,457)
Telephone expenses		(386,690)	(413,784)
Short-term lease expenses		(137,339)	(44,127)
Other expenses	6	(2,318,336)	(2,325,047)
Professional fees		(990,697)	(964,149)
Total expenses		(11,794,134)	(10,974,260)
Loss before income tax expense		(6,512,167)	(6,512,935)
Income tax expense	7	(713)	(1,144)
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited		(6,512,880)	(6,514,079)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		151,096	43,795
Other comprehensive income for the period, net of tax		151,096	43,795
Total comprehensive income/(loss) for the period attributable to the owners of X2M Connect Limited		(6,361,784)	(6,470,284)
		Cents	Cents
Basic earnings per share	34	(2.58)	(3.54)
Diluted earnings per share	34	(2.58)	(3.54)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	Note	Consolidated 2024 $	Consolidated 2023 $
Assets			
Current assets			
Cash and cash equivalents	8	1,938,882	1,785,032
Trade and other receivables	9	2,872,234	2,565,557
Contract assets	10	61,979	961,727
Inventories	11	71,671	228,163
Other assets	13	2,474,718	3,808,287
Total current assets		7,419,484	9,348,766
Non-current assets			
Financial assets at fair value	12	520,000	-
Property, plant and equipment and right-of-use assets	14	499,201	450,270
Intangible assets	15	4,478,691	3,946,700
Other assets	13	602,592	429,738
Total non-current assets		6,100,484	4,826,708
Total assets		13,519,968	14,175,474
Liabilities			
Current liabilities			
Trade and other payables	16	6,256,733	6,405,703
Contract liabilities	17	1,734,347	3,552,254
Borrowings	18	224,506	2,069,095
Lease liabilities	20	215,416	159,592
Employee benefits	19	935,397	875,186
Total current liabilities		9,366,399	13,061,830
Non-current liabilities			
Borrowings	18	2,787,185	-
Lease liabilities	20	261,450	257,495
Employee benefits	19	560,035	450,902
Total non-current liabilities		3,608,670	708,397
Total liabilities		12,975,069	13,770,227
Net assets		544,899	405,247
Equity			
Issued capital	21	29,046,310	24,127,410
Reserves	22	4,404,640	2,671,008
Accumulated losses		(32,906,051)	(26,393,171)
Total equity		544,899	405,247

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

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2024

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2022	19,293,275	2,141,509	(19,879,092)	1,555,692
Loss after income tax expense for the period	-	-	(6,514,079)	(6,514,079)
Other comprehensive income for the period, net of tax	-	43,795	-	43,795
Total comprehensive income/(loss) for the period	-	43,795	(6,514,079)	(6,470,284)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	4,804,247	-	-	4,804,247
Issue of shares under employee incentive plan	29,888	-	-	29,888
Share-based payments	-	485,704	-	485,704
Balance at 30 June 2023	24,127,410	2,671,008	(26,393,171)	405,247

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2023	24,127,410	2,671,008	(26,393,171)	405,247
Loss after income tax expense for the period	-	-	(6,512,880)	(6,512,880)
Other comprehensive income for the period, net of tax	-	151,096	-	151,096
Total comprehensive income/(loss) for the period	-	151,096	(6,512,880)	(6,361,784)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	4,587,928	-	-	4,587,928
Issue of shares under employee incentive plan	80,972	-	-	80,972
Issue of shares as consideration for services	250,000	-	-	250,000
Embedded derivative equity component (note 18)	-	419,853	-	419,853
Options issued to a lender as part of borrowing costs	-	278,448	-	278,448
Options issued for FY23 short term incentive	-	320,406	-	320,406
Share-based payments (note 33)	-	563,829	-	563,829
Balance at 30 June 2024	29,046,310	4,404,640	(32,906,051)	544,899

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2024

	Note	Consolidated 2024 $	2023 $
Cash flows from operating activities			
Receipts from customers		13,669,199	16,484,606
Receipts from government grants		1,479,121	1,468,350
Payments to suppliers and employees		(17,530,122)	(20,285,217)
Net cash used in operating activities	32	(2,381,802)	(2,332,261)
Cash flows from investing activities			
Payments for investments		(520,000)	-
Payments for property, plant and equipment		(41,500)	(11,841)
Payments for intangibles		(2,769,265)	(2,684,221)
Proceeds from/(Payment for) security deposits		5,021	(216,145)
Net cash used in investing activities		(3,325,744)	(2,912,207)
Cash flows from financing activities			
Proceeds from issue of shares		4,733,488	5,160,857
Share issue transaction costs		(266,751)	(370,874)
Advance received from investors	16	830,000	50,000
Proceeds from convertible notes		1,675,000	-
Proceeds from other borrowings		680,252	2,197,000
Proceeds from converting loan		1,000,000	-
Repayment of borrowings		(2,517,433)	(782,499)
Repayment of lease liabilities (including interest)		(241,294)	(279,746)
Net cash from financing activities		5,893,262	5,974,738
Net increase in cash and cash equivalents		185,716	730,270
Cash and cash equivalents at the beginning of the financial period		1,785,032	1,020,020
Effects of exchange rate changes on cash and cash equivalents		(31,866)	34,742
Cash and cash equivalents at the end of the financial period	8	1,938,882	1,785,032

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

Note 1. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The consolidated financial report has been prepared on a going concern basis which contemplates continuity of normal business activities, funding of operating activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a net loss for the year ended 30 June 2024 of $6,512,880 (2023: $6,514,079) and Cash outflows from operating and investing activities were $5,707,546 (2023: $5,244,468). As at 30 June 2024 the Group had net assets of $544,899 and had a working capital deficiency, being current assets less current liabilities, of $1,946,915.

During the period, the Group successfully completed an Entitlement Offer, Placement and issue of convertible notes, raising a total of $6.5 million before costs. Proceeds from the capital raising activities were utilised to fund strategic initiatives and operating activities. The Group´s trading performance during the period is broadly in line with management's expectations and consistent with a clear strategy to invest in growth. The growth strategy is working as shown by the growth in gross profit.

Subsequent to year end, the Group raised $0.4 million before costs from issue of 10,279,413 shares. Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet commitments over the next twelve months from the date of this report. These cashflow projections assume the Group's ability to achieve sales growth, prudent control on expenditure and raising additional capital.

Based on these factors, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern. The Directors acknowledge that this assessment incorporates a number of assumptions and judgements and have concluded that the range of possible outcomes considered in arriving at this support the Group’s ability to continue as a going concern as at the date of this report.

In the event the Group does not trade in line with its cashflow forecast and / or, if required, fails to raise additional capital, a material uncertainty would exist that may cast doubt on the Group’s ability to continue as a going concern and, therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

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

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

Note 1. Material accounting policy information (continued)

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

Parent entity information
These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of X2M as at 30 June 2024 and the results of all subsidiaries for the period then ended.

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

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

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

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

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

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

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

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

Note 1. Material accounting policy information (continued)

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.

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

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

Note 1. Material accounting policy information (continued)

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers
When recognising revenue in relation to hardware sales to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer and accepted by the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Recognised amounts of platform subscriptions revenue reflect the Group's best estimate of each contracts outcome and progress towards completion of performance obligations. Changes in estimates related to service revenue are recorded as an increase or decrease to revenue in the period that the changes are identified.

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

R&D Tax Incentives
Under the Research and Development (R&D) Tax Incentive scheme, the Group receives a 18.5% refundable tax offset above the Group's tax rate, of eligible expenditures if its turnover is less than $20 million per annum provided it is not controlled by income tax exempt entities. A R&D plan is required to be filed with AusIndustry in the following financial year, and based on this filing, the Group would be able to receive the incentive in cash. Management performs a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. There is a significant degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This is to avoid the risk that expenses claimed are ineligible and the methodology adopted is not appropriate or not in accordance with the ATO guidelines including inaccurate calculations of the R&D tax incentive refund. For the year ended 30 June 2024 the Group has recorded a R&D tax incentive of $1,528,511 (2023: $1,480,841), in relation to 2024 financial year. This R&D tax refund receivable is subject to the Group completing the R&D tax application process and income tax returns on a timely basis.

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 financial asset investments have been classified by the Group in level 2 (refer note 12). The investment is in a public unlisted company where obtaining quoted price is not readily possible. Input values recognised were based on judgement and most recent transaction values.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Assessment of the conversion features of the convertible notes and converting loan
During the financial year the Group issued convertible notes which were compound instruments (refer note 18). The debt component fair value was determined by discounting the cashflows of the instrument back to present value using the discount rate based on a comparable non-convertible instrument. The conversion option was treated as convertible note reserve in equity as it passes the "fixed for fixed" test as prescribed under AASB 9 *Financial Instruments*.

During the financial year the Group secured a converting loan facility which was a compound instrument (refer to note 18). The Group has applied the Black-Scholes valuation methodology in determining the fair value of the embedded derivatives on initial recognition and as at balance date in line with AASB 9 *Financial Instruments*.

Impairment of non-financial assets
The Group assesses impairment of non-financial assets including intellectual property in progress at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Operating segments

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

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

The Other segment comprises Australia, which is a cost centre for corporate costs including head office, R&D and software development; and Hong Kong and Japan.

Intersegment transactions
Intersegment transactions were made at market rates. These transactions included internal services provided by Australian head office to overseas subsidiaries and intersegment sales. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the year ended 30 June 2024, four customers from South Korea contributed $4,310,059, representing 32% of total external revenues. Two customers from China contributed $2,109,869, representing 16% of total external revenues.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2024	South Korea $	China $	Taiwan $	Other $	Total $
Revenue					
Sales to external customers	10,426,454	2,109,869	368,626	479,191	13,384,140
Intersegment sales	174,772	-	-	-	174,772
Total sales revenue	10,601,226	2,109,869	368,626	479,191	13,558,912
Other income	12,872	309	493	351,309	364,983
Total segment revenue	10,614,098	2,110,178	369,119	830,500	13,923,895
Intersegment eliminations					(174,772)
Total revenue and other income					13,749,123
Adjusted EBITDA*	457,014	(166,489)	(776,064)	(2,686,455)	(3,171,994)
Depreciation and amortisation	(140,876)	(8,261)	(33,968)	(1,151,876)	(1,334,981)
Adjusted EBIT*	316,138	(174,750)	(810,032)	(3,838,331)	(4,506,975)
Unallocated					
Share based payments**					(1,034,795)
Finance costs					(970,397)
Income tax expense					(713)
Loss after income tax expense					(6,512,880)
Assets					
Segment assets	1,697,533	3,112,709	300,830	8,408,896	13,519,968
Total assets					13,519,968
Liabilities					
Segment liabilities	3,349,974	2,801,545	388,701	6,434,849	12,975,069
Total liabilities					12,975,069

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

** Share based payments expense relate to non-cash shares, options and performance rights to key management personnel and employees, including for remuneration forgone by Directors and Executives.

Consolidated - 2023	South Korea $	China $	Taiwan $	Other $	Total $
Revenue					
Sales to external customers	10,462,476	4,368,012	828,179	554,422	16,213,089
Intersegment sales	321,527	-	-	328,125	649,652
Total sales revenue	10,784,003	4,368,012	828,179	882,547	16,862,741
Other income	96,222	3,297	463	558,635	658,617
Total segment revenue	10,880,225	4,371,309	828,642	1,441,182	17,521,358
Intersegment eliminations					(649,652)
Total revenue and other income					16,871,706
Adjusted EBITDA*	(1,028,150)	(93,383)	(803,945)	(2,674,090)	(4,599,568)

Note 3. Operating segments (continued)

Depreciation and amortisation	(124,675)	(88,487)	(18,208)	(823,588)	(1,054,958)
Adjusted EBIT*	(1,152,825)	(181,870)	(822,153)	(3,497,678)	(5,654,526)
Unallocated					
Share based payments**					(645,952)
Finance costs					(212,457)
Income tax expense					(1,144)
Loss after income tax expense					(6,514,079)
Assets					
Segment assets	3,564,637	2,758,394	618,758	7,233,685	14,175,474
Total assets					14,175,474
Liabilities					
Segment liabilities	5,549,062	2,583,671	654,929	4,982,565	13,770,227
Total liabilities					13,770,227

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, share based payments and one-off expenses. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

** Share based payments expense relate to non-cash shares, options and performance rights to employees.

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

Note 4. Revenue

	Consolidated	
	2024	2023
	$	$
SaaS and maintenance revenue	1,719,095	1,149,585
Hardware sales	11,665,045	14,910,568
Professional service fees	-	152,936
Revenue	13,384,140	16,213,089

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

	Consolidated	
	2024	2023
	$	$
Timing of revenue recognition		
Goods transferred at a point in time	11,665,045	14,910,568
Services transferred over time	1,719,095	1,302,521
	13,384,140	16,213,089

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 based on either individual selling price or cost plus model as prescribed under para. 79 of AASB 15 *Revenue from Contracts with Customers*.

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

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

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

Note 4. Revenue (continued)

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

Note 5. Other income

	Consolidated	
	2024	2023
	$	$
Research and development tax credits	338,067	387,439
Government assistance	-	165,009
Interest income	13,524	6,292
Other income	13,392	99,877
Other income	364,983	658,617

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. Research and development tax credits that are associated with capitalised development costs are offset against intangibles where applicable.

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

Note 6. Expenses

	Consolidated 2024 $	Consolidated 2023 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	444,103	194,646
Interest on convertible notes	497,748	-
Interest on converting loan	9,392	-
Interest on lease liabilities	19,154	17,811
Finance costs expensed	970,397	212,457
Employee benefits expense		
Salaries and wages expense	3,623,041	4,000,300
Superannuation expense	630,345	608,473
Short term incentives	(25,555)	356,632
Other employee benefits	393,068	348,381
Total employee benefits expense	4,620,899	5,313,786
Other expenses		
Advertising and marketing	48,056	177,701
Patent expenses	114,488	122,909
Product remediation and upgrade	758,464	711,673
Subscriptions	307,113	269,600
Travel costs	646,794	568,812
Other administrative expenses	443,421	474,352
Total other expenses	2,318,336	2,325,047
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	29,333	22,800
Deprecation of right-of-use assets	225,345	289,543
Amortisation of intangible assets	1,080,303	742,615
Total depreciation and amortisation expense	1,334,981	1,054,958

Note 7. Income tax

	Consolidated 2024 $	Consolidated 2023 $
Income tax expense		
Current tax	713	1,144
Deferred tax	-	-
Aggregate income tax expense	713	1,144
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(6,512,167)	(6,512,935)
Tax at the statutory tax rate of 25%	(1,628,042)	(1,628,234)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	360,320	245,493
Difference in overseas tax rates	(145,157)	42,826
Current period tax losses not recognised (net of difference in overseas tax rates)	1,166,179	1,150,177
Other deferred tax assets not recognised	246,700	189,738
Prior period adjustments	713	1,144
Income tax expense	713	1,144

	Consolidated 2024 $	Consolidated 2023 $
Carry forward tax losses not recognised		
Carry forward tax losses not recognised comprise:		
Carry forward losses: X2M Connect Limited	2,668,437	2,017,401
Carry forward losses: Freestyle Technology Taiwan Limited (1)	794,365	296,651
Carry forward losses: Freestyle Technology Co., Ltd (2)	1,971,028	2,058,704
Carry forward losses: Golden Sino Hong Kong Limited	1,981	4,858
Carry forward losses: Freestyle Technology (Shanghai) Co., Ltd	3,869	4,439
Carry forward losses: Freestyle Technology Japan KK (2)	283,246	238,084
Carry forward losses: Beijing Freestyle Technology Co., Ltd	254,145	147,076
Total carry forward tax losses not recognised	5,977,071	4,767,213

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 15 years, no restrictions on the amount of tax losses to be utilised in a fiscal year, on the basis the company is classified as a small or medium sized enterprise (SME).

Note 7. Income tax (continued)

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Note 8. Cash and cash equivalents

	Consolidated	
	2024	2023
	$	$
Current assets		
Cash on hand	278	774
Cash at bank	1,938,604	1,784,258
	1,938,882	1,785,032

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 2024 $	Consolidated 2023 $
Current assets		
Trade receivables	2,838,915	2,405,755
Other receivables	33,319	159,802
	2,872,234	2,565,557

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 2024 $	Consolidated 2023 $
Current assets		
Contract assets	61,979	961,727

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

	2024 $	2023 $
Opening balance	961,727	796,228
Additions	60,539	929,557
Transfer to trade receivables	(960,287)	(764,058)
Closing balance	61,979	961,727

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 2024 $	Consolidated 2023 $
Current assets		
Finished goods - at cost	71,671	228,163

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. Financial assets at fair value through other comprehensive income

	Consolidated 2024 $	Consolidated 2023 $
Non-current assets		
Shares in an unlisted entity	520,000	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial period are set out below:

	2024 $	2023 $
Opening fair value	-	-
Additions	520,000	-
Closing fair value	520,000	-

Refer to note 23 for further information on financial instruments.

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

Note 13. Other assets

	Consolidated 2024 $	Consolidated 2023 $
Current assets		
Research and development tax credit receivables	1,528,511	1,480,841
Prepayments	794,460	2,283,147
Other assets	151,747	44,299
	2,474,718	3,808,287
Non-current assets		
Deposits	602,592	429,738
	3,077,310	4,238,025

Note 14. Property, plant and equipment and right-of-use assets

	Consolidated 2024 $	Consolidated 2023 $
Non-current assets		
Office equipment - at cost	97,266	93,223
Less: Accumulated depreciation	(27,296)	(34,143)
	69,970	59,080
Deployed infrastructure - at cost	1,090,486	1,200,635
Less: Accumulated depreciation	(1,090,486)	(1,200,635)
	-	-
Right-of-use assets (land & buildings) - at cost	724,902	978,668
Less: Accumulated depreciation	(295,671)	(587,478)
	429,231	391,190
	499,201	450,270

Note 14. 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 and previous financial period are set out below:

Consolidated	Office equipment $	Right-of-use assets (land & buildings) $	Total $
Balance at 1 July 2022	56,195	571,427	627,622
Additions (net of exchange differences)	20,128	122,181	142,309
Exchange differences	5,557	(12,875)	(7,318)
Depreciation expense	(22,800)	(289,543)	(312,343)
Balance at 30 June 2023	59,080	391,190	450,270
Additions (net of exchange differences)	41,500	264,915	306,415
Exchange differences	(1,277)	(1,529)	(2,806)
Depreciation expense	(29,333)	(225,345)	(254,678)
Balance at 30 June 2024	69,970	429,231	499,201

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
Right-of-use assets	2-5 years

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

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

Note 14. Property, plant and equipment and right-of-use assets (continued)

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets of $137,339 (2023: $44,127) are expensed to profit or loss on a straight line basis.

Note 15. Intangible assets

	Consolidated	
	2024 $	2023 $
Non-current assets		
Intellectual property, patents and copyright - at cost	6,840,691	5,384,521
Less: Accumulated amortisation	(2,620,226)	(1,550,103)
	4,220,465	3,834,418
Intellectual property in progress - at cost	258,226	112,282
	4,478,691	3,946,700

Reconciliations

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

Consolidated	Intellectual property, patents and copyright $	Intellectual property in progress $	Total $
Balance at 1 July 2022	2,995,842	100,012	3,095,854
Capitalisation of expenses (net of exchange differences and tax credits)	66,763	1,526,698	1,593,461
Transfers in/(out)	1,511,724	(1,511,724)	-
Amortisation expense	(739,911)	(2,704)	(742,615)
Balance at 30 June 2023	3,834,418	112,282	3,946,700
Capitalisation of expenses (net of exchange differences and tax credits)	-	1,614,877	1,614,877
Exchange differences	(2,204)	(379)	(2,583)
Transfers in/(out)	1,465,547	(1,465,547)	-
Amortisation expense	(1,077,296)	(3,007)	(1,080,303)
Balance at 30 June 2024	4,220,465	258,226	4,478,691

Note 15. Intangible assets (continued)

Impairment Testing of Intangible balances

X2M holds intangible balances relating to intellectual property, patents and copyrights purchased in February 2020 and intangible balances relating to capitalised development costs. The recoverable amount of these intangibles has been determined based on costs.

The Group assessed indicators of impairment for these intangible assets. As at 30 June 2024, the carrying value of capitalised intellectual properties was $4,478,691 (2023: $3,946,700). Management assessed both internal and external information as described in paragraph 12 of AASB 136 *Impairment of Assets*. No indicators of impairment were identified.

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

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

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

Research costs are expensed in the period in which they are incurred. X2M incurred research and development expense of $744,554 (2023: $707,441) which are included in the statement of profit or loss and other comprehensive income.

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

Note 16. Trade and other payables

	Consolidated	
	2024 $	2023 $
Current liabilities		
Trade payables	4,048,408	4,761,430
Accrued expenses	1,378,325	1,594,273
Other payables*	830,000	50,000
	6,256,733	6,405,703

Note 16. Trade and other payables (continued)

Refer to note 23 for further information on financial instruments.

*2024 Balance relates to advance received from investors as part of Placements. Shares were issued to the investors following shareholders' approval at the General Meeting held on 5 July 2024.

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

Note 17. Contract liabilities

	Consolidated	
	2024	2023
	$	$
Current liabilities		
Contract liabilities	1,734,347	3,552,254

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

	2024 $	2023 $
Opening balance	3,552,254	2,203,139
Payments received in advance	5,150,443	3,542,137
Transfer to revenue	(6,968,350)	(2,193,022)
Closing balance	1,734,347	3,552,254

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 18. Borrowings

	Consolidated 2024 $	Consolidated 2023 $
Current liabilities		
Insurance premium funding	22,611	25,313
Other borrowings*	201,895	2,043,782
	224,506	2,069,095
Non-current liabilities		
Convertible notes	1,777,895	-
Converting loan - host liability	538,702	-
Converting loan - embedded derivative	470,588	-
	2,787,185	-
	3,011,691	2,069,095

Refer to note 23 for further information on financial instruments.

*In January 2024, X2M fully repaid $2.1 million outstanding loan from Brownvalley Family Trust.

Convertible notes

In August 2023, X2M completed a capital raising of $1.7 million through entering into convertible note agreements (Convertible Notes) with professional and sophisticated investors. The key terms of the Convertible Notes are as follows:

- Face value: $1.7 million ($1 per note)
- Expiry date: 30 June 2025
- The Convertible Note holder can convert Notes at any time into Shares at the rate of $0.05 per Share.
- 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.
- X2M 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.
- The Convertible Notes are partly secured parri passu against X2M'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.

Management assessed the recognition of the convertible notes in accordance with AASB 9 *Financial Instruments* and determined that these notes were a compound financial instrument with the equity component valued at $419,853 on initial recognition. This has been included in Reserves as convertible notes reserve.

Converting loan

As announced on 31 May 2024, X2M secured a converting loan facility totalling $1.5 million from Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust. The key terms are as follows:

Note 18. Borrowings (continued)

- facility up to $1,500,000;
- repayment date is 30 November 2025 unless:
  - early payment is requested after 31 October 2024 by the lender;
  - the date of receipt of the R&D Incentive Tax refund for 2025 ("R&D Tax Refund") is before 30 November 2025, in which case the date of receipt applies;
  - conversion into Shares occurs;
- lender may elect to convert any advance loan amount to Shares at the following conversion price per share:
  - at the 5 day volume weighted average price leading to a request for conversion in the 30 days following execution; or
  - at a discount of 15% to the 5 day volume weighted average price leading to a request for conversion after the date that is 30 days following execution; provided no more than 37,500,000 Shares in total can be issued. Once this ceiling is reached further conversions cannot occur;
- any conversion is subject to shareholder approval and if not received, the higher interest rate below applies;
- interest is payable monthly in cash at a rate of 15% per annum or the higher interest rate of 20%
- loan amounts advanced are secured against the FY25 R&D Tax Refund.

As at 30 June 2024, X2M has drawn down $1,000,000 of the converting loan facility.

Management assessed the recognition of the converting loan in accordance with AASB 9 *Financial Instruments* and determined that the loan was a compound financial instrument with the embedded derivatives valued at $470,588 as at 30 June 2024, using Black-Scholes valuation methodology. The valuation model inputs used to determine the fair value at the balance date, are as follows:

Value date	Expiry date	Share price at value date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at value date
30/06/2024	30/11/2025	$0.037	$0.03145	70%	-	4.15%	$0.0148

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

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

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

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

Note 19. Employee benefits

	Consolidated 2024 $	Consolidated 2023 $
Current liabilities		
Employee benefits	935,397	875,186
Non-current liabilities		
Employee benefits	560,035	450,902
	1,495,432	1,326,088

Accounting policy for employee benefits

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

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

Note 20. Lease liabilities

	Consolidated 2024 $	Consolidated 2023 $
Current liabilities		
Lease liability	215,416	159,592
Non-current liabilities		
Lease liability	261,450	257,495
	476,866	417,087

Refer to note 23 for further information on financial instruments.

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

Note 20. Lease liabilities (continued)

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

Note 21. Issued capital

	Consolidated			
	2024 Shares	2023 Shares	2024 $	2023 $
Ordinary shares - fully paid	326,520,782	204,719,828	29,046,310	24,127,410

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2022	140,101,536		19,293,275
Issue of shares at closing of the Entitlement Offer	1 August 2022	26,588,104	$0.085	2,259,989
Issue of shortfall shares under the Entitlement Offer	19 August 2022	15,628,241	$0.085	1,328,400
Issue of shares on completion of the Entitlement Offer	25 August 2022	4,484,358	$0.085	381,170
Issue of shares under the Employee Incentive Share Plan	17 March 2023	398,500	$0.075	29,888
Issue of Placement shares	5 May 2023	9,688,233	$0.068	658,800
Issue of shares on completion of the Share Purchase Plan	18 May 2023	4,889,680	$0.068	332,498
Issue of Placement shares	31 May 2023	2,941,176	$0.068	200,000
Share issue transaction costs		-	-	(356,610)
Balance	30 June 2023	204,719,828		24,127,410
Issue of Placement shares	1 November 2023	18,777,784	$0.045	845,000
Issue of shares under the Employee Incentive Share Plan	1 November 2023	2,024,292	$0.04	80,972
Issue of Placement shares	1 December 2023	3,000,001	$0.045	135,000
Issue of shares under Entitlement Offer	23 January 2024	27,534,831	$0.04	1,101,393
Issue of Placement shares	12 February 2024	42,183,625	$0.04	1,700,000
Issue of shares as consideration for services	2 April 2024	3,853,046	$0.065	250,000
Issue of shortfall shares under Entitlement Offer	3 April 2024	6,555,000	$0.04	262,200
Issue of shortfall shares under Entitlement Offer	16 April 2024	3,997,375	$0.04	159,895
Issue of Placement shares	4 June 2024	8,750,000	$0.04	350,000
Issue of Placement shares	13 June 2024	5,125,000	$0.04	205,000
Share issue transaction costs		-	-	(170,560)
Balance	30 June 2024	326,520,782		29,046,310

Note 21. Issued capital (continued)

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

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

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

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

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

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

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 22. Reserves

	Consolidated	
	2024 $	2023 $
Foreign currency reserve	(51,932)	(203,019)
Share-based payments reserve	4,036,719	2,874,027
Convertible note reserve	419,853	-
	4,404,640	2,671,008

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

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

Note 22. Reserves (continued)

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

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

Consolidated	Foreign currency reserve $	Share-based payments reserve $	Convertible note reserve $	Total $
Balance at 1 July 2022	(246,814)	2,388,323	-	2,141,509
Foreign currency translation	43,795	-	-	43,795
Share based payments	-	485,704	-	485,704
Balance at 30 June 2023	(203,019)	2,874,027	-	2,671,008
Foreign currency translation	151,087	-	-	151,087
Share based payments	-	563,829	-	563,829
Options issued to a lender as part of borrowing costs	-	278,448	-	278,448
Options issued for FY23 short term incentive	-	320,415	-	320,415
Embedded derivative equity component	-	-	419,853	419,853
Balance at 30 June 2024	(51,932)	4,036,719	419,853	4,404,640

Note 23. Financial instruments

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

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

Market risk

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

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

Note 23. Financial instruments (continued)

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

Consolidated	Assets 2024 $	Assets 2023 $	Liabilities 2024 $	Liabilities 2023 $
Korean Won (KRW)	555,565	530,878	(1,301,961)	(1,964,031)
Japanese Yen (JPY)	30,392	84,807	(14,236)	(44,620)
Taiwan dollars (TWD)	624,871	104,877	(113,896)	(219,405)
Chinese Renminbi (CNY)	2,800,781	2,231,475	(2,801,545)	(2,583,671)
United States dollars (USD)	1,810	2,074	-	-
Hong Kong dollars (HKD)	-	346	-	-
	4,013,419	2,954,457	(4,231,638)	(4,811,727)

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

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

Note 23. Financial instruments (continued)

Consolidated - 2023	AUD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
Net KRW denominated financial liabilities	10%	143,315	(143,315)	10%	(143,315)	143,315
Net JPY denominated financial asset	10%	(4,019)	4,019	10%	4,019	(4,019)
Net TWD denominated financial liabilities	10%	11,453	(11,453)	10%	(11,453)	11,453
Net CNY denominated financial liabilities	10%	35,220	(35,220)	10%	(35,220)	35,220
Net USD denominated financial assets	10%	(207)	207	10%	207	(207)
Net HKD denominated financial assets	10%	(35)	35	10%	35	(35)
		185,727	(185,727)		(185,727)	185,727

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

If the fair value of the investment increased by 10% this would have increased other comprehensive income by $52,000. A decrease of 10% would have reduced other comprehensive income by the same amount.

Investments measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is applied using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 – a valuation technique is applied using inputs that are not based on observable market data (unobservable inputs)

2024 Assets	Level 1 $	Level 2 $	Level 3 $	Total $
Shares in an unlisted entity	-	520,000	-	520,000

The investment is in an unlisted public company where obtaining level 1 inputs is not readily possible. Input values recognised were based on judgement and most recent transaction values.

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

Note 23. Financial instruments (continued)

Credit risk

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

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

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

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

Liquidity risk

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

Remaining contractual maturities

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

Consolidated - 2024	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	6,256,733	-	-	-	6,256,733
Interest-bearing - fixed rate						
Insurance premium funding	4.70%	22,611	-	-	-	22,611
Other borrowings	10.77%	318,046	-	-	-	318,046
Convertible notes payable	18.00%	-	2,367,759	-	-	2,367,759
Converting loan payable	15.00%	147,854	1,075,695	-	-	1,223,549
Lease liabilities	7.72%	232,185	203,092	64,766	-	500,043
Total non-derivatives		6,977,429	3,646,546	64,766	-	10,688,741

Note 23. Financial instruments (continued)

Consolidated - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	6,405,703	-	-	-	6,405,703
Interest-bearing - fixed rate						
Insurance premium funding	4.24%	25,313	-	-	-	25,313
Other borrowings	14.00%	2,043,782	-	-	-	2,043,782
Lease liabilities	7.13%	159,592	107,577	149,918	-	417,087
Total non-derivatives		8,634,390	107,577	149,918	-	8,891,885

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

Note 24. Key management personnel disclosures

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

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

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

Keith Jelley	Chief Operating Officer

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

	Consolidated 2024 $	Consolidated 2023 $
Short-term employee benefits	786,049	992,114
Post-employment benefits	76,794	75,674
Long-term benefits	15,506	14,628
Share-based payments	536,275	418,486
	1,414,624	1,500,902

Note 25. Remuneration of auditors

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

	Consolidated 2024 $	Consolidated 2023 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	97,679	93,936
*Other services**		
Tax compliance	15,000	13,802
	112,679	107,738

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

Note 26. Contingent liabilities

The Directors are not aware any contingent assets or contingent liabilities as at 30 June 2024 (2023: Nil).

Note 27. Commitments

The Group had no material commitments not accounted for in the statement of financial position as at 30 June 2024 (2023: Nil).

Note 28. Related party transactions

Parent entity
X2M Connect Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties
During the 2024 financial year, X2M paid $27,500 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2023: $19,500). The transactions were made on normal commercial terms.

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

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	$	$
Loss after income tax	(6,361,794)	(6,470,282)
Total comprehensive income	(6,361,794)	(6,470,282)

Statement of financial position

	Parent	
	2024	2023
	$	$
Total current assets	2,964,228	2,951,152
Total assets	6,876,442	5,343,192
Total current liabilities	3,318,215	4,675,922
Total liabilities	6,331,543	4,937,945
Equity		
Issued capital	29,046,050	24,127,150
Share-based payments reserve	4,036,719	2,874,027
Convertible note reserve	419,853	-
Accumulated losses	(32,957,723)	(26,595,930)
Total equity	544,899	405,247

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2024.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2024.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. 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 2024 %	Ownership interest 2023 %
Freestyle Energy Two Pty Ltd	Australia	100%	100%
Freestyle Technology Taiwan Limited	Taiwan	100%	100%
Freestyle Technology Co., Ltd	South Korea	100%	100%
Golden Sino Hong Kong Limited	Hong Kong	100%	100%
Freestyle Technology (Shanghai) Co., Ltd	China	100%	100%
Freestyle Technology Japan KK	Japan	100%	100%
Beijing Freestyle Technology Co., Ltd	China	100%	100%

Note 31. Events after the reporting period

Subsequent to financial year end, the Company successfully completed capital raising of $0.9 million (before costs) through Placements.

On 5 August 2024, X2M announced the signing of a Term Sheet with Dicode Technologies LLC for a license to use X2M's 'Vision by X2M' utility solution in the Middle East for 10 years. The Term Sheet agreement with Dicode is material to X2M as it establishes a key strategic partner and customer for X2M.

On 19 August 2024, X2M launched a $2.0 million non-renounceable 1 for 7 Entitlement Offer of approximately 50 million New Shares at an issue price of $0.04 per New Share. The Entitlement Offer was completed on 11 September 2024, raising $0.4 million before costs. The funds raised will be used to fund scaling up business development in Australia, market entry into the Middle East and India, renewable energy platform customisation, customer support and ongoing operations. The Company will aim to place the shortfall from the Entitlement Offer within the next three months.

No other matter or circumstance has arisen since 30 June 2024 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 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2024 $	Consolidated 2023 $
Loss after income tax expense for the period	(6,512,880)	(6,514,079)
Adjustments for:		
Depreciation and amortisation	1,334,981	1,054,958
Share-based payments	1,034,795	645,952
Change in operating assets and liabilities:		
Increase in trade and other receivables	(306,677)	(2,324,068)
Decrease/(increase) in inventories	156,492	(93,028)
Increase in other assets	2,241,841	(579,616)
Decrease/(increase) in contract assets	899,748	(165,499)
Increase in trade and other payables	418,461	4,003,421
Increase/(decrease) in contract liabilities	(1,817,907)	1,349,115
Increase in employee benefits	169,344	290,583
Net cash used in operating activities	(2,381,802)	(2,332,261)

Note 33. Share-based payments

Unlisted options issued to key management personnel and employees

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

The options were independently valued using either Black-Scholes or Binominal option pricing model. $431,697 share based payments expense was recognised for the year ending 30 June 2024 (2023: $441,928).

Class	Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Pre-IPO options*	16/07/2021	15/07/2025	$0.25	9,411,283	-	-	-	9,411,283
IPO options*	14/09/2021	13/09/2025	$0.358	9,559,588	-	-	-	9,559,588
IPO options*	14/09/2021	13/09/2025	$0.358	5,188,029	-	-	-	5,188,029
FY22 LTI options	14/04/2022	14/04/2027	$0.5	2,058,286	-	-	-	2,058,286
FY22 LTI options	27/06/2022	27/06/2027	$0.5	1,359,264	-	-	-	1,359,264
FY23 LTI options	29/08/2022	29/08/2027	$0.14	986,822	-	-	-	986,822
FY23 LTI options	02/09/2022	02/09/2027	$0.138	5,785,510	-	-	-	5,785,510
FY23 LTI options	17/03/2023	17/03/2028	$0.141	1,518,028	-	-	-	1,518,028
FY24 LTI options	05/09/2023	04/09/2028	$0.098	-	6,790,812	-	-	6,790,812
FY24 LTI options	28/11/2023	04/09/2028	$0.098	-	5,405,405	-	-	5,405,405
Remuneration options**	28/11/2023	23/01/2029	$0.067	-	6,603,770	-	-	6,603,770
FY23 STI options***	28/11/2023	23/01/2029	$0.067	-	12,664,271	-	-	12,664,271
				35,866,810	31,464,258	-	-	67,331,068

Note 33. Share-based payments (continued)

Weighted average exercise price	$0.292	$0.079	-	-	$0.193

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

** Remuneration options were issued on 23 January 2024, following shareholders' approval at FY23 Annual General Meeting. These options were issued in lieu of 8 months of FY24 fees and salary forgone by the Directors and key management personnel as part of a cost reduction initiative.

*** FY23 STI options were issued to key management personnels and an employee.

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

Grant date	Expiry date	2024 Number	2023 Number
16/07/2021	15/07/2025	9,411,283	9,411,283
14/09/2021	13/09/2025	9,559,588	9,559,588
14/09/2021	13/09/2025	5,188,029	-
		24,158,900	18,970,871

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

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
05/09/2023	04/09/2028	$0.05	$0.098	70%	-	3.84%	$0.166
28/11/2023	04/09/2028	$0.045	$0.098	70%	-	4.21%	$0.013
28/11/2023	23/01/2029	$0.04	$0.067	90%	-	3.83%	$0.253
28/11/2023	23/01/2029	$0.04	$0.067	90%	-	3.83%	$0.253

Performance rights

On 5 September 2023, X2M issued 6,866,892 performance rights to overseas employees as part of their FY24 LTI arrangement. The performance rights expect to vest on 30 September 2026, subject to price hurdle and staff retention. These performance rights were independently valued using binomial pricing model. $44,571 share based payments expense was recognised for the year ending 30 June 2024.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
05/09/2023	31/12/2026	$0.05	-	70%	-	3.8%	$0.026

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

Note 33. Share-based payments (continued)

	Consolidated 2024 $	Consolidated 2023 $
Issue of STI shares to employees	80,972	-
Unlisted options to key management personnel and employee	431,697	441,928
Performance rights to overseas employees	132,132	43,776
Unlisted options to be issued to key management personnel and employee*	240,998	160,248
STI shares to be issued to overseas employees**	96,438	-
Shares to be issued to overseas employee for salary forgone	52,558	-
	1,034,795	645,952

*As at 30 June 2024, the Company accrued $240,998 share based payments expense, being 75% of the total eligible FY24 STI amount for CEO/Managing Director, COO and an employee. The premium priced options to be issued are subject to shareholders' approval at the Annual General Meeting.

**As at 30 June 2024, the Company accrued $96,438 share based payments expense, being FY24 STIs for overseas employees to be paid in equity.

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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

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

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

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

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

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

Note 33. Share-based payments (continued)

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

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

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

Note 34. Earnings per share

	Consolidated	
	2024 $	2023 $
Loss after income tax attributable to the owners of X2M Connect Limited	(6,512,880)	(6,514,079)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	252,386,095	184,061,197
Weighted average number of ordinary shares used in calculating diluted earnings per share	252,386,095	184,061,197
	Cents	Cents
Basic earnings per share	(2.58)	(3.54)
Diluted earnings per share	(2.58)	(3.54)

Accounting policy for earnings per share

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

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

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

* This is a dormant Australian company that is part of Australian tax consolidated group with X2M Connect Limited.

Key assumptions and judgements
Determination of Tax Residence

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

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

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

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

In the Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

On behalf of the Directors

Hon. Alan Stockdale AO
Non-Executive Chairman

27 September 2024

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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 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of $6,512,880 and cash outflows from operating and investing activities of $5,707,546 during the year ended 30 June 2024, and as of that date, the Group had net assets of $544,899 and current liabilities exceeded its current assets by $1,946,915. 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 doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of contracts that contain multiple element arrangements – Notes 4 and 17	
Multiple-element arrangements, as defined in AASB 15 *Revenue from Contracts with Customers* (AASB 15) exist within the entity's hardware, licensing and services revenue streams. Revenue recognition for multiple-element arrangements can be complex and involve management judgement, including: • identification of each performance obligation in the arrangements; • determination of the appropriate allocation of the amount of revenue to each element in particular as many of the Group's arrangements involve the delivery of hardware, licences, and other services; and • determining when the performance obligation of each element is satisfied, and the associated revenue can be recognised. This area is a key audit matter due to the complexity surrounding the bundled contract revenue recognition.	Our procedures include, amongst others: • considering the appropriateness of management's • assessment of revenue streams in accordance with accounting standard AASB 15; • documenting our understanding of the various arrangements used by the Group and evaluating management's revenue recognition of the elements they contained to assess compliance with AASB 15; • sample testing revenue recorded to contracts with customers to assess whether revenue is being recognised in accordance with the Group's revenue recognition policies; • assessing the sales selected in our sample above, where applicable, for the accuracy of revenue to be deferred at year-end; • analytically reviewing deferred revenue balances at reporting period end for exceptions and anomalies against expectations; • substantiating sales transactions around reporting date and agreeing transactions to supporting documents to assess whether revenue is recognised in the correct periods; and • assessing the appropriateness of disclosures for compliance with the revenue recognition requirements of Australian Accounting Standards (AASBs).

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

b the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

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

i. the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 21 to 33 of the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of X2M Connect Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 27 September 2024

Corporate Governance Statement

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

This Corporate Governance Statement reports against the ASX Corporate Governance Principles and Recommendations (4th Edition) (ASX Principles). The practices detailed in the Corporate Governance Plan are current as of 24 September 2024 and have been approved by the Board. A full copy of the Corporate Governance Plan can be found on the company website at www.x2mconnect.com. Key details of the plan are detailed below.

Principle 1: The Board Lays Solid Foundations for Management Oversight

Board Responsibilities and Delegations

The Company's Board Charter was adopted by the Board in February 2021. The Board Charter is located on the Company website at www.x2mconnect.com.

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

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

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

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

The Board's responsibilities include:

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

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

The Board Charter delegates responsibility for day-to-day management and administration of X2M to the CEO and members of the Executive Team. The CEO is responsible for providing effective leadership, direction and supervision of the Executive Team to achieve the strategies, business plans and budgets adopted by the Board and in accordance with the values and culture set by the Board. The Board has procedures in place to regularly assess the performance of the CEO and members of the Executive Team.

Board Committees

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

Board Meetings

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

For full details of Directors' attendance at Board and Committee Meetings for 2024, refer to "Board and Committee Meeting Attendance" on page 21.

Access to Information and Independent Professional Advice.

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

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

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

Background Checks Before Appointing Directors and Senior Executives

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

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

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

Diversity

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

X2M's Diversity Policy includes requirements to ensure that employment related decisions are transparent, equitable and fair; that a diverse range of candidates are considered for positions; to guard against any conscious or unconscious biases that might discriminate against certain candidates; to ensure that staff have access to development and career opportunities based on merit; and to ensure a workplace which is free from discrimination, harassment, bullying, victimisation and vilification.

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

Diversity Status

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

X2M has a diverse workforce and is represented by a broad range of ages and nationalities. Gender diversity remains a challenge across the technology industry and in the geographies in which X2M operates, and is represented in the table below. However, X2M is an equal opportunity employer and is committed to improving diversity as far as possible as the business scales. The workforce diversity as at the 30th of June 2024 follows:

	FEMALE		MALE	
	NUMBER	%	NUMBER	%
Board	0	0	4	100
Senior Management*	6	25	18	75
Total Employees	8	15	46	85

Table 1: Diversity status of the 30th of June 2024

(*Senior Management includes the Executive Team who report to the CEO and their direct reports.)

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

Diversity Targets

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

The long term gender diversity targets are:

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

Table 2: Long term Diversity Targets

Performance Review of the Board

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

Performance Review of the CEO and Executive Team

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

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

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

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

Nomination Committee

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

Composition of the Board and Details of Directors

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

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

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

DIRECTOR	STATUS	APPOINTMENT DATE
Alan Stockdale	Independent	8 February 2021
Mohan Jesudason	Not independent	17 March 2023
Damien Johnston	Independent	8 February 2021
John Stewart	Independent	8 February 2021

Table 3: Status of Director Independence

For details of the current Directors, their qualifications, skills, and experience refer to page 19 of Directors' Report.

Board Skills Matrix

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

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

Key Board Skills and Experience	Number
Asia Pacific Market Experience Experience working in/leading an organisation with global operations, or an understanding of different political, cultural, regulatory, and business environments	4
Strategy Experience defining strategic objectives, assessing business plans and driving execution.	4
Digital, Data and Technology Expertise in adopting new digital technologies or implementing technology projects, and experience with managing digital disruption, leveraging digital technologies or understanding the use of data and data analytics.	4
Governance and Compliance Experience in the design and application of corporate governance and compliance programs with a commitment to high standards of governance.	4
Financial and Risk Management Understand financial drivers of the business and experience implementing or overseeing financial accounting, reporting, internal controls, and risk management frameworks.	4
Merger and Acquisitions Experience in undertaking or overseeing corporate mergers and acquisitions with ability to evaluate transactions and govern the transition phase.	4
Capital Management Experience in capital management strategies including debt financing and capital raisings.	4
People and Culture Experience monitoring a company's culture, OHS program, people management, succession planning, and remuneration frameworks.	4
Legal and Regulatory Experience in a capacity requiring skills and knowledge in relation to the law, especially with reference to company law and other relevant legal disciplines.	4
Government, Regulatory Agencies and Politics Experience in dealing with Governments and Government agencies and a broad knowledge of the workings of governments and politics.	4
Experience with Infrastructure Industries Experience in dealing with and/or marketing and selling to infrastructure industries, especially electricity, gas water and other utilities.	2

Table 4: Board Skills Assessment

Director Selection, Appointment and Induction

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

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

Code of Conduct

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

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

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

Trading Policy

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

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

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

Provided a that relevant person may not deal in X2M securities at any time at which they are in possession of price sensitive information

If a Director, the CEO or the Executive Team wish to trade in X2M shares during an Open Period, the Trading Policy provides for:

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

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

The current Trading Policy was adopted by the Board in February 2021. The Policy is located on the X2M website at www.x2mconnect.com.

Whistleblower Policy and Anti-Bribery and Corruption Policy

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

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

Principle 4: The Board Safeguards the Integrity of Corporate Reports

Audit and Risk Committee (ARC)

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

The ASX Principles recommend that an audit committee have at least three members, all of whom are non-executive Directors and a majority of whom are independent and that the chair of the audit committee be an independent Director who is not the chair of the board. The ARC met these requirements in 2024.

For full details of Committee members' attendance at Committee Meetings for 2024, refer to "Board and Committee Meeting attendance" which is contained in the Directors' Report on page 21.

The ARC Charter requires that all members of the ARC can read and understand financial statements and that at least one member is a qualified accountant or other financial professional with appropriate experience of financial and accounting matters. The ARC met these requirements in 2024. For details of the qualifications, skills and experience of the ARC, refer to page 19 for further details.

The ARC Charter sets out the role and responsibilities of the ARC and the Charter is located on the X2M website at www.x2mconnect.com. The ARC reviews its Charter annually or as required.
The objectives of the ARC are to:

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

Independent Audit

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

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

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

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

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

CEO and CFO Declaration

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

For the half-financial year ended 31 December 2023 and for the financial year ended 30 June 2024, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

Auditor at the AGM

At X2M's 2024 AGM, Grant Thornton Audit Pty Ltd, as the independent external auditor, will be present and available to answer shareholder questions on the:

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

Principle 5: The Board Makes Timely and Balanced Disclosure

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

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

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

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

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

Principle 6: The Board Respects the Rights of Security Holders

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

The Company Website

X2M's website is located at www.x2mconnect.com. The site is kept current to maintain effective communication with shareholders and stakeholders. Information available on the website includes information about the Company's operations and its brands; the Board of Directors; copies of all key governance documentation; announcements; archived investor presentations; current share price information; and company events.

All ASX announcements made by the Company can also be accessed via the 'Announcements' section of the ASX website www.asx.com.au/asx/statistics/announcements.do, using the X2M ticker code X2M.

Investor Relations

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

Shareholder Communications

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

The Company's' share registry is managed by Automic Group Pty Ltd. Their website address is www.automicgroup.com.au.

Shareholder Engagement and Participation

To encourage shareholder engagement and participation at the AGM, when possible, shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and the Executive Team. In the event the AGM is held electronically, the Company will ensure that appropriate technology is used to facilitate the participation of shareholders at such meetings. Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting, or online through the share registry's website. For the 2024 AGM, all questions will be decided by a poll rather than a show of hands.

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

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

Principle 7: The Board Recognises and Manages Risk

Risk Committee

The ARC is charged with the responsibility to assist the Board in the oversight of risk. Please refer to page 19 for details of the members of the Committee, qualifications and experience of members and individual attendances at Committee meetings.

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

a) oversee the establishment and implementation of the risk management framework and internal compliance and control systems.

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

The Audit and Risk Committee Charter is available on the X2M website at www.x2mconnect.com.

Review of Risk Management Framework

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

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

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

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

Internal Audit Function

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

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

Material Exposure to Environmental or Social Risks

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

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

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

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

Principle 8: The Board Remunerates Fairly and Responsibly

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

The Board is responsible for:

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

Remuneration Policies and Practices

Details about X2M's remuneration strategy, framework, policies, and practices are set out in the Company's Remuneration Report on page 21. The Company's Remuneration Policy is located on the X2M website at www.x2mconnect.com.

Policy on Hedging Equity-based Incentive Schemes

X2M offers an equity-based remuneration scheme through its Performance Rights and Options and Share plans. The Performance Rights and Option Plan Rules, Share Plan Rules and the X2M Trading Policy prohibit employees from hedging the value of restricted shares and unvested securities.

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

The Company's Trading Policy is located on the X2M website at www.x2mconnect.com

Shareholder Information

The shareholder information set out below was applicable as at 18 September 2024.

Distribution of equitable securities

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

	Ordinary shares		Unlisted options over ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued	Number of holders	% of total performance rights issued
1 to 1,000	8	-	-	-	-	-
1,001 to 5,000	82	0.07	-	-	-	-
5,001 to 10,000	80	0.18	-	-	-	-
10,001 to 100,000	204	1.93	11	0.67	-	-
100,001 and over	169	97.82	36	99.33	19	100.00
	543	100.00	47	100.00	19	100.00
Holding less than a marketable parcel	202	0.35	-	-	-	-

	Convertible notes	
	Number of holders	% of total shares to be issued
1 to 1,000	-	-
1,001 to 5,000	-	-
5,001 to 10,000	-	-
10,001 to 100,000	2	11.76
100,001 and over	6	88.24
	8	100.00

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
1. GreenRock Energy Co Ltd	36,111,111	9.98
2. Bond Street Custodians Limited (Davkre - D08642 A/C)	28,232,138	7.81
3. Super Properties Pty Ltd (Shayne Smyth A/C)	19,923,329	5.51
4. Mazzara Succession Pty Ltd (Mazzara A/C)	17,260,015	4.77
5. Greg Baynton Group	15,503,681	4.29
6. BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client)	14,793,750	4.09
7. M & M Jesudason Co Pty Ltd (Jesudason Family A/C)	12,398,387	3.43
8. Mr Philip Matthew St Baker & Mrs Peta Jane St Baker (P & P St Baker Family A/C)	9,760,000	2.70
9. Vanew Pty Ltd (G M Tauber Family A/C)	9,065,870	2.51
10. Hailan Shi	8,476,661	2.34
11. Dunkeld Pastoral Co Pty Ltd (Yasme A/C)	7,142,858	1.98
12. Miss Mengjiao Zhao	6,620,000	1.83
13. Mr Philip David Crutchfield	5,960,048	1.65
14. Lisafield Pty Ltd (Adams 8 Super Fund A/C)	5,763,889	1.59
15. Chengyu Fang	5,565,318	1.54
16. Perle Ventures Pty Ltd (877 Capital Investment2 A/C)	5,563,775	1.54
17. Mr Brett William Fisher Paton & Mrs Vicki Anne Paton (Brett Paton Family Super A/C)	4,634,286	1.28
18. Lisafield Pty Ltd (Double Happiness A/C)	4,597,223	1.27
19. P D Crutchfield Pty Ltd (Crutchfield Super Fund A/C)	4,483,824	1.24
20. Sunil Shamrao Patil	4,375,000	1.21
	226,231,163	62.56

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	90,181,136	47
Performance rights to be converted into ordinary shares	12,731,832	19

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

Name	Class	Number held
M & M Jesudason Co Pty Ltd (Jesudason Family A/C)	Options over ordinary shares issued	35,941,409
Yongsun Kim	Performance rights to be converted into ordinary shares	3,241,291
Chengyu Fang	Performance rights to be converted into ordinary shares	3,222,291

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares Number held	Ordinary shares % of total shares issued
GreenRock Energy Co Ltd	36,111,111	9.98
Super Properties Pty Ltd (Shayne Smyth A/C) and associates	29,056,621	8.03
Bond Street Custodians Limited (Davkre - D08642 A/C)	28,232,138	7.81

Voting rights

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

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

Unquoted options and performance rights
Unquoted options and performance rights do not have voting rights.

There are no other classes of equity securities.

Restricted securities

There are no restricted securities on issue as at 18 September 2024.

Annual General Meeting and Director Nominations Closing date

X2M Connect Limited advises that its Annual General Meeting will be held on Tuesday 26 November 2024 at 10:00am. The details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nominations for the position of Director is Tuesday 15 October 2024. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Tuesday 15 October 2024 at the Company's Registered Office.

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