

ASX ANNOUNCEMENT
30 October 2024

Progress on core strategies with Middle East launch, lower operating costs and improvement in margins

Quarterly Activity Report and Appendix 4C

Business Highlights¹

- Official launch of gas meter as a service offering in the Middle East by X2M's channel partner Dicode
- 1Q FY25 Revenue of \$1.7 million, down 58% on the pcip, reflecting a softer market in Korea and the previously announced strategy to exit low-margin hardware-only sales
- 1Q FY25 Gross profit margin of 50%, up 17% basis points on the pcip
- Operating costs were \$1.7 million, down 24% on the pcip
- Connected devices as at 30 September 2024 were 544,212, up 15% on the pcip
- Enterprise/government customers increased to 78, up 11% on the pcip
- Net cash outflows from operating activities for the quarter was \$1.1 million, flat on the pcip
- Total cash as at 30 September 2024 was \$1.3 million

Australian Internet of Things (IoT) technology company **X2M Connect Limited** (ASX:X2M) ("X2M" or "the Company") provides its quarterly activity report and Appendix 4C for the period ended 30 September 2024 (1Q FY25).

X2M CEO Mohan Jesudason said: "We've started FY25 in a strong position with margins improving, costs reducing, connected devices growing and enterprise customers growing."

We've progressed our targeted strategy to focus on higher-margin opportunities for our patented IoT solution which enables smart cities by digitising and integrating seamless communication between property, industry and government organisations on one centralised platform. Revenues for the quarter reflected this strategy, as we exited low-margin hardware-only sales, and a soft Korean market.

Our number of connected devices continued to grow, providing the base for X2M to secure future recurring SaaS revenues under long-term contracts. Recurring SaaS and maintenance revenues grew by 23% on the pcip and for the quarter represented 26% of total revenues.

In the Middle East our channel partner Dicode officially launched its gas meter as a service offering in the UAE. This represents a considerable growth opportunity for X2M with an addressable market of more than 4 million meters. The initial deployment of gas meters for six large apartment sites across several gas companies is set to commence this quarter with first revenues expected this financial year."

Operational overview

Official launch of Middle East service offering via channel partner Dicode

During the quarter, X2M's channel partner Dicode Technologies LLC (Dicode) officially launched its gas meter as a service offering in the Middle East market through a licencing agreement with X2M. Initial operations will be focused on United Arab Emirates (UAE).

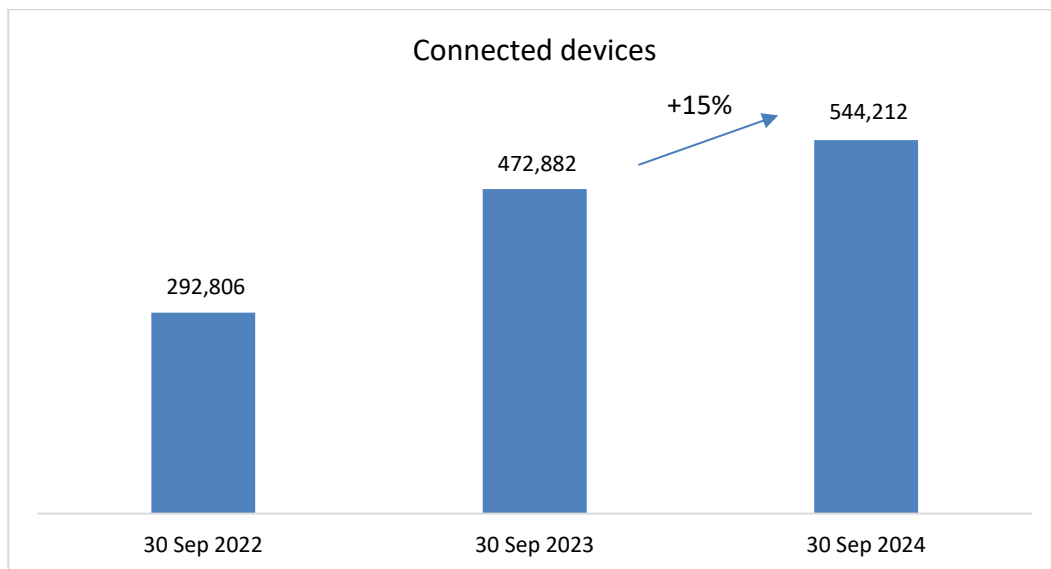
¹ Note 1: All financial figures are unaudited

X2M is contracted for software-based SaaS business model with each 100k devices added expected to generate future annual EBITDA of approx. A\$0.4 million. The term of the agreement is for ten years and Dicode intends to expand this offering beyond the UAE into the broader Middle East region.

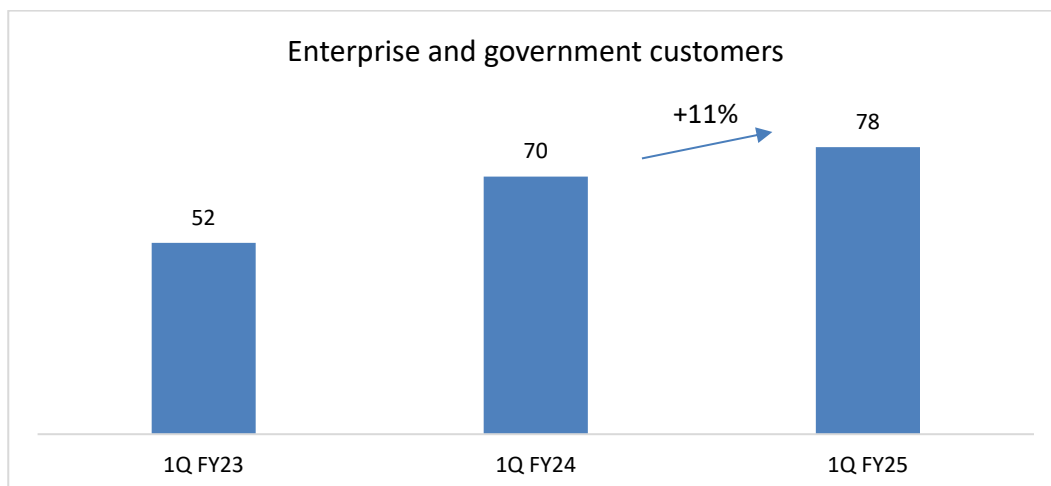
Dicode is also partnering with InfraX to deliver its services. InfraX is the communication arm of the Dubai Electricity and Water Authority, a Government-owned organisation responsible for Dubai water, electricity and extensive solar operations. Together, X2M, Dicode and InfraX collectively target an addressable market of more than four million meters.

Connected devices, enterprise customers and recurring revenue

A key focus area for X2M is the continued growth in the number of connected devices which provides the base for future recurring SaaS revenues under long-term contracts. The increase in connected devices is driven by X2M's core enterprise and government customers. Total connected devices as at 30 September 2024 was 544,212 an increase of 15% on the previous corresponding period (pcp).



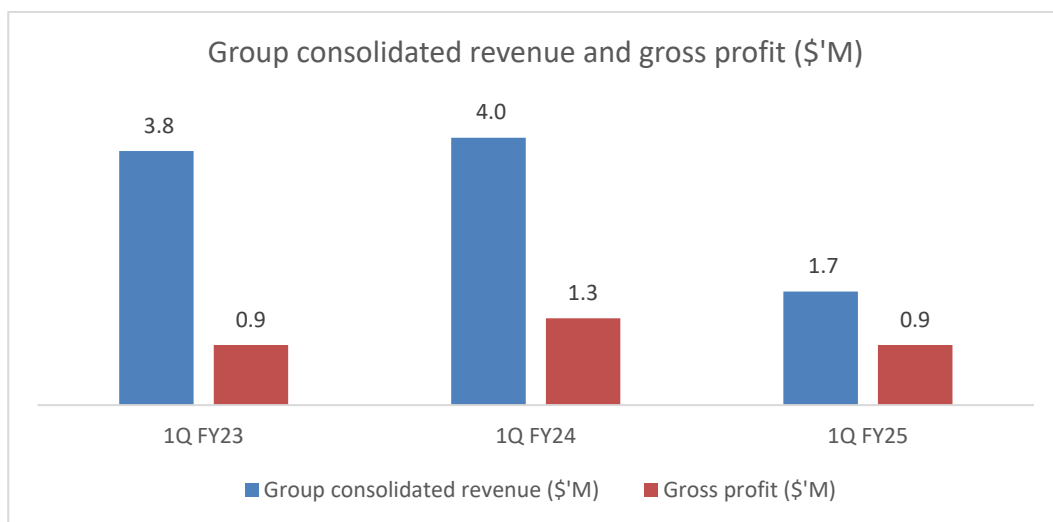
X2M's enterprise and government client base continued to rise steadily, reaching 78 at 30 September 2024, up 11% on the pcp. X2M has continued to win repeat orders during the quarter.



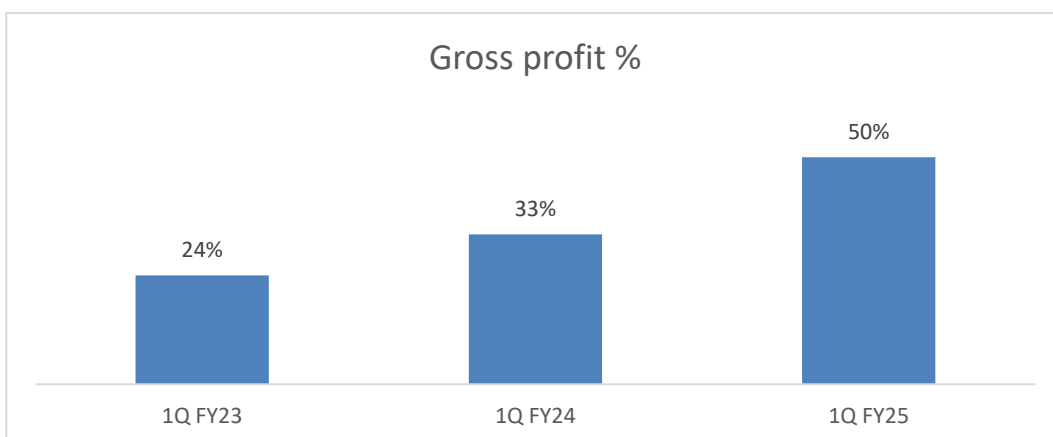
SaaS and maintenance revenues for the quarter rose to \$0.43 million, up from \$0.35 million in the pcq, an increase of 23%. Annualised Recurring Revenue (ARR) is the monthly SaaS and maintenance revenue that is recorded in the last month of the reporting period annualised by multiplying by twelve. SaaS and maintenance revenues arise from pure subscription services contracts and from subscription allocations in bundled contracts. For September 2024, the ARR is \$1.7million.

Financial overview

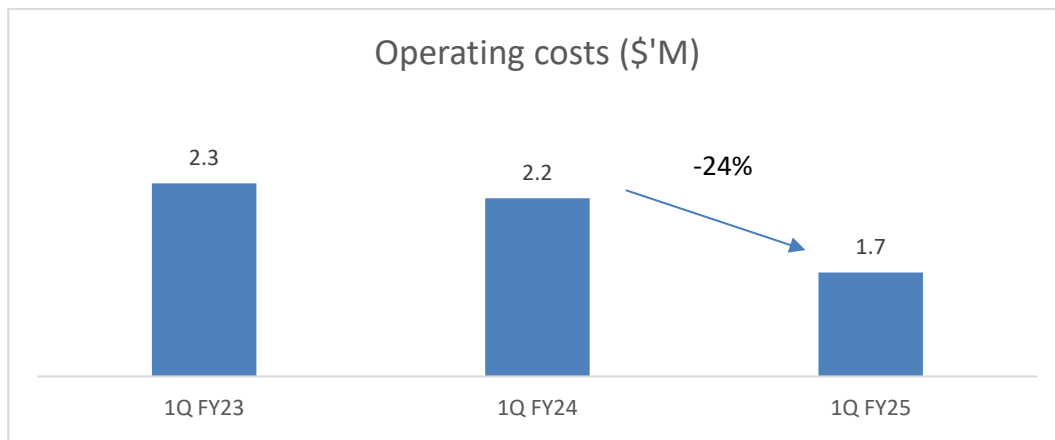
X2M achieved total revenues for 1Q FY25 of \$1.7 million, down 58% on the pcq (1Q FY24: \$4.0 million), reflecting a softer market in Korea and the previously announced strategy to exit low-margin hardware-only sales. However, gross profit declined by only 31%, reflecting improved gross margin.



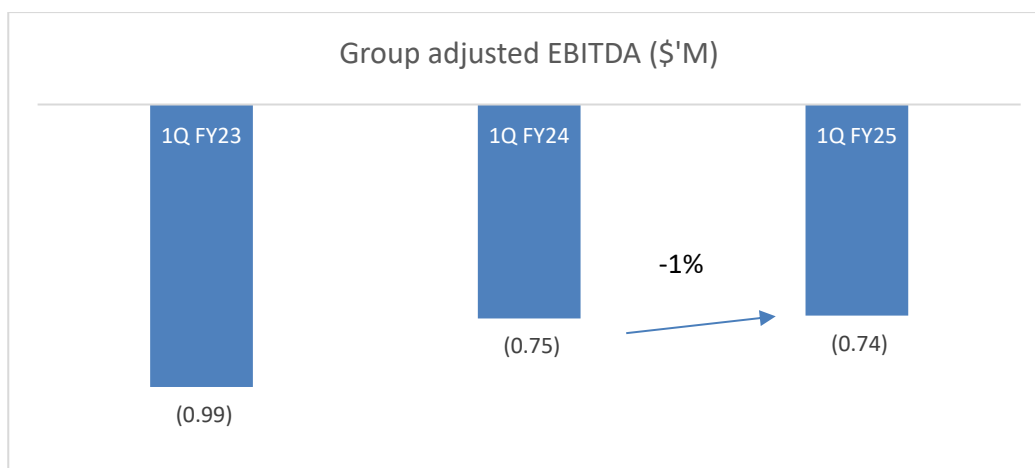
The gross margin for the quarter was 50%, up 17 basis points on the pcq (1Q FY24: 33%). This primarily reflected the growth in SaaS and maintenance revenues and the decline in hardware only sales.



Operating costs for the quarter were 24% down on the 1Q FY24 costs. This was primarily a result of scaling back operations in China, reductions in head count and reduced administrative expenses.



The adjusted EBITDA² loss was \$0.74 million versus a loss of \$0.75 million in the pcq. This reflected the benefit of lower operating costs which offset the decline in gross profit for the quarter, vs the pcq



Net cash outflows from operating activities during the quarter was \$1.1 million, a similar amount to 1Q FY24, reflecting lower receipts offset by reduced costs.

Net cash outflows from investing activities was \$0.7 million for the reporting period through continued investment on capitalised development.

Net cash flows from financing activities were \$1.2 million, including \$1.5 million received on completion of share placements and from a converting loan, offset by \$0.25 million in repayment of borrowings and transaction costs. Total cash at 30 September 2024 was \$1.3 million.

Related party payments in Appendix 4C section 6.1 of \$94K represent director's fees.

² Note 2: Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs and share based payments.



Outlook

X2M CEO Mohan Jesudason said: *“We have established a strong basis for the 2025 financial year with improved margins and a lower cost base. This sets X2M up for strategically important initiatives coming over the next few months, including rollouts in the Middle East and potential market entry into India. These markets, along with Australia, are emerging as significant opportunities for X2M as we are supported by solid local partners and initial integrations are completed or well advanced.*

We look forward to working with Dicode on the initial deployment of its gas metering as a service in the UAE following a successful exhibition of our technology at the WETEX show in Dubai in October. Our new markets in India and the Middle East together with our next product releases have the opportunity to transform our Company, whilst our established markets are expected to provide the foundations for this growth.”

Ends

The Board of X2M has approved this announcement.

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About X2M Connect Limited

X2M Connect Limited (ASX:X2M) is an Australian technology company that has developed and commercialised a patented proprietary Internet of Things (IoT) solution which delivers productivity improvements, cost savings and improved public safety to enterprise and government clients in the utilities sector. The strategy is to stay focused on the utility sector where X2M has proven performance and tap the growing artificial intelligence, renewable energy generation and battery storage markets' demand for data collection, analytics and device control.

X2M's technology connects devices such as water, gas and electricity meters and other utility sensors to the internet, enabling data exchange and the remote control of these devices. The collection of large volumes of data from meters or sensors and our ability to go back and control devices also provides the basis for artificial intelligence or machine learning applications to build upon our platform. The Company generates revenue from the sale of hardware and monthly subscription fees under Software as a Service arrangements.

X2M now has more than 530,000 devices connected to its IoT platform and distributed intelligence solution, providing real-time information and control to a steadily increasing customer base operating over multiple communications technologies.

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

X2M has now extended its focus into the Middle East licensing its platform to partners based in Dubai.

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

X2M Connect Limited

ABN

48 637 951 154

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	868	868
1.2 Payments for		
(a) research and development	(78)	(78)
(b) product manufacturing and operating costs	(548)	(548)
(c) advertising and marketing	(33)	(33)
(d) leased assets	(32)	(32)
(e) staff costs	(884)	(884)
(f) administration and corporate costs	(400)	(400)
1.3 GST/VAT received/(paid)	2	2
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(35)	(35)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,139)	(1,139)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(732)	(732)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	3	3
2.5	Other – Security deposits	14	14
2.6	Net cash from / (used in) investing activities	(715)	(715)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	561	561
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(66)	(66)
3.5	Proceeds from borrowings	1,000	1,000
3.6	Repayment of borrowings	(195)	(195)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(59)	(59)
3.10	Net cash from / (used in) financing activities	1,241	1,241

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,939	1,939
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,139)	(1,139)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(715)	(715)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,241	1,241
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	1,324	1,324

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,324	1,324
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,324	1,324

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.3	Aggregate amount of payments to related parties and their associates included in item 3	-

Note: if any amounts are shown in items 6.1, 6.2 or 6.3, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	94	94
7.2	Credit standby arrangements	-	-
7.3	Other		
	- Convertible notes	1,927	1,927
	- Converting loan (Barkers Hawthorn)	1,500	1,000
	- Converting loan (Vanew Pty Ltd)	1,000	1,000
7.4	Total financing facilities	4,521	4,021
7.5	Unused financing facilities available at quarter end		500
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Loan facility X2M secured a loan facility from SBC Global Investment Fund (SBC) in October 2023. The loan is unsecured with a 12-month term. No interest is payable however the facility has a face value of \$720,000 of which SBC advanced \$650,000. This loan was fully repaid on 25 October 2024.</p>		

Convertible notes

In August 2023, X2M Completed a capital raising of \$1.7 million through entering into convertible note arrangements with professional and sophisticated investors. The key terms were 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.

Converting loan

In May 2024, X2M established a converting loan facility up to \$1.5 million from Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust. The key terms are as follows:

- 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 advanced 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 rate of 20%;
- Loan amounts advanced are secured against the R&D Tax Refund.

Converting loan

In September 2024, X2M secured a converting loan facility from an existing shareholder Vanew Pty Ltd. The key terms are as follows:

- Loan of \$1,000,000;
- Repayment date is 31 December 2025 unless conversion into Shares occurs;
- Lender may elect to convert any advanced loan amount to Shares at the following conversion price per Share:
 - At the 30 day volume weighted average price leading to a request for conversion in the 30 days following execution; or
 - At a discount of 15% to the 30 day volume weighted average price leading to a request for conversion after the date that is 30 days following execution;Provided no more than 20,000,000 Shares in total can be issued and with a floor price of \$0.05 per Share. Once the ceiling is reached further conversions cannot occur;

- Any conversion is subject to shareholder approval and if not received, the higher interest rate below applies;
- Interest is payable quarterly in cash at a rate of 15% per annum or the higher rate of 20%;
- Loan amounts advanced are secured against the assets of the Company excluding the FY24 R&D Tax Refund.

X2M plans to secure an additional \$1m in October/November 2024 through extensions on the same terms as this converting loan facility.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,139)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,324
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	Total available funding (item 8.2 + item 8.3)	1,824
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.60
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: No. The current quarter was impacted by the timing of cash receipts which were \$0.9 million compared to reported revenue of \$1.7 million. It is expected that the operating cashflow will follow seasonal variations and improvements as seen in previous years.	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: As announced on 17 September 2024, X2M received \$0.4 million (before costs) on completion of non-renounceable Entitlement Offer. There was a remaining Shortfall of 39,739,573 News Shares following the close of the Entitlement Offer. X2M will proceed to place the shortfall shares in 2Q under the terms of the Entitlement Offer.	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: Yes, based on the information as stated above.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2024

Authorised by: By the Board of X2M Connect Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes

to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.