Alan Stockdale
Non-Executive Chairman
24 August 2021

# REPLACEMENT PROSPECTUS

For an offer of up to 32,000,000 Shares at an issue price of $0.25 per Share to raise a minimum of $6,000,000 up to a maximum of $8,000,000 (**Public Offer**).
The Prospectus also contains the Secondary Offers which are detailed in Sections 4.6 and 4.7.

## IMPORTANT NOTICE

This document is important and should be read in its entirety. If, after reading this Prospectus you have questions about the Securities being offered under this Prospectus or any other matter, then you should consult your professional advisers without delay.

**The Securities offered by this Prospectus should be considered as speculative.**

Lead Manager to the Public Offer

BELL POTTER

STEINEPREIS PAGANIN
Lawyers & Consultants

X2M CONNECT

# IMPORTANT NOTICE

This replacement prospectus (**Prospectus**) is dated 24 August 2021 and was lodged with the ASIC by X2M Connect Limited (ACN 637 951 154) on that date. This Prospectus replaces the original prospectus dated 26 July 2021 (**Original Prospectus**). The ASIC, the ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered as speculative.

## EXPOSURE PERIOD

Pursuant to ASIC Corporations (Exposure Period) Instrument 2016/74, this Prospectus is not subject to an exposure period.

## NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions, including those set out below. Failure to comply with these restrictions may violate securities laws.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

No action has been taken to register or qualify the Securities or the offer, or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia. This Prospectus has been prepared for publication only in Australia and may not be distributed outside Australia except to institutional and professional investors in Hong Kong, New Zealand and Singapore in transactions exempt from local prospectus or registration requirements, as contemplated below.

## INFORMATION FOR NEW ZEALAND RESIDENTS

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

### *Currency exchange risk*

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

### *Trading on financial product market*

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

## INFORMATION FOR SINGAPORE RESIDENTS

This Prospectus and any other materials relating to the Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Securities, may not be issued, circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an 'institutional investor' (as defined in the SFA) or (ii) an 'accredited investor' (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## INFORMATION FOR HONG KONG RESIDENTS

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Securities have not been and will not be offered or sold in Hong Kong other than to ''professional investors'' (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## US SECURITIES LAW MATTERS

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the US. In particular, the Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **US Securities Act**), and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.

Each applicant will be taken to have represented, warranted and agreed as follows:

a. it understands that the Securities have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the US, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;

b. it is not in the United States;

c. it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and

d. it will not offer or resell the Securities in the United States or in any other jurisdiction outside Australia.

## ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the website of the Company at http://x2mconnect.com/investor-centre. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian, New Zealand, Singaporean or Hong Kong resident and must only access this Prospectus from within Australia, New Zealand, Singapore or Hong Kong.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company by phone 1800 926 926 during office hours or by emailing the Company at prospectus@x2mconnect.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## COMPANY WEBSITE

No document or other information available on the Company's website is incorporated into this Prospectus by reference.

## NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Securities issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

## NO INVESTMENT ADVICE

The information contained in this Prospectus is not financial product advice or investment advice and does not take into account your financial or investment objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding to subscribe for Securities under this Prospectus to determine whether it meets your objectives, financial situation and needs.

## RISKS

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Securities. There are risks associated with an investment in the Company. The Securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Securities. Refer to Section D of the Investment Overview as well as Section 8 for details relating to some of the key risk factors that should be considered by prospective investors. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 8.

## FINANCIAL FORECASTS

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

# IMPORTANT NOTICE

## CONTINUOUS DISCLOSURE OBLIGATIONS

Following admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM (CHESS) AND ISSUER SPONSORSHIP

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Securities issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

## PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## DEFINITIONS AND TIME

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 13.

All references to time in this Prospectus are references to Australian Eastern Standard Time.

## PRIVACY STATEMENT

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

## REPLACEMENT PROSPECTUS

The key differences between this Prospectus and the Original Prospectus are as follows:

a. the inclusion of detailed information regarding the vendor of the Company's assets, Freestyle Technology Limited (**Freestyle**) and the operating history of Freestyle in Section 6.2, in particular, detailed information regarding the voluntary administration of Freestyle, the investment of capital by Freestyle, the status of the technology acquired from Freestyle under the administration process, what further developments may be required to that technology (which is now owned by the Company) (refer also to Section 6.16), how the Company believes its business and model is distinguishable to that of Freestyle given the risks and benefits of the Freestyle technology and further information regarding the litigation proceedings involving, amongst others, Freestyle (refer also to Section 11.1);

b. the inclusion of information regarding the remuneration to be paid to Mohan Jesudason, the Chief Executive Officer in the Investment Overview Section and Section 10.4.1;

c. the inclusion of a summary regarding the Company's key competitors in Section 5.4;

d. the inclusion of additional information regarding the Company's existing and target jurisdictions (and proposed timeline of expansion into target jurisdictions) in Section 6.3;

e. the inclusion of additional information regarding the Company's emphasis on hardware, subscription and licence revenue as part of its revenue model in Section 6.7.1;

f. the inclusion of the Company's key development milestones in Section 6.7.2;

g. the inclusion of information regarding the Company's information security protection measures in Section 6.15; and

h. further disclosure regarding two specific risks to the Company and its operations, 'new markets' and 'contract non-renewal', in the Investment Overview Section and Section 8, with detailed information regarding the status of the Company's entry into its target markets and the level of research and due diligence undertaken by the Company in respect of its new market entry and the barriers to entry it may face.

## ENQUIRIES

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Public Offer or how to accept the Public Offer please call the Company Secretary on 1800 926 926.

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# 1. KEY OFFER INFORMATION

## INDICATIVE TIMETABLE[1]

| | |
|---|---|
| Lodgement of Original Prospectus with the ASIC | 26 July 2021 |
| Exposure Period begins | 26 July 2021 |
| Lodgement of Replacement Prospectus with the ASIC | 24 August 2021 |
| Opening Date of Offers | 25 August 2021 |
| Closing Date of Chairman's List Offer | 3 September 2021 |
| Closing Date of Public Offer, Employee Options Offer and Executive Options Offer | 3 September 2021 |
| Issue of Shares under the Public Offer | 13 September 2021 |
| Issue of Options under the Employee Options Offer and the Executive Options Offer | 13 September 2021 |
| Despatch of holding statements | 14 September 2021 |
| Expected date for quotation on ASX | 17 September 2021 |

1. The above dates are indicative only and may change without notice. Unless otherwise indicated, all times given are AEST. The Exposure Period may be extended by the ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act. The Company reserves the right to extend the Closing Date or close the Offers early without prior notice. The Company also reserves the right not to proceed with the Offers at any time before the issue of Securities to applicants.

   If the Public Offer is cancelled or withdrawn before completion of the Offer, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their applications as soon as possible after the Offers open.

## KEY STATISTICS OF THE OFFERS

| | MINIMUM SUBSCRIPTION ($6,000,000)[1] | MAXIMUM SUBSCRIPTION ($8,000,000)[2] |
|---|---|---|
| Public Offer Price per Share | $0.25 | $0.25 |
| Shares currently on issue | 108,101,536 | 108,101,536 |
| Options currently on issue[3] | 9,411,283 | 9,411,283 |
| Shares to be issued under the Public Offer | 24,000,000 | 32,000,000 |
| Gross Proceeds of the Public Offer | $6,000,000 | $8,000,000 |
| **Shares on issue Post-Listing (undiluted)[4]** | **132,101,536** | **140,101,536** |
| **Market Capitalisation Post-Listing (undiluted)[5]** | **$33,025,384** | **$35,025,384** |
| Options to be issued under the Employee Options Offer[6] | 5,543,029 | 5,543,029 |
| Options to be issued under the Executive Options Offer[7] | 9,559,588 | 9,559,588 |
| Options to be issued to the Lead Manager[8,9] | 3,132,308 | 3,292,308 |
| **Shares on issue Post-Listing (fully diluted)[4]** | **159,747,744** | **167,907,744** |
| **Market Capitalisation Post-Listing (fully diluted)[5]** | **$39,936,936** | **$41,976,936** |

1. Assuming the Minimum Subscription of $6,000,000 is achieved under the Public Offer.
2. Assuming the Maximum Subscription of $8,000,000 is achieved under the Public Offer.
3. Comprising 9,411,283 Options (exercisable at $0.25 each, on or before 15 July 2025. Refer to Section 11.3 for the terms of the Options currently on issue (the **Existing Options**).
4. Certain Securities on issue post-listing will be subject to ASX-imposed and voluntary escrow. Refer to Section 6.19 for detail regarding the likely escrow position.
5. Assuming a Share price of $0.25, however the Company notes that the Shares may trade above or below this price.
6. 5,543,029 Employee Options (exercisable, subject to the satisfaction of vesting conditions, at $0.3575 each, on or before the date that is four years from the date of issue of the Options). Refer to Section 11.4 for the terms of the Employee Options.
7. 9,559,588 Executive Options (exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options). Refer to Section 11.4 for the terms of the Executive Options.
8. At Minimum Subscription, the Lead Manager Options comprise 1,566,154 Options (exercisable at $0.25 each, on or before the date that is three years from the date of issue of the Options) (the **Tranche 1 Options**) and 1,566,154 Options (exercisable at $0.3125 each, on or before the date that is three years from the date of issue of the Options) (the **Tranche 2 Options**). Refer to Section 11.5 for the terms of the Lead Manager Options.
9. At Maximum Subscription, the Lead Manager Options comprise 1,646,154 Tranche 1 Options (exercisable at $0.25 each, on or before the date that is three years from the date of issue of the Options) and 1,646,154 Tranche 2 Options (exercisable at $0.3125 each, on or before the date that is three years from the date of issue of the Options). Refer to Section 11.5 for the terms of the Lead Manager Options.

## HOW TO INVEST

Applications for Shares under the Public Offer can be made by completing and lodging an Application Form.

Instructions on how to apply for Shares are set out in Section 4 and on the back of the Application Form.

## QUESTIONS

Please call the X2M Offer Information Line on 1300 288 664 (toll free within Australia) or +61 2 9698 5414 (outside Australia) from 9.00am until 5.00pm (Sydney time) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether X2M is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant, or other independent and qualified professional adviser before deciding to invest.

# 2. CHAIRMAN'S LETTER

**Dear Investor,**

On behalf of the Directors of X2M Connect Limited (**Company** or **X2M**), it gives me great pleasure to invite you to become a Shareholder of the Company.

The Company is an Internet of Things (**IoT**) business initially focused on digitising the utility sector in the Asia Pacific Region (**APAC**) with its proprietary technology. The Company's core value proposition is to assist both utilities and governments to save time, money and enhance public safety, by enabling both new and existing utility devices to communicate both to each other and to a centralised system via the internet. In the longer term, the Company believes that its technology has potential application in other industry settings. Indeed, on a limited scale it is currently applied outside the utility sector.

Whilst the Company will continue to update and improve its proprietary technology in the future, the Company's technology is well through the development stage and offers customers a mature and scalable business solution. The Company's IoT technology can enable a variety of devices, such as utility meters or sensors, to communicate with other devices on a communications platform. It does this by modifying and replacing manual and on-site processes with smart technology which enables the collection of data for analytics, process automation and control of remote end devices. Once enabled with the Company's technology, customers such as utility providers and local governments can access extensive live data from any one or more devices or sensors across their network. This interoperability feature, which enables devices to communicate over the one platform, is a key competitive advantage for X2M.

The Company is initially focussed on enabling efficient supply of water, gas, electricity and other utilities in the APAC region and has existing supply contracts with customers in Australia, Japan, Korea, China and Taiwan.

This Prospectus is seeking to raise a minimum of $6,000,000 and a maximum of $8,000,000 via an issue of Shares at an issue price of $0.25 per Share under the Public Offer. The purpose of the Public Offer is to provide funds to implement the Company's business strategies (explained in Section 6). The Board have significant experience, including in technology-based companies, and are well-equipped to ensure that funds raised through the Public Offer will be utilised in a cost-effective manner to advance the Company's business.

This Prospectus is issued for the purpose of supporting an application to list the Company on the ASX. This Prospectus contains detailed information about the Company, Freestyle (the vendor of the Company's assets), the Freestyle operating history, the Business and the Public Offer, as well as the risks of investing in the Company. Whilst the Company has a developed technology, existing contracted customers and in the reasonable opinion of the Board, secure revenues, the Securities offered by this Prospectus should be considered speculative. I encourage you to read the Prospectus carefully.

On behalf of the Board, I look forward to your joining us as a Shareholder and sharing in what we believe are exciting and prospective times ahead for the Company. Before you make your investment decision, I urge you to read this Prospectus in its entirety and seek professional advice if required.

Yours sincerely

**Hon. Alan Stockdale AO**
*Non-Executive Chairman.*

Section 3

# INVESTMENT OVERVIEW

# SECTION 3. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **A. COMPANY** | | |
| **Who is the issuer of this Prospectus?** | X2M Connect Limited (ACN 637 951 154) (**Company** or **X2M**), an IoT business focused on digitising the utility sector in APAC with its proprietary technology. | Section 6.1 |
| **Who is the Company?** | The Company is an Australian unlisted public company incorporated on 9 December 2019.<br><br>Since incorporation, the Company has acquired the assets (including the technology) of Freestyle Technology Limited (under external administration) (**Freestyle**) and has been focused on customer acquisition, sales and marketing activities in its target jurisdictions of Australia, Taiwan, South Korea, Japan and China.<br><br>The Company's core value proposition is to assist both utilities and governments to save time, money and enhance public safety, by enabling both new and existing utility devices to communicate both to each other and a centralised system via the internet. | Sections 6.1 and 6.2 |
| **Who is Freestyle and what are the Freestyle Proceedings?** | Freestyle was a technology company incorporated in December 2005 and raised approximately $70 million in capital between incorporation and November 2019 for the purposes of developing its proprietary technology platform, establishing and building its business, successfully completing proof of concept trials and securing a number of commercial contracts in Australia, Taiwan, South Korea and Japan (refer to Section 6.2(a) for the Company's estimates of the breakdown of the $70 million raised).<br><br>In the period from establishment to mid-2013, Freestyle achieved minimal revenue as it was focused on producing and registering its patent portfolio, building prototypes and evaluating what its key markets would be. At the end of this period, Freestyle had an incomplete technology platform and product offering, Freestyle had no customers, and no revenues were being generated. Between mid-2013 and mid-2014, Freestyle ran trials and secured a contract in Taiwan based on its prototype platform. From mid-2014, Freestyle transitioned to the development of its base hardware and software platforms, securing customers and completing trials. This led to securing and increasing revenue. During the period between 2014 to 2019, Freestyle utilised capital raised from investors to further enhance its patent portfolio, complete development of devices and interfaces communicating over Zigbee, WiSUN, LoRa, NBIoT, 2G, 3G, 4G and similar networks, improve the prototype platform to a commercial, stable offering, establish production arrangements for Zigbee, WiSUN, LoRa and NBIoT based devices, market sales across a number of jurisdictions (South Korea, Taiwan, Japan and Australia), secure trial and commercial contracts with customers in these jurisdictions and foster the support of those customers. Whilst Freestyle's business was operating in 2019 following the substantial completion of its IoT platform and was making progress in growing revenue and securing new customers, the business was not yet profitable. | Sections 6.2 and 11.1 |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| | In May 2019, proceedings were lodged against Freestyle (and others) in the Supreme Court of Victoria by one shareholder of Freestyle, who later joined another associated shareholder as plaintiff (both entities associated with the founder of Freestyle) (the Freestyle Proceedings) (refer to Section 11.1 for further details regarding the current status of the Freestyle Proceedings). The ongoing Freestyle Proceedings and the lack of clarity on their conclusion severely curtailed the ability of Freestyle to raise funds required to continue its operations and growth toward profitability. With litigation afoot and existing investors refusing to support a capital raising, it was impossible for Freestyle to attract new investors. Following confirmation that no funding would be forthcoming from Freestyle's secured creditors (who, at that point, had continued to fund the company) and the fact that such secured creditors were seeking repayment of their secured convertible loans, the directors of Freestyle placed Freestyle into voluntary administration. This was despite the fact that the operations of the Freestyle business were otherwise progressing well.<br><br>Please refer to Sections 6.2(a), 6.2(c), 11.1 for further detail regarding the operating history of Freestyle, the Freestyle Proceedings and the Company's involved in the Freestyle Proceedings. | |
| **Were any key management of the Company also involved with Freestyle?** | Messrs Stockdale (Non-Executive Chairman), Jesudason (Chief Executive Officer) and Jelley (Chief Operating Officer and Joint Company Secretary), were previously involved in the management of Freestyle in the period prior to external administration of Freestyle. All three officers have significant track records running successful enterprises in prior (and other current) roles (please refer to Section 9.1 for further details in this respect) and notwithstanding the overlapping roles, the Board (with Mr Stockdale abstaining) believes that the Company is well positioned to take advantage of the expertise of these individuals (including, in respect of their prior experience with the Business), in addition to the skills and experience of the Company's other management personnel and independent Board.<br><br>Accordingly, the Board is of the view that investors can be comfortable with the experience and direction of the Company's leadership. | Section 9.1 |
| **Who are the Company's subsidiaries?** | The Company has a number of subsidiaries located in the jurisdictions in which it operates. The Company's subsidiaries and group structure is set out at Section 6.4. | Section 6.4 |
| **Who are the current Shareholders of the Company and on what terms were their Shares issued?** | A description of the current Shareholders and the terms of issue of their Shares is set out in Section 6.17. In addition, the details of the ownership of Shares as at the date of the Prospectus and on completion of the Offers is set out in Section 4.3. | Sections 4.3 and 6.17 |

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **B. BUSINESS MODEL** | | |
| **What is the Company's technology?** | The Company's IoT technology platform enables remote monitoring and control of devices and sensors such as gas/water meters and pressure sensors. The Company also provides hardware and software for digitalising manual, analogue hardware.<br><br>The technology is comprised of three core elements which allow utility companies to receive information from, and control, a variety of devices across their infrastructure network, as follows:<br>a. the Network Interface Card (NIC) which can be added to or integrated within devices including meters, valves and pumps. It enables an existing device with no communication capability to transmit and receive information from X2M's Micro Engine;<br>b. the Micro Engine, which is the core of X2M's technology offering, is an 'intelligence engine' or 'logic concentrator' that interacts with multiple devices over any network. Applications running on the Micro Engine can make autonomous decisions based on the information they receive from individual devices or from groups of devices and can also collate and normalise the information received from each device and send it to the X2M IoT platform; and<br>c. the X2M IoT platform (known as the 'Vision Platform') is a Software as a Service (**SaaS**) offering that manages, monitors, diagnoses and controls deployed Micro Engines and all connected devices. It acts as an aggregation point for all customer data, report generation, and network management. It integrates via an open interface to billing, enterprise resource planning, customer care, marketing, and geospatial systems. The X2M IoT platform includes the PRISM mobile application (PRISM), which is the user application that allows households to access their usage data and alerts and is available if the utility provider subscribes to this service supporting the X2M IoT platform. | Section 6.5 |
| **In which industry does the Company operate?** | The Company operates in the APAC utility technology supply industry. | Sections 5 and 6.3 |
| **What is the Company's intellectual property?** | The Company holds a portfolio of patents that encompass interoperability of devices, (where different devices can communicate over the one platform), 2-way IoT communications and distributed intelligence. These patented data communication attributes, when aggregated, lend themselves to a flexible and scalable technology solution.<br><br>Details of the Company's intellectual property are set out in Section 6.6 and the Intellectual Property Report included at Annexure A. | Section 6.6 and Annexure A |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What is the Company's business model?** | The Company's business model is to provide a SaaS IoT platform through a subscription model and as a licensed technology for integration in customer systems. The SaaS model is supported by the sale of hardware to support the generation of SaaS subscriptions.<br><br>A detailed explanation of the Company's business model is provided at Section 6.7. | Section 6.7 |
| **What are the key business objectives of the Company?** | The Company's main objectives on completion of the Public Offer are:<br>a. increasing penetration in existing customer markets through deployment of additional devices to existing customers, deploying new types of devices to these customers and the addition of more channel partners;<br>b. growing the Company's customer base within existing jurisdictions and in new target jurisdictions such as India, Philippines and Vietnam;<br>c. increasing the sales and marketing team and resourcing to focus on pursuing high margin subscription and licencing customers; and<br>d. increasing organisational capability and executive staff in order to support delivery of the Company's growth objectives and to pursue additional growth opportunities including value adding acquisitions. | Sections 6.12 and 6.13 |
| **What are the key dependencies of the Company's business model?** | The key dependencies of the Company's business model include:<br>a. ability to market and sell the Company's technology offering to new customers to increase revenue;<br>b. ability to generate a profit in due course by focusing on higher margin licensing sales and other activities;<br>c. providing high levels of customer service for the SaaS IoT platform;<br>d. retaining key staff and management; and<br>e. success in securing suitable staff to enhance the Company's capabilities. | Section 6.8 |
| **How is the Company's business model distinguishable to that of Freestyle?** | The Company considers its business model to be distinguishable to that of Freestyle's for the following reasons:<br>a. X2M does not have restrictive Shareholder agreements in place, it is governed by a standard ASX Listing Rule compliant, public company constitution and no Shareholders have any special privileges or rights (notwithstanding their shareholding in the Company);<br>b. there are no disputing Shareholders of X2M, nor any disputes or litigation involving the Company, nor any matter which is impeding proper functioning of management, the Board and or the Business. Management and the Board operate freely without interference from Shareholders and are able to freely raise capital;<br>c. X2M has a solid customer base of 34 enterprise and government customers who have an addressable market of 25 million households, in contrast, Freestyle had only 15 customers at the end of FY19; | Section 6.2(c) |

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **How is the Company's business model distinguishable to that of Freestyle?**<br>*continued* | d. X2M has an extensive prospect pipeline to convert to customers which consists of prospects that have been engaged by the sales team over several years and thus who are familiar with the business case proposition and are close to decisions. This has manifested in a faster conversion of prospects to customers and where 10 customers were attained by Freestyle across FY18 and FY19, 19 customers have been attained across FY20 and FY21;<br>e. X2M's South Korean subsidiary became a recognised supplier to the South Korean Government in November 2019 which means the subsidiary is on the Government's official procurement system which has a number of benefits as described in Section 6.2(c). Whilst the foundations were laid by Freestyle, the official procurement capability became effective around the time of Freestyle entering voluntary administration and since then there has been an increase in its utilisation;<br>f. X2M has an additional business model to Freestyle, in "SaaS licensing" (pursuant to which X2M software is licensed to third party utility hardware vendors), which is delivering strong results and which has been the most significant lever in the Business' acceleration phase;<br>g. The expanded rollout of NB-IoT and LTE-M networks by the telecommunications sector has delivered X2M (and the 2019 period of Freestyle) structural simplicity and cost savings as a result of the companies not having to embark on infrastructure rollouts to support their software offerings, which was the case for much of Freestyle's existence;<br>h. The X2M IoT platform development is substantially complete. The IoT platform was substantially built, trialled and commercialised by Freestyle in 2019 just prior to the voluntary administration of Freestyle (refer to Section 6.2(a) for further detail). Accordingly, X2M is benefitting from the acquisition of the substantially completed platform (and a number of other assets) from Freestyle, which Freestyle wasn't able to fully leverage, due to capital constraints and the administration of the company;<br>i. X2M's connected device footprint means that further free trials and proof of concepts are unlikely to be required, particularly in existing jurisdictions; and<br>j. Channels to market have been increased (primarily in South Korea, presently X2M's largest market). Developing critical mass and momentum is driven by the size and effectiveness of the Company's sales force; and<br>k. Finally, the X2M metrics demonstrate the significant growth of the X2M business. X2M's first half revenue for FY21 is $3.15 million compared to Freestyle's first half revenue for FY20 of $1.51 million, an increase of 108.6%. The number of X2M connected devices as at 31 December 2020 is 89,952 versus that of Freestyle as at 31 December 2019 of 50,426, an increase of 78.4%.<br>For these reasons, the Company considers that its business model will result in an increase in Shareholder value notwithstanding the Company's IoT technology is the same as that developed by Freestyle and that Freestyle was unable to generate returns to prevent its placement into voluntary administration and subsequently litigation.<br>Please refer to Section 6.2(c) for further detail regarding each for the factors outlined above. | Section 6.2(c) |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **C. KEY ADVANTAGES** | | |
| **What are the key advantages of an investment in the Company?** | The Directors are of the view that an investment in the Company provides the following non-exhaustive list of advantages:<br>a. participation in a company with an established business that has completed its initial development phase, is now demonstrating substantial growth and has competitive advantages in its markets;<br>b. participation in a company which has an operational IoT platform in which significant funds have already been invested in its development;<br>c. proprietary technology that is supported by over 60 patents;<br>d. there are a number of barriers to entry for new players in the Company's existing markets; and<br>e. a technology offering has broad application to other industries in the APAC market resulting in substantial growth potential. | Sections 6.9 and 6.10 |
| **D. KEY RISKS** | | |
| **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. | Section 8.2 |
| **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.<br><br>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. | Section 8.2 |

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **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. | Section 8.2 |
| **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.<br><br>The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force the Company to shift to another supplier. There is a risk that the Company could be disrupted if no alternative suppliers were able to be sought. 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. | Section 8.2 |
| **Contract non-renewal risk and key customers** | The Company's contracts with customers are generally long-term contracts of several years. Further, the nature of the Company's business means it contracts with relatively few but large customers. There is a risk that when these large customers reach the end of their service contracts, they will not renew the term of their contract which may materially impact the Company's expected revenue.<br><br>The Gochang Services Agreement (summarised in Section 10.3.2) is one of these contracts and will expire on 31 December 2021 (unless renewed by the parties). The Company considers the risk of the non-renewal to be low given present discussions with Gochang however, if the risk of non-renewal was to materialise, there may be an adverse impact on the Company. The Company specifically notes that the Gochang contribution to revenue in FY2020 was $1.1m, HY2021 was $0.5m and its connected device count as at the date of the Prospectus is approximately 25,000. | Sections 8.2 and 10.3.2 |
| **Reliance on key personnel risk** | A failure to attract and retain executive, business development, technical and other key personnel could reduce the Company's revenues and operational effectiveness. There is a continuing demand for relevant qualified personnel, and the Company believes that its future growth and success will depend upon its ability to attract, train and retain such personnel. Competition for personnel in the Company's industry is high, and there is a limited number of persons with knowledge of, and experience in, this industry. An inability to attract or maintain a sufficient number of requisite personnel could have a material adverse effect on the Company's performance or on the Company's ability to capitalise on market opportunities. | Section 8.2 |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **New markets** | The Company will look to expand its product offerings into new markets such as India, the Philippines and or Vietnam post listing (refer to Section 6.3(b) for further detail including the proposed expansion timeline). Any efforts to enter a new market holds the risk that the product offering does not meet the needs of the market at an acceptable price point, the product does not meet the relevant regulatory standards and or the underlying intellectual property is not registrable in the market. New markets usually cost substantially more to penetrate than a known market.<br><br>Prior to entering into a new jurisdiction, the Company undertakes a due diligence process to ensure it understands and is capable of meeting local regulatory requirements and other barriers to entry.<br><br>As at the date of this Prospectus, X2M has not yet commenced due diligence or market research in any of the target jurisdictions of India, the Philippines or Vietnam. In the Philippines and Vietnam however early, exploratory work has previously been undertaken. In the Philippines, proof of concepts have been conducted with two municipalities near Manila across circa 96 residences. In Vietnam, Freestyle previously demonstrated its technology to a key Vietnamese electricity utility in the city of Danang by showing monitoring of electricity meters in various locations across the city. Based on X2M management's prior experience in entering new jurisdictions, X2M considers that the most efficient way to address the regulatory requirements and barriers to entry in these new markets is to work with a local agent or supplier who is familiar with the relevant regulations. The Company will continue to investigate these requirements as part of its engagement of a local agent or supplier.<br><br>Further, as at the date of this Prospectus, the Company is not aware of the specific barriers to entry faced when expanding its product offerings to India, the Philippines and Vietnam, having not yet conducted due diligence into these target jurisdictions. As such, the Company may be prevented from expanding into these jurisdictions, which could have an adverse impact on its activities and short to medium term growth strategy.<br><br>In addition, whilst the Company is of the view that the 2020 Foreign Investment Negative List (**Negative List**) does not apply to the existing operations in China, the Negative List may be expanded to capture the Company's activities, at which time, any expansion into China would be adversely impacted. | Sections 6.3(b) and 8.2 |

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **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. | Section 8.2 |
| **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 (refer to Section 6.15 for further detail), 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.<br><br>The Company recently obtained ISO 27001:2013 certification (which covers all existing jurisdictions other than China) and will look to obtain certification for its Chinese entities as soon as possible following listing. As part of the certification process, the Company is subject to an annual audit by an independent third party, which involves a review of the Company's cybersecurity and data protection measures. However, certification and an annual audit process does not offer the Company absolute protection against cyber-attacks. | Sections 6.15 and 8.2 |
| **Liquidity and dilution risk** | There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. On completion of the Offers (assuming the Minimum Subscription is raised under the Public Offer), 69% of the issued Shares are anticipated to be subject to escrow with 31% of the issued Shares freely tradable. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the Public Offer and may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. The Company may undertake offerings of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such Shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, voting power of the Company's existing Shareholders may be diluted. | Section 8.2 |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **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.<br><br>The Company intends to expand its operations into target jurisdictions in the short to medium term (including the Philippines, India and Vietnam). Further regulatory approvals may be required to expand into these 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 Prospectus, 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. | Section 8.2 |
| **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. As at the date of this Prospectus, apart from as indicated below, there are no legal proceedings affecting the Company and the Directors are not aware of any other legal proceedings pending or threatened against or affecting the Company.<br><br>As described above, legal proceedings were commenced against Freestyle (the vendor who sold the Company its assets through a liquidation sale) (refer to the summary of the Asset Sale Agreement set out in Section 10.2 for further detail in respect of the sale) in May 2019. The plaintiffs in those proceedings have previously indicated they wish to join the Company to the proceedings as a defendant. As at the date of this Prospectus, those proceedings are temporarily stayed given the plaintiffs have failed to comply with Court orders to provide security for the defendants' legal costs. If the stay is not lifted and the security not provided, the proceedings will be dismissed with costs on 23 September 2021. | Sections 8.2 and 11.1 |

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **Legal proceedings** *continued* | On the assumption that the stay is lifted and the security for costs is provided, there would then need to be a contested hearing of the plaintiffs' application to join the Company to the proceedings as a defendant. The Company is not currently a defendant to any proceedings but it may be in the future if the plaintiff's application is successful. Furthermore, if the plaintiff's claims are ultimately successful (which the Company considers is very unlikely), the Company considers that the appropriate assessment of quantum is nil, and therefore the risk to the Company and Shareholders is immaterial. Following admission to the Official List, in compliance with its continuous disclosure obligations, the Company will continue to update the market with regards to the Freestyle legal proceedings and any inclusion of the Company as a defendant.<br><br>The Directors' view, based on advice, is that the Company has a strong prospect of defending the proposed claims (if the Company is joined to the proceedings) and that the plaintiffs have not suffered any relevant loss in any event. | Sections 8.2 and 11.1 |
| **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 this 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 under the Public Offer. Any additional equity financing may 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.<br><br>Further, the Company specifically notes the circumstances of Freestyle (vendor of the Company's assets, including the technology) and particularly, that notwithstanding Freestyle had been in operation for nearly 13 years before it was placed into voluntary administration in December 2019, Freestyle was not able to achieve profitability. However, the Company distinguishes itself from Freestyle for the reasons set out in Section 6.2(c). | Section 8.2 |
| **COVID-19 risk** | The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any government or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.<br><br>In compliance with its continuous disclosure obligations, the Company will continue to update the market with regard to the impact of COVID-19 on its revenue channels and any adverse impact on the Company. If any of these impacts appear material prior to close of the Offers, the Company will notify investors under a supplementary prospectus. | Section 8.2 |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **Intellectual property risk** | The Company has a patent portfolio of over 60 patents, which are largely built around remote programming and control of devices, autonomous decentralised logic, remote communication with devices and information transfer between machines over multiple service providers. The Company relies on laws relating to patents to assist protection of its proprietary rights.<br><br>The success of the Company's technology depends largely on the ability of the Company to protect the underlying know how, while not infringing the proprietary rights of others. Many of its inventions are protected based on a strategy of securing the underlying trade secrets – which are remote programming and control of devices, autonomous decentralised logic, remote communication with devices and information transfer between machines over multiple service providers.<br><br>There is a risk that unauthorised use or copying of the Company's software, data or platforms will occur. If the Company fails to protect its intellectual property, know-how or trade secrets, competitors may gain access to its proprietary information which could harm the Company's business .<br><br>There is a risk that the Company will be unable to register or otherwise protect new intellectual property it develops in the future. Competitors may be able to work around any of the applications or other intellectual property rights used by the Company, or independently develop technologies or competing products that are not covered by the Company's intellectual property rights. Further, there is no assurance that others will not be able to copy the technology. This may materially adversely impact the Company's revenue, legal expenses and profitability.<br><br>If the Company believes its intellectual property rights have been infringed, it may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of the Company's rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel. Further, until such time as the Company is legal owner of the intellectual property acquired from Freestyle, it will have limited rights to enforce such intellectual property (refer to Annexure A for further detail). | Section 8.2 |
| **Other risks** | For additional specific risks please refer to Section 8.2. For other risks with respect to the industry in which the Company operates and general investment risks, many of which are largely beyond the control of the Company and its Directors, please refer to Sections 8.3 and 8.4. | Sections 8.2, 8.3 and 8.4 |

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **E. DIRECTORS AND KEY MANAGEMENT PERSONNEL** | | |
| **Who are the Directors?** | The Board is currently comprised of:<br>a. Alan Stockdale AO – Non-Executive Chairman;<br>b. Jodie Leonard – Non-Executive Director;<br>c. Damien Johnston – Non-Executive Director; and<br>d. John Stewart – Non-Executive Director.<br>The Directors have significant corporate, management and business development experience.<br>The biographies of each of the Directors are set out in Section 9.1. | Section 9.1 |
| **Who are the other key management Personnel?** | The Company's other key management personnel are as follows:<br>a. Mohan Jesudason – Chief Executive Officer;<br>b. Keith Jelley – Chief Operating Officer and Joint Company Secretary;<br>c. Yongsun Kim – Managing Director of South Korea; and<br>d. Steve Fang – Managing Director of Taiwan the People's Republic of China.<br>The biographies of each of the key management personnel are set out in Section 9.2. | Section 9.2 |
| **What benefits are being paid to the Directors?** | The benefits being paid to the Directors are set out below: | Section 9.3 |

| NAME | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2021[2] | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2022[3] |
|---|---|---|
| Alan Stockdale AO[1] | $88,354[4] | $110,000 |
| Jodie Leonard[1] | $19,589 | $50,228 |
| Damien Johnston[1] | $19,589 | $50,228 |
| John Stewart[1] | $19,589 | $50,228 |
| **Total** | **$147,121** | **$260,684** |

Notes:
1. The current Directors were appointed on 8 February 2021 and therefore did not receive any remuneration for the year ended 30 June 2020.
2. Remuneration for the year ending 30 June 2021 including superannuation is calculated pro rata from the Directors appointment date on 8 February 2021.
3. Includes per annum Directors' fees including superannuation.
4. Includes monthly consulting fees of $7,575.75 ex GST paid from 1 August 2020 to 31 January 2021 totalling $45,455.

Please refer to Section 9.3 for further detail.

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What are the interests of Directors in the Company?** | As at the date of this Prospectus, the Directors have relevant interests in Securities as follows: | Section 9.3 |

| NAME | SHARES | OPTIONS | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Alan Stockdale AO[1] | 576,541 | – | 0.53% | 0.49% |
| Jodie Leonard[2] | 288,271 | – | 0.27% | 0.25% |
| Damien Johnston | 288,271 | – | 0.27% | 0.25% |
| John Stewart[3] | 288,271 | – | 0.27% | 0.25% |
| **Total** | **1,441,354** | **–** | **1.33%** | **1.23%** |

Post-completion of the Offers, assuming the Minimum Subscription is raised, it is anticipated that the Directors will have relevant interests in Securities as follows:

| NAME | SHARES | OPTIONS[4] | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Alan Stockdale AO[1] | 576,541 | 144,135 | 0.44% | 0.45% |
| Jodie Leonard[2] | 288,271 | 72,068 | 0.22% | 0.23% |
| Damien Johnston | 288,271 | 72,068 | 0.22% | 0.23% |
| John Stewart[3] | 288,271 | 72,068 | 0.22% | 0.23% |
| **Total** | **1,441,354** | **360,339** | **1.09%** | **1.13%** |

Post-completion of the Offers, assuming the Maximum Subscription is raised, it is anticipated that the Directors will have relevant interests in Securities as follows:

| NAME | SHARES | OPTIONS[4] | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Alan Stockdale AO[1] | 576,541 | 144,135 | 0.41% | 0.43% |
| Jodie Leonard[2] | 288,271 | 72,068 | 0.21% | 0.21% |
| Damien Johnston | 288,271 | 72,068 | 0.21% | 0.21% |
| John Stewart[3] | 288,271 | 72,068 | 0.21% | 0.21% |
| **Total** | **1,441,354** | **360,339** | **1.03%** | **1.07%** |

Notes:

1. Held by Dominique Fisher (spouse of Alan Stockdale).
2. Held by Challenger Consulting Pty Ltd (ACN 142 842 082) ATF J Leonard Super Fund (an entity controlled by Jodie Leonard).
3. Held by John Stewart ATF JT & SI Stewart Family Trust an entity controlled by John Stewart).
4. These Options are exercisable, subject to the satisfaction of vesting conditions, at $0.3575 each, on or before the date that is four years from the date of issue of the Options and are being issued to the Directors under the Employee Options Offer.

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What benefits are being paid to the key management personnel?** | The benefits being paid to the key management personnel are set out below: | Section 10.4 |

| NAME | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2021[1] | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2022[1] |
|---|---|---|
| Mohan Jesudason | $478,279 | $501,874[2] |
| Keith Jelley | $278,864[3] | $301,874[3] |
| Yongsun Kim | $216,000[4] | $216,000[4,5] |
| Steve Fang | $260,000[6] | $260,000[6] |
| **Total** | **$1,233,143** | **$1,279,748** |

Notes:
1. Including superannuation (if applicable).
2. In addition, Mr Jesudason will receive a bonus equivalent to 1.5% of the Company's post-IPO money valuation immediately preceding the Company's admission to the Official List (being $495,381 based on the Minimum Subscription and $525,381 based on the Maximum Subscription) upon the Company meeting all of the ASX conditions required for admission to the Official List. The Board believes the bonus to be paid to Mr Jesudason in addition to his salary is an appropriate short-term incentive, reflects the efforts of Mr Jesudason in the period from his appointment until listing (assuming the Company is successfully admitted to the Official List) and is comparable to bonuses paid to executives in similar positions and with similar roles and responsibilities to that of Mr Jesudason. Mr Jesudason will not receive the bonus if the Company is not admitted to the Official List. Mr Jesudason may also receive additional cash bonuses as agreed by the Board and based on his performance.
3. In addition, Mr Jelley received a sign-on bonus of $172,000. Mr Jelley may also receive additional cash bonuses as agreed by the Board and based on his performance.
4. 180,000,000 KRW (approximately AUD$216,000 based on 834.39 KRW:1 AUD).
5. Mr Kim may also receive additional cash bonuses as agreed to by the Board and based on his performance.
6. USD$200,000 (Base Consideration) (approximately AUD$260,000 based on 1 USD:1.3 AUD).

Please refer to Section 10.4 for further detail.

**What are the interests of key management personnel in the Company?**

As at the date of this Prospectus, the key management personnel have relevant interests in securities as follows: Section 9.3

| NAME | SHARES | OPTIONS[1] | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Mohan Jesudason[2] | 10,810,152 | 7,058,462 | 10.00% | 15.21% |
| Keith Jelley[3] | 3,603,384 | 2,352,821 | 3.33% | 5.07% |
| Yongsun Kim | 500,000 | – | 0.46% | 0.43% |
| Steve Fang | 2,250,000 | – | 2.08% | 1.91% |
| **Total** | **17,163,536** | **9,411,283** | **15.88%** | **22.61%** |

Notes:
1. These Options are exercisable at $0.25 each, on or before 15 July 2025.
2. Indirectly held by M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust (an entity controlled by Mohan Jesudason).
3. Indirectly held by Azimbo Investments Pty Ltd ATF Azimbo Family Trust (an entity controlled by Keith Jelley).

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What are the interests of key management personnel in the Company?** *continued* | Post-completion of the Offers, assuming the Minimum Subscription is raised, it is anticipated that the key management personnel will have relevant interests in Securities as follows: | |

| NAME | SHARES | OPTIONS[1] | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Mohan Jesudason[2] | 10,810,152 | 14,228,153[2] | 8.18% | 15.67% |
| Keith Jelley[3] | 3,603,384 | 4,742,718[4] | 2.73% | 5.22% |
| Yongsun Kim | 500,000 | 950,000[5] | 0.38% | 0.91% |
| Steve Fang | 2,250,000 | 710,000[5] | 1.70% | 1.85% |
| **Total** | **17,163,536** | **20,620,871** | **12.99%** | **23.65%** |

Notes:

1. Indirectly held by M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust (an entity controlled by Mohan Jesudason).
2. Comprising:
   a. 7,058,462 Options, exercisable at $0.25 each, on or before 15 July 2025; and
   b. 7,169,691 Options, exercisable at $0.3575 each, on or before the date that is 4 years from the date of issue of the Options to be issued to Mohan Jesudason under the Executive Options Offer.
3. Indirectly held by Azimbo Investments Pty Ltd ATF Azimbo Family Trust (an entity controlled by Keith Jelley).
4. Comprising:
   a. 2,352,821 Options, exercisable at $0.25 each, on or before 15 July 2025; and
   b. 2,389,897 Options, exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options to be issued to Keith Jelley under the Executive Options Offer.
5. Options, exercisable at $0.3575 each, on or before the date that is 4 years from the date of issue of the Options to be issued under the Executive Options Offer.

# SECTION 3. INVESTMENT OVERVIEW

| ITEM | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What are the interests of key management personnel in the Company?** *continued* | Post-completion of the Offers, assuming the Maximum Subscription is raised, it is anticipated that the key management personnel will have relevant interests in Securities as follows: | Section 9.3 |

| NAME | SHARES | OPTIONS | % UNDILUTED | % FULLY DILUTED |
|---|---|---|---|---|
| Mohan Jesudason[1] | 10,810,152 | 14,228,153[2] | 7.72% | 14.91% |
| Keith Jelley[3] | 3,603,384 | 4,742,718[4] | 2.57% | 4.97% |
| Yongsun Kim | 500,000 | 950,000[5] | 0.36% | 0.86% |
| Steve Fang | 2,250,000 | 710,000[5] | 1.61% | 1.76% |
| **Total** | **17,163,536** | **20,620,871** | **12.26%** | **22.50%** |

Notes:

1. Indirectly held by M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust (an entity controlled by Mohan Jesudason).
2. Comprising:
   a. 7,058,462 Options, exercisable at $0.25 each, on or before 15 July 2025; and
   b. 7,169,691 Options, exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options to be issued to Mohan Jesudason under the Executive Options Offer).
3. Indirectly held by Azimbo Investments Pty Ltd ATF Azimbo Family Trust (an entity controlled by Keith Jelley.
4. Comprising:
   a. 2,352,821 Options, exercisable at $0.25 each, on or before 15 July 2025; and
   b. 2,389,897 Options, exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options to be issued to Keith Jelley under the Executive Options Offer.
5. Options, exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options to be issued under the Executive Options Offer.

| | | |
|---|---|---|
| **What are the significant interests of advisers to the Company?** | Bell Potter has acted as the Lead Manager of the Public Offer and will receive fees under the Lead Manager Mandate described in Sections 4.12 and 10.1.1 as summarised under Part G of this Investment Overview Section below. | Section 4.12 and 10.1.1 |
| **Is there an employee incentive plan?** | The Company has adopted an Employee Incentive Performance Rights and Options Plan to allow eligible participants to be granted Performance Rights and Options in the Company. The key terms of the Plan are set out in Section 11.6.<br><br>The Company has adopted an Employee Incentive Share Plan to allow eligible participants to be granted Shares in the Company. The key terms of the Plan are set out in Section 11.7. | Sections 11.6 and 11.7 |
| **What related party agreements are the Company party to?** | The Company has entered into letters of appointment with its Directors (all of whom are Non-Executive). The Company has also entered into deeds of indemnity, insurance and access with each of the Directors.<br><br>No other related party agreements have been entered into by the Company. | Sections 10.4.5 and 10.4.6 |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|

## F. FINANCIAL INFORMATION

**What is the Company's key financial information?**

The Company's key financial information is set out below and in Section 7.

Section 7 and Annexure B

### PRO-FORMA INCOME STATEMENTS

| $'000 | FY19 | FY20 | X2M HY21 |
|---|---|---|---|
| Revenue | 2,230 | 3,126 | 3,192 |
| Loss after income tax expense | (6,445) | (5,913) | (2,480) |

### PRO-FORMA STATEMENT OF FINANCIAL POSITION (MINIMUM SUBSCRIPTION)

| $'000 | X2M AT 31 DEC 2021 | IMPACT OF THE OFFERS AND ADJUSTMENTS | PRO-FORMA |
|---|---|---|---|
| Total Assets | 6,879 | 8,500 | 15,379 |
| Total Liabilities | 10,607 | (6,429) | 4,178 |
| Net Assets/(Deficiency) | (3,728) | 14,929 | 11,201 |
| Equity | (3,728) | 14,929 | 11,201 |

### PRO-FORMA STATEMENT OF FINANCIAL POSITION (MAXIMUM SUBSCRIPTION)

| $'000 | X2M AT 31 DEC 2021 | IMPACT OF THE OFFERS AND ADJUSTMENTS | PRO-FORMA |
|---|---|---|---|
| Total Assets | 6,879 | 10,380 | 17,259 |
| Total Liabilities | 10,607 | (6,429) | 4,178 |
| Net Assets/(Deficiency) | (3,728) | 16,809 | 13,081 |
| Equity | (3,728) | 16,809 | 13,081 |

The information presented above contains International Financial Reporting Standards financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the financial information disclosed in Section 7 as well as the risk factors set out in Section 8.

**What is the financial outlook for the Company?**

Given the current status of and nature of the Company's business, the Directors do not consider it appropriate to forecast future earnings.

Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.

Section 7 and Annexure B

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **G. OFFERS** | | |
| **What is being offered under the Public Offer?** | The Public Offer is an initial public offering of up to 32,000,000 Shares at an issue price of $0.25 per Share to raise up to $8,000,000 (**Offer**). | Section 4.1 |
| **Is there a minimum subscription under the Public Offer?** | The minimum amount to be raised under the Public Offer is $6,000,000. | Section 4.1 |
| **What are the purposes of the Public Offer?** | The purposes of the Public Offer are to facilitate an application by the Company for admission to the Official List, to position the Company to seek to achieve the objectives stated at Section B of this Investment Overview Section and to provide the Company with future access to equity capital markets for funding. | Section 4.2 |
| **Are there any conditions to the Public Offer?** | No, other than raising the Minimum Subscription and ASX approval for quotation of the Shares, the Public Offer is unconditional. | Section 4.11 |
| **Who is the lead manager to the Public Offer?** | The Company has engaged Bell Potter Securities Ltd (ACN 006 390 772) (AFSL No. 243480) to act as lead manager to the Public Offer (**Lead Manager**).<br>The Lead Manager will receive the following fees from the Company:<br>a. a management fee of 2% of total funds raised under the Public Offer (plus GST) (**Public Offer Proceeds**); and<br>b. a selling fee of 4% of the Public Offer Proceeds (plus GST).<br>The Company and the Lead Manager have agreed that the minimum aggregate of the management fee and the selling fee to be paid by the Company to the Lead Manager is $200,000.<br>In addition, the Company will issue the Lead Manager:<br>a. assuming the Minimum Subscription is raised, 1,566,154 Options, exercisable at $0.25 each on or before the date that is three years from the date of issue of the Options and 1,566,154 Options, exercisable at $0.3125 each, on or before the date that is three years from the date of issue of the Options; and<br>b. assuming the Maximum Subscription is raised, 1,646,154 Options, exercisable at $0.25 each on or before the date that is three years from the date of issue of the Options and 1,646,154 Options, exercisable at $0.3125 each, on or before the date that is three years from the date of issue of the Options.<br>Refer to Sections 4.12 and 10.1.1 for further detail. | Sections 4.12 and 10.1.1 |
| **Is the Public Offer underwritten?** | No, the Public Offer is not underwritten. | Section 4.10 |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **How is the Public Offer structured?** | The Public Offer is structured as follows:<br>a. the **General Offer**, which consists of an offer to the public of the balance of Shares that are not taken up by any of the following components of the Public Offer (refer to Section 4.4.2);<br>b. the **Institutional Offer**, which consists of an offer to certain institutional and professional investors with a registered address in Australia, New Zealand, Hong Kong and Singapore identified by the Lead Manager to apply for Shares (refer to Section 4.4.5);<br>c. the **Broker Firm Offer**, which consists of an offer to eligible retail investors with a registered address in Australia and New Zealand who have received a firm allocation from their broker (refer to Section 4.4.3); and<br>d. the **Chairman's List Offer**, which consists of an offer to select investors with a registered address in Australia or New Zealand who have received a personal invitation from the Company to participate in the Chairman's List Offer (refer to Section 4.4.4), including certain existing Shareholders of the Company. | Section 4.4 |
| **Who is eligible to participate in the Offers?** | This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in Jurisdictions outside Australia, New Zealand, Singapore or Hong Kong may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. | Section 4.15 |
| **What allocations has the Company agreed under the Public Offer?** | The Company has agreed the following allocation of Shares under the Public Offer:<br>a. 836,400 Shares under the Chairman's List Offer to Perle Ventures Pty Ltd ATF PV Investments 3 (an entity which, together with its associates, is a substantial Shareholder);<br>b. 523,600 Shares under the Chairman's List Offer to Mazzara Succession Pty Ltd ATF Mazzara Trust (an entity which is a substantial Shareholder);<br>c. 481,440 Shares under the Chairman's List Offer to Super Properties Pty Ltd ATF Shayne Smyth Trust (an entity which, together with its associates, is a substantial Shareholder);<br>d. 2,000,000 Shares under the Chairman's List Offer to Andrew Greig (a substantial Shareholder); and<br>e. up to 7,980,000 Shares under the Chairman's List Offer to other existing unrelated Shareholders of the Company.<br>Refer to Section 4.4.4 for further detail regarding the allocations under the Chairman's List Offer and Section 6.18 for further details regarding the substantial Shareholders of the Company. | Sections 4.4.4 and 6.18 |

# SECTION 3. INVESTMENT OVERVIEW

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **How do I apply for Shares under the Public Offer?** | The process of applying under each component of the Public Offer is set out in Section 4.4.<br>Applications for Shares under the Public Offer must be made by completing the Application Form attached to this Prospectus in accordance with the instructions set out in the Application Form. | Section 4.4 |
| **What is the Employee Options Offer?** | The Prospectus also includes an offer of a total of 5,543,029 Options (exercisable, subject to the satisfaction of vesting conditions, at $0.3575 each on or before the date that is four years from the date of issue of the Options) (**Employee Options**) to certain employees of the Company, including the Directors (**Employee Options Offer**).<br>Only specified persons will be entitled to participate in the Employee Options Offer, all of whom will be approached directly by the Company. | Section 4.6 |
| **What is the Executive Options Offer?** | The Prospectus also includes an offer of a total of 9,559,588 Options (exercisable at $0.3575 each on or before the date that is four years from the date of issue of the Options) (**Executive Options**) to Mohan Jesudason (Chief Executive Officer) and Keith Jelley (Chief Operating Officer and Joint Company Secretary) (**Executive Options Offer**).<br>Only Mohan Jesudason and Keith Jelley will be entitled to participate in the Executive Options Offer, both of whom will be approached directly by the Company. | Section 4.7 |
| **What will the Company's capital structure look like on completion of the Offers?** | The Company's capital structure on a post-Offers' basis is set out in Section 6.17. | Section 6.17 |
| **What are the terms of the Securities offered under the Offers?** | A summary of the material rights and liabilities attaching to the Shares offered under the Public Offer are set out in Section 11.2.<br>The terms of the Employee Options and the Executive Options are set out at Section 11.4. | Sections 11.2 and 11.4 |
| **Will the Securities be quoted?** | Application for quotation of all Shares to be issued under the Public Offer will be made to ASX no later than 7 days after the date of this Prospectus.<br>Options offered under the Employee Options Offer and Executive Options Offer will not be quoted. However, the Company will apply for quotation of the Shares issued on exercise of the Options. | Section 4.13 |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **Will any Securities be subject to escrow?** | None of the Shares issued under the Public Offer will be subject to escrow. However, subject to the Company's complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Public Offer (assuming the Maximum Subscription is raised), it is anticipated that:<br>a. 69,411,183 Shares; and<br>b. up to 25,453,387 Options,<br>will be subject to ASX escrow.<br>In addition, 17,033,441 Shares held by a number of substantial Shareholders of the Company will be subject to voluntary escrow until 28 February 2022 (for the avoidance of doubt, none of these Shares are expected to be subject to ASX escrow).<br>17,747,156 Shares held by employees of the Company (including, key management personnel and the Directors) will be subject to voluntary escrow until the date that is three years from the date of issue of those Shares (**Employee Voluntary Escrow Shares**). The Company notes that the Employee Voluntary Escrow Shares held by related parties or promoters of the Company are also expected to be subject to ASX escrow for a period of two years from the date of Official Quotation (and so have been included in the ASX escrow figures stated above).<br>During the period in which restricted Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.<br>The Company will announce to ASX full details (quantity and duration) of the Securities held in escrow prior to the Shares commencing trading on ASX. | Section 6.19 |
| **What is the Company's free float?** | The Company's 'free float' (being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of admission to the Official List) will be approximately 31% (based on the Minimum Subscription) and 35% (based on the Maximum Subscription) comprising all Shares issued, other than Shares subject to ASX imposed escrow, voluntary escrow or held by Directors or promoters of the Company. | |
| **What are the key dates of the Offers?** | The key dates of the Offers are set out in the indicative timetable in the Key Offer Information Section. | Key Offer Information |
| **What is the minimum investment size under the Public Offer?** | Applications under the Public Offer must be for $2,000 worth of Shares (8,000 Shares) and thereafter, in multiples of $500 worth of Shares (2,000 Shares). | Section 4.4.1 |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **What is the allocation policy under the Public Offer?** | The allocation of Shares within and between the components comprising the Public Offer (being, the General Offer, Institutional Offer, the Broker Firm Offer and the Chairman's List Offer) will be determined by the Company, in consultation with the Lead Manager, having regard to the allocation policies set out in Sections 4.4.2 to 4.4.5 as follows:<br>a. **General Offer**: The allocation of Shares among applicants in the General Offer will be determined by the Company in conjunction with the Lead Manager, having regard to:<br>i. the number of Shares applied for;<br>ii. the overall level of demand for the Public Offer;<br>iii. the desire for a spread of investors, including institutional investors; and<br>iv. the desire for an informed and active market for trading Shares following completion of the Public Offer.<br>b. **Institutional Offer**: The allocation of Shares among applicants in the Institutional Offer will be determined by agreement between the Company and the Lead Manager.<br>c. **Broker Firm Offer**: With respect to the Broker Firm Offer, it is a matter for the brokers as to how they allocate Shares among their eligible retail clients. However, the Company, in consultation with the Lead Manager, reserves the right to reject or scale back applications under the Broker Firm Offer.<br>d. **Chairman's List Offer**: Applications under the Chairman's List Offer will be at the absolute discretion of the Company.<br>The Company retains an absolute discretion to allocate Shares under the Public Offer and reserves the right, in its absolute discretion, to allot to an applicant a lesser number of Shares than the number for which the applicant applies or to reject an Application Form. No assurance can be given that any applicant or bidder under the Public Offer will be allocated all or any Shares applied or bid for. | Sections 4.4.2 to 4.4.5 |

## H. USE OF FUNDS

| | | |
|---|---|---|
| **How will the proceeds of the Public Offer be used?** | The Public Offer proceeds and the Company's existing cash reserves will be used for:<br>a. implementing the Company's business objectives as set out in Part B of Investment Overview;<br>b. expenses of the Public Offer;<br>c. administration costs; and<br>d. working capital,<br>further details of which are set out in Section 6.15. | Section 6.15 |
| **Will the Company be adequately funded after completion of the Public Offer?** | The Directors are satisfied that on completion of the Public Offer, the Company will have sufficient working capital to carry out its objectives as summarised at Section B of this Investment Overview Section. | Sections 6.12 and 6.15 |

| TOPIC | SUMMARY | FOR MORE INFORMATION |
|---|---|---|
| **I. ADDITIONAL INFORMATION** | | |
| **Is there any brokerage, commission or duty payable by applicants?** | No brokerage, commission or duty is payable by applicants on the acquisition of Securities under the Offers.<br>However, the Company will pay to the Lead Manager an aggregate management and selling fee of 6% (ex GST) of the Public Offer Proceeds. | Section 10.1.1 |
| **Can the Offers be withdrawn?** | The Company reserves the right not to proceed with the Offers at any time before the issue or transfer of Securities to successful applicants.<br>If the Offers do not proceed, application monies will be refunded (without interest). | Section 4.19 |
| **What are the tax implications of investing in Securities?** | Holders of Securities may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Securities subscribed for under this Prospectus.<br>The tax consequences of any investment in Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Securities offered under this Prospectus. | Section 4.18 |
| **What is the Company's Dividend Policy?** | The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Business. These activities are expected to dominate at least, the first two-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.<br>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors. It will depend on the availability of distributable earnings, operating results, the financial condition of the Company, support for growth initiatives, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company. | Section 6.21 |
| **What are the corporate governance principles and policies of the Company?** | To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (4th Edition)* as published by ASX Corporate Governance Council (**Recommendations**).<br>Prior to listing on the ASX, the Company will announce its main corporate governance policies and practices and the Company's compliance with and departures from the Recommendations. | Section 9.5 |
| **Where can I find more information?** | a. By speaking to your sharebroker, solicitor, accountant or other independent professional adviser;<br>b. By contacting the Company Secretary, on 1800 926 926; or<br>c. By contacting the Share Registry on + 61 2 9698 5414. | |

This Section is a summary only and is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

Section 4

# DETAILS OF THE OFFERS

## 4.1. DESCRIPTION OF THE PUBLIC OFFER

This Prospectus relates to an initial public offering of a minimum of 24,000,000 Shares and a maximum of 32,000,000 Shares in X2M Connect Limited at an issue price of $0.25 per Share to raise between $6,000,000 and $8,000,000 (**Public Offer**).

The Shares issued under the Public Offer will be fully paid and will rank equally with all other existing Shares currently on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 11.2.

## 4.2. PURPOSE OF THE PUBLIC OFFER AND USE OF FUNDS

The primary purposes of the Public Offer are to:

a. assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules;

b. provide the Company with additional funding for:

   i. commercialisation of the Company's technologies, initially within the utilities smart meter market by driving rapid market adoption through:

      A. increased market penetration within its existing jurisdictions;

      B. developing other utility offerings in existing jurisdictions and within current customers;

      C. expansion upon its initial market entry in China;

      D. expansion into new target jurisdictions such as India, Philippines and Vietnam; and

      E. increased focus on licensing to utility hardware vendors and system integrators;

   ii. ongoing operational, development and IT support costs for existing and new solution functions;

   iii. ongoing administration and governance functions

   iv. considering acquisition opportunities that may be presented to the Board from time to time; and

   v. the Company's other working capital requirements while it is implementing the above; and

c. remove the need for an additional disclosure document to be issued upon the sale of any Securities that are to be issued under the Offers.

The Company intends on applying the funds raised under the Public Offer together with its existing cash reserves in the manner below and detailed in Section 6.15.

| SOURCES OF FUNDS (MINIMUM SUBSCRIPTION) | $M | % |
|---|---|---|
| Existing cash reserves | 1.7 | 22.1 |
| Funds raised from Public Offer | 6.0 | 77.9 |
| **Total sources of funds** | **7.7** | **100.0%** |

| USES OF FUNDS (MINIMUM SUBSCRIPTION) | $M | % |
|---|---|---|
| Customer acquisition | 1.2 | 15.6 |
| Customer support | 1.1 | 14.3 |
| Development, IT services and IP costs | 1.5 | 19.5 |
| Licensing and geographic expansion | 0.5 | 6.5 |
| Mergers and acquisitions review | 0.3 | 3.9 |
| Administration | 1.6 | 20.8 |
| Working capital | 0.8 | 10.4 |
| Expenses of the Public Offer | 0.7 | 9.1 |
| **Total uses of funds** | **7.7** | **100.0%** |

# SECTION 4. DETAILS OF THE OFFERS

| SOURCES OF FUNDS (MAXIMUM SUBSCRIPTION) | $M | % |
|---|---|---|
| Existing cash reserves | 1.7 | 17.5 |
| Funds raised from Public Offer | 8.0 | 82.5 |
| **Total sources of funds** | **9.7** | **100** |

| USES OF FUNDS (MAXIMUM SUBSCRIPTION) | $M | % |
|---|---|---|
| Customer acquisition | 1.3 | 13.4 |
| Customer support | 1.2 | 12.4 |
| Development, IT services and IP costs | 1.5 | 15.5 |
| Licensing and geographic expansion | 1.7 | 17.5 |
| Mergers and acquisitions review | 0.3 | 3.1 |
| Administration | 1.75 | 18.0 |
| Working capital | 1.1 | 11.3 |
| Expenses of the Public Offer | 0.85 | 8.8 |
| **Total uses of funds** | **9.7** | **100** |

Please refer to Section 6.15 for further detail regarding the proposed use of funds raised under the Public Offer.

## 4.3. SHAREHOLDING STRUCTURE

The details of the ownership of Shares as at the date of the Prospectus and on completion of the Offers are set out below.

| | SHARES HELD AT THE PROSPECTUS DATE | | SHARES HELD ON COMPLETION OF THE OFFERS (MINIMUM SUBSCRIPTION) | | SHARES HELD ON COMPLETION OF THE OFFERS (MAXIMUM SUBSCRIPTION) | |
|---|---|---|---|---|---|---|
| | NO. OF SHARES | %[1] | NO. OF SHARES | %[1] | NO. OF SHARES | %[1] |
| Existing Shareholders[2] | 89,496,646 | 82.79 | 101,318,086[3] | 76.70 | 101,318,086[3] | 72.32 |
| Directors[4] | 1,441,354 | 1.33 | 1,441,354 | 1.09 | 1,441,354 | 1.03 |
| Key Management[5] | 17,163,536 | 15.88 | 17,163,536 | 12.99 | 17,163,536 | 12.25 |
| New Shareholders | – | – | 12,178,560[3] | 9.22 | 20,178,560[3] | 14.40 |
| **Total** | **108,101,536** | **100.0** | **132,101,536** | **100.0** | **140,101,536** | **100.0** |

Notes:

1. Percentage of Shares held is calculated on an undiluted basis.
2. Excluding Shares held by the Directors and Messrs Mohan Jesudason, Keith Jelley, Yongsun Kim and Steve Fang (key management of the Company).
3. Assuming the existing Shareholders who are allocated Shares under the Chairman's List Offer subscribe for those Shares and the balance of Shares issued under the Public Offer are issued to persons who do not hold Shares as the date of lodgement of the Prospectus.
4. Refer to Section 9.3 for further detail regarding the Shares held by the Directors as at the date of the Prospectus and on completion of the Offers.
5. Being, Messrs Mohan Jesudason, Keith Jelley, Yongsun Kim and Steve Fang.

The Company also has 9,411,283 Options on issue as at the date of this Prospectus and will have a total of 27,646,208 Options on issue (assuming the Minimum Subscription is raised) and 27,966,806 Options on issue (assuming the Maximum Subscription is raised) on completion of the Offers. Please refer to Section 6.17 for further detail regarding the capital structure of the Company.

## 4.4. PUBLIC OFFER

### 4.4.1 Structure of the Public Offer

The Public Offer is structured as follows:

a. the **Retail Offer**, comprising:

   i. the **General Offer**, which is open to Applicants with a registered address in Australia and New Zealand (refer to Section 4.4.2 for further detail);

   ii. the **Broker Firm Offer**, which is open to eligible retail clients of participating brokers with a registered address in Australia and New Zealand who have received an invitation from their broker to acquire Shares under this Prospectus (refer to Section 4.4.3 for further detail); and

   iii. the **Chairman's List Offer**, which is open to select investors with a registered address in Australia and New Zealand who have received a personal invitation from the Company to acquire Shares under this Prospectus (refer to Section 4.4.4 for further detail); and

b. the **Institutional Offer**, which is open to certain institutional and professional investors with a registered address in Australia, New Zealand, Hong Kong and Singapore (refer to Section 4.4.5 for further detail).

The allocation of Shares within and between the Retail Offer and the Institutional Offer will be determined by agreement between the Company and the Lead Manager having regard to the allocation policies set out in Sections 4.4.2 to 4.4.5 below.

The Company in consultation with the Lead Manager reserves the right to close the Public Offer early, to accept late applications or extend the Public Offer without notifying any recipient of this Prospectus or any applicant.

### 4.4.2 General Offer

#### Who can apply?

Members of the public with a registered address in Australia or New Zealand may apply for Shares under the General Offer. Shares acquired by investors as part of the General Offer will be issued under this Prospectus.

#### How to apply

Applications for Shares under the General Offer must be made by using the relevant Application Form attached to or accompanying this Prospectus as follows:

a. using an online Application Form at https://investor.automic.com.au/#/ipo/x2mconnect (which will mean that payment of the application monies will be made electronically); or

b. completing a paper-based application using the relevant Application Form attached to, or accompanying, this Prospectus or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus.

By completing an Application Form, each applicant under the General Offer will be taken to have declared that all details and statements made by them are complete and accurate, that they have personally received the Application Form together with a complete and unaltered copy of the Prospectus, and that they have read the whole Prospectus and taken appropriate advice.

Applications for Shares under the General Offer must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter in multiples of $500 (2,000 Shares) and payment for the Shares must be made in full at the issue price of $0.25 per Share.

Completed Application Forms and accompanying cheques, made payable to '**X2M CONNECT LIMITED – APPLICATION ACCOUNT**' and crossed '**Not Negotiable**', must be mailed or delivered to the address set out on the Application Form by no later than 5:00pm (AEST) on the Closing Date, which is scheduled to occur on 3 September 2021.

If paying by BPAY® or EFT, please complete the online Application Form and follow the instructions on the Application Form. A unique reference number will be quoted upon completion of the online application. Your BPAY or EFT reference number will process your payment to your application electronically and you will be deemed to have applied for such Shares for which you have paid. You do not need to complete and return a paper Application Form if you pay by BPAY® or EFT. You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions. It is your responsibility to ensure that payments are received by 5.00pm (AEST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® or EFT, and policies with respect to processing BPAY® or EFT transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® or EFT before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

### Acceptance of Applications

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

The Company reserves the right to close the Public Offer early.

### Application Monies

Application monies will be held on trust for applicants until the Shares are issued to successful applicants. Application monies will be fully or partially refunded where an application is rejected or accepted in part only or as otherwise set out in this Prospectus. No interest will be paid on refunded amounts.

### Allocation Policy under the General Offer

No applicant under the General Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by Directors (in conjunction with the Lead Manager) will be influenced by the following factors:

a. the number of Shares applied for;

b. the overall level of demand for the Public Offer (including each component of the Public Offer);

c. the desire for a spread of investors, including institutional investors; and

d. the desire for an informed and active market for trading Shares following completion of the Public Offer.

The Company retains an absolute discretion to allocate Shares under the General Offer and reserves the right, in its absolute discretion, to allot to an applicant a lesser number of Shares than the number for which the applicant applies or to reject an Application Form. If the number of Shares allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.

## 4.4.3 Broker Firm Offer

### Who can apply?

The Broker Firm Offer is open to clients of participating brokers who have a registered address in Australia and New Zealand and who received an invitation from a broker to acquire Shares under this Prospectus. Investors who have been offered a firm allocation by a broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Investors should contact their Broker to determine whether they can receive an allocation of Shares under the Broker Firm Offer.

The Broker Firm Offer is not a general public offer and is not open to persons outside of Australia and New Zealand (including, for the avoidance of doubt, persons in the United States of America).

### How to apply

Applications for Shares under the Broker Firm Offer must be made using the relevant Application Form attached to or accompanying this Prospectus. An investor applying for Shares under the Broker Firm Offer should follow the instructions of the broker from whom they received an invitation to participate.

Applicants under the Broker Firm Offer must lodge their Application Form with, and pay their application monies to, the broker that offered them their firm allocation in accordance with that broker's directions. Applicants under the Broker Firm Offer must not send their Application Forms or application monies to the Share Registry.

By completing an Application Form, each applicant under the Broker Firm Offer will be taken to have declared that all details and statements made by them are complete and accurate, that they have personally received the Application Form together with a complete and unaltered copy of the Prospectus, and that they have read the whole Prospectus and taken appropriate advice.

Applications for Shares under the Broker Firm Offer must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter in multiples of $500 (2,000 Shares) and payment for the Shares must be made in at the issue price of $0.25 per Share.

There is no maximum number or value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Lead Manager reserve the right to reject or scale back any application in the Broker Firm Offer. The Company and the Lead Manager also reserve the right to aggregate any applications which they believe may be multiple applications from the same person. Any amount applied for in excess of the amount allocated to you will be refunded in full (without interest).

The Company reserves the right to close the Broker Firm Offer early, extend the Broker Firm Offer, or accept late applications either generally or in particular cases. In addition, a broker may impose an earlier closing date. Applicants are therefore encouraged to submit their applications as early as possible after the opening date. Applicants should contact their broker for further instructions.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your application.

### Acceptance of Applications

An application under the Broker Firm Offer is an offer by the applicant to the Company to subscribe for Shares for all or any of the application amount specified in and accompanying the Application Form at the issue price of $0.25 per Share. An application is made by an Applicant on the terms and conditions set out in this Prospectus, including any supplementary or replacement prospectus, and the Application Form. To the extent permitted by law, an application by an applicant under the Public Offer is irrevocable.

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

### Application Monies

Application monies will be held on trust for applicants until the Shares are issued to successful applicants. Application monies will be fully or partially refunded where an application is rejected or accepted in part only or as otherwise set out in this Prospectus. No interest will be paid on refunded amounts.

### Allocation policy under the Broker Firm Offer

The allocation of Shares to brokers under the Broker Firm Offer will be determined by the Company in consultation with the Lead Manager. Shares which are allocated to brokers for allocation to their Australian or New Zealand resident eligible retail clients will be issued to the applicants who have received a valid allocation of Shares from those brokers. It is a matter for brokers as to how they allocate Shares among their eligible retail clients. The brokers (and not the Company or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.

There is no assurance that any person will be allocated any Shares or the number of Shares for which they apply for under the Broker Firm Offer.

The Company reserves the right in its absolute discretion to not issue Shares to applicants under the Broker Firm Offer and may reject any application or allocate a lesser amount of Shares than those applied for at its absolute discretion.

The Company will not be liable to any person not allocated Shares or not allocated the full amount applied or bid for.

### 4.4.4 Chairman's List Offer

#### Who can apply?

The Chairman's List Offer is an offer open to selected investors (including those existing Shareholders specified below) in Australia or New Zealand invited by the Company in its sole discretion. If you are an applicant under the Chairman's List Offer, you should have received a personalised invitation to apply for Shares under the Chairman's List Offer. Investors who receive a personalised invitation from the Company will be treated as an applicant under the Chairman's List Offer in respect of that allocation.

#### How to apply

If you have received a personalised invitation to apply for Shares under the Chairman's List Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation. This will include instructions on how to access the Application Form.

By completing an Application Form, each applicant under the Chairman's List Offer will be taken to have declared that all details and statements made by them are complete and accurate, that they have personally received the Application Form together with a complete and unaltered copy of the Prospectus, and that they have read the whole Prospectus and taken appropriate advice.

Applications for Shares under the Chairman's List Offer must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter in multiples of $500 (2,000 Shares) and payment for the Shares must be made in full at the issue price of $0.25 per Share. There is no maximum number or value of Shares that may be applied for under the Chairman's List Offer. The Company reserves the right to scale back applicants under the Chairman's List Offer in its absolute discretion. Any amount applied for in excess of the amount allocated to you will be refunded in full (without interest).

If paying by BPAY® or EFT, please follow the instructions on the Application Form. A unique reference number will be quoted upon completion of the online application. Your BPAY® reference number will process your payment to your application electronically and you will be deemed to have applied for such Shares for which you have paid. Applicants using BPAY® or EFT should be aware of their financial institutions cut-off time (the time payment must be made to be processed overnight) and ensure payment is process by their financial institution on or before the day prior to the Closing Date of the Public Offer. You do not need to return any documents if you have made payment via BPAY® or EFT.

#### Acceptance of Applications

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

The Company reserves the right to close the Public Offer early.

#### Application Monies

Application monies will be held on trust for applicants until the Shares are issued to successful applicants. Application monies will be fully or partially refunded where an application is rejected or accepted in part only or as otherwise set out in this Prospectus. No interest will be paid on refunded amounts.

### Allocation policy under the Chairman's List Offer

Allocations under the Chairman's List Offer will be at the absolute discretion of the Company. The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.

#### *Agreed Allocations*

The Company notes that subject to completion of an Application Form and payment of application monies, the Company has agreed to allocate the following Shareholders the number of Shares set out below pursuant to the Chairman's List Offer:

a. 836,400 Shares to Perle Ventures Pty Ltd ATF PV Investments 3 (an entity which, together its associates, is a substantial Shareholder) (**Perle**);

b. 523,600 Shares to Mazzara Succession Pty Ltd ATF Mazzara Trust (an entity which, together its associates, is a substantial Shareholder) (**Mazzara**);

c. 481,440 Shares to Super Properties Pty Ltd ATF Shayne Smyth Trust (an entity which, together its associates, is a substantial Shareholder) (**Super**);

d. 2,000,000 Shares to Andrew Greig (a substantial Shareholder) (**Greig**); and

e. up to 7,980,000 Shares to other existing unrelated Shareholders of the Company.

#### *Interests as at date of Prospectus and completion of Offers*

As at the date of this Prospectus, Perle, Mazzara, Super and Greig (and their associated entities) hold the following interests in the Company:

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Mazzara Succession Pty Ltd ATF Mazzara Trust | 16,736,415 | – | 15.5 | 14.2 |
| Super Properties Pty Ltd ATF Shayne Smyth Trust[1] | 19,441,890 | – | 18.0 | 16.5 |
| Andrew Greig | 9,689,623 | – | 9.0 | 8.2 |
| Perle Ventures Pty Ltd ATF 877 Cap Inv No 2[1] | 5,563,774 | – | 5.1 | 4.7 |
| Perle Ventures Pty Ltd ATF PV Investments 3[1] | 2,733,116 | – | 2.5 | 2.3 |
| **Total** | **54,164,816** | **0** | **50.1%** | **46.1%** |

On completion of the Offers assuming the Minimum Subscription is raised (and assuming Perle, Mazzara, Super and Greig apply for the maximum number of Shares allocated to them under the Chairman's List Offer) Perle, Mazzara, Super and Greig (and their associated entities) will hold the following interests in the Company:

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Mazzara Succession Pty Ltd ATF Mazzara Trust | 17,260,013 | – | 13.1 | 10.8 |
| Super Properties Pty Ltd ATF Shayne Smyth Trust[1] | 19,923,330 | – | 15.1 | 12.5 |
| Andrew Greig | 11,689,623 | – | 8.8 | 7.3 |
| Perle Ventures Pty Ltd ATF 877 Cap Inv No 2[1] | 5,563,774 | – | 4.2 | 3.5 |
| Perle Ventures Pty Ltd ATF PV Investments 3[1] | 3,569,516 | – | 2.7 | 2.2 |
| **Total** | **58,006,256** | **0** | **43.9** | **36.3** |

On completion of the Offers assuming the Maximum Subscription is raised (and assuming Perle, Mazzara, Super and Greig apply for the maximum number of Shares allocated to them under the Chairman's List Offer) Perle, Mazzara, Super and Greig (and their associated entities) will hold the following interests in the Company:

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Mazzara Succession Pty Ltd ATF Mazzara Trust | 17,260,013 | – | 12.3 | 10.3 |
| Super Properties Pty Ltd ATF Shayne Smyth Trust[1] | 19,923,330 | – | 14.2 | 11.9 |
| Andrew Greig | 11,689,623 | – | 8.3 | 7.0 |
| Perle Ventures Pty Ltd ATF 877 Cap Inv No 2[1] | 5,563,774 | – | 4.0 | 3.3 |
| Perle Ventures Pty Ltd ATF PV Investments 3[1] | 3,569,516 | – | 2.5 | 2.1 |
| **Total** | **58,006,256** | **0** | **41.4%** | **34.5%** |

Please refer to Section 6.18 for further detail regarding the substantial Shareholders of the Company as at the date of this Prospectus and on completion of the Offers.

### 4.4.5 Institutional Offer

#### Who can apply?

Under the Institutional Offer institutional and professional investors in Australia, New Zealand, Hong Kong and Singapore were invited to bid for Shares under this Prospectus. Application procedures for the Institutional Offer have been, or will be, advised to the institutional investors by the Lead Manager.

Shares acquired by institutional investors as part of the Institutional Offer will be issued under this Prospectus at the issue price of $0.25 per Share.

#### Allocation policy under the Institutional Offer

The allocation of Shares under the Institutional Offer will be determined by the Company in consultation with the Lead Manager. Participants in the Institutional Offer have been, or will be, advised of their allocation of Shares, if any, by the Lead Manager.

The Company, in consultation with the Lead Manager, has absolute discretion regarding the basis of allocation of Shares among institutional investors and an application may be scaled back or rejected at the discretion of the Company. There is no assurance that any institutional investor will be allocated any Shares, or the number of Shares, for which it has applied for. The allocation policy will be influenced by a range of factors, including:

a. the number of Shares bid for by particular applicants;

b. the timeliness of the bid by particular applicants;

c. the Company's desire for an informed and active trading market following its listing on ASX;

d. the Company's desire to establish a wide spread of institutional Shareholders;

e. the overall level of demand under the Retail Offer;

f. the size and type of funds under management of particular applicants;

g. the likelihood that particular applicants will be long-term Shareholders; and

h. any other factors that the Company and the Lead Manager consider appropriate.

## 4.5. ACKNOWLEDGEMENTS OF APPLICANTS UNDER PUBLIC OFFER

Each applicant under the Public Offer will be deemed to have:

a. agreed to become a member of the Company and to be bound by the Constitution and the terms and conditions of the Public Offer;

b. acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;

c. declared that all details and statements in their Application Form are complete and accurate;

d. declared that the applicant(s), if a natural person, is/are over 18 years of age;

e. acknowledged that, once the Company or a broker receives an Application Form, it may not be withdrawn;

f. applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;

g. agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus) or no Shares at all;

h. authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the applicant(s) necessary for Shares to be allocated to the applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;

i. acknowledged that the Company does not intend to pay dividends in the near term as set out in Section 6.21;

j. acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the applicant(s);

k. declared that the applicant(s) is/are a resident of Australia;

l. acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and

m. acknowledged and agreed that if the admission of the Company to the Official List of ASX does not occur for any reason, the Offer will not proceed.

## 4.6. EMPLOYEE OPTIONS OFFER

This Prospectus includes an offer of a total of 5,543,029 Options (**Employee Options**) to be issued to employees of the Company (or their nominees) including the Directors as an incentive component of their employment agreements (**Employee Options Offer**). The terms and conditions of the Employee Options are summarised in Section 11.4.

The Company will not apply for quotation of the Employee Options. Only specified employees invited by the Company (including the Directors) may accept the Employee Options Offer. A personalised Application Form in relation to the Employee Options Offer will be issued to the relevant employees together with a copy of this Prospectus.

The Employee Options are expected to be subject to escrow under the Listing Rules for a period of up to 24 months from the date of Official Quotation. Please refer to Section 6.19 for a summary of the likely escrow position.

## 4.7. EXECUTIVE OPTIONS OFFER

This Prospectus includes an offer of a total of 9,559,588 Options (**Executive Options**) to be issued to Mohan Jesudason (Chief Executive Officer) and Keith Jelley (Chief Operating Officer and Joint Company Secretary) (or their nominees) as an equity linked incentive under their respective employment agreements (**Executive Options Offer**). The terms and conditions of the Executive Options are summarised in Section 11.4.

The Company will not apply for quotation of the Executive Options. Only Mohan Jesudason and Keith Jelley may accept the Executive Options Offer. A personalised Application Form in relation to the Executive Options Offer will be issued to Mohan Jesudason and Keith Jelley together with a copy of this Prospectus.

The Executive Options are expected to be subject to escrow under the Listing Rules for 24 months from the date of Official Quotation. Please refer to Section 6.19 for a summary of the likely escrow position.

## 4.8. MINIMUM SUBSCRIPTION

The minimum subscription for the Public Offer is $6,000,000 (24,000,000 Shares) (**Minimum Subscription**).

If the Minimum Subscription has not been raised within four (4) months after the date of this Prospectus, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

## 4.9. MAXIMUM SUBSCRIPTION

The maximum subscription for the Public Offer is $8,000,000 (32,000,000 Shares) (**Maximum Subscription**).

No oversubscriptions above the Maximum Subscription will be accepted by the Company under the Public Offer.

## 4.10. UNDERWRITTEN

The Public Offer is not underwritten.

## 4.11. CONDITIONS OF THE PUBLIC OFFER

The Public Offer is conditional upon the following events occurring:

a. the Minimum Subscription to the Public Offer being reached; and

b. ASX granting conditional approval for the Company to be admitted to the Official List

(together, the **Conditions**).

If these Conditions are not satisfied then the Public Offer will not proceed and the Company will repay all application monies received under the Public Offer within the time prescribed under the Corporations Act, without interest.

## 4.12. LEAD MANAGER

The Company has appointed Bell Potter Securities Ltd (ACN 006 390 772) (AFSL No. 243480) to act as lead manager to the Public Offer (**Lead Manager**). In consideration for services provided to the Company in respect of the Public Offer, the Company has agreed to pay the following fees to the Lead Manager:

a. a management fee of 2% of total funds raised under the Public Offer (plus GST) (**Public Offer Proceeds**) (**Management Fee**); and

b. a selling fee of 4% of the Public Offer Proceeds (**Selling Fee**).

The Company and the Lead Manager have agreed that the minimum aggregate of the Management Fee and the Selling Fee to be paid by the Company to the Lead Manager is $200,000.

In addition, the Company will:

a. issue the Lead Manager:

   i. the number of unlisted Options that is equal to 1% of the Company's fully diluted Share capital on completion of the Public Offer, each exercisable at $0.25 on or before the date that is three years from the date of issue of the Options (**Tranche 1 Lead Manager Options**) (being, 1,566,154 Tranche 1 Lead Manager Options based on the Minimum Subscription being raised and 1,646,154 Tranche 1 Lead Manager Options based on the Maximum Subscription being raised); and

   ii. the number of unlisted Options that is equal to 1% of the Company's fully diluted share capital on completion of the Public Offer, each exercisable at $0.3125 on or before the date that is three years from the date of issue of the Options (**Tranche 2 Lead Manager Options**) (being, 1,566,154 Tranche 2 Lead Manager Options based on the Minimum Subscription being raised and 1,646,154 Tranche 2 Lead Manager Options based on the Maximum Subscription being raised),

(together, the **Lead Manager Options**); and

b. pay the Lead Manager any reasonable disbursements and out of pocket expenses, which will be agreed upon between the Lead Manager and the Company prior to their incursion.

The total value of the Lead Manager Options to be issued to the Lead Manager in connection with the Public Offer is $0.242 million, (assuming the Minimum Subscription is raised) and $0.254 million (assuming the Maximum Subscription is raised).

In the event that all Lead Manager Options to which the Lead Manager is entitled are exercised, an additional $0.881 million will be raised by the Company (assuming the Minimum Subscription is raised) and $0.926 million (assuming the Maximum Subscription is raised).

In the event the Minimum Subscription is raised, all Lead Manager Options held by the Lead Manager are exercised, no other Shares are issued, and no other Options are exercised, the Lead Manager would hold 2.32% of the total Shares on issue (being the maximum potential voting power of the Lead Manager).

Please refer to Section 10.1.1 for further details relating to the engagement of the Lead Manager by the Company.

## 4.13. ASX LISTING

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. However, applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be admitted to the Official List. As such, the Shares may not be able to be traded for some time after the close of the Public Offer.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

## 4.14. ISSUE

Subject to the Conditions set out in Section 4.11 being met (being, the Minimum Subscription to the Public Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List), issue of Securities offered by this Prospectus will take place as soon as practicable after the Closing Date of the Offers.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

The Directors (in conjunction with the Lead Manager) will determine the recipients of the Shares issued under the Public Offer in accordance with the allocation policies detailed in Sections 4.4.2 to 4.4.5. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date of the Public Offer.

The Company has applied, or will apply prior to listing, to participate in the ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following completion of the Public Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer-sponsored statements.

## 4.15. APPLICANTS UNDER PUBLIC OFFER OUTSIDE AUSTRALIA, NEW ZEALAND, SINGAPORE AND HONG KONG

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any of these restrictions, including those outlined below. In particular, this Prospectus may not be distributed in the United States or elsewhere outside Australia, except by the Lead Manager and its affiliates to certain institutional and professional investors in the Institutional Offer. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that you have complied with these restrictions.

### 4.15.1 New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

### Currency exchange risk

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

### Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

## 4.15.2 Singapore

This Prospectus and any other materials relating to the Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Securities, may not be issued, circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an 'institutional investor' (as defined in the SFA) or (ii) an 'accredited investor' (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## 4.15.3 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Securities have not been and will not be offered or sold in Hong Kong other than to ''professional investors'' (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## 4.16. APPLICANTS UNDER EMPLOYEE OPTIONS OFFER OUTSIDE OF AUSTRALIA, JAPAN, KOREA AND TAIWAN

Options under the Employee Options Offer may not be offered or sold in any country outside Australia except to the extent permitted below.

### 4.16.1 Japan

The Options have not been, and will not be, registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the 'FIEL') pursuant to an exemption from the registration requirements applicable to a private placement of securities to a small number of investors. This document is for the exclusive use of current employees of the Company in connection with the Employee Options Offer. This document is confidential to the person to whom it is addressed and must not be distributed, reproduced or disclosed (in whole or in part) to any other person in Japan other than by the Company to its employees.

### 4.16.2 Korea

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Options or underlying Shares under the laws of Korea, including the Foreign Exchange Transaction Act and regulations thereunder. The Options and the underlying Shares have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea ('FSCMA') and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Options may not be offered or sold in Korea other than to employees of the Company in circumstances that do not constitute an offer to the public within the meaning of the FSCMA.

### 4.16.3 Taiwan

The Employee Options Offer does not constitute a public offering of securities under the Taiwan Securities and Exchange Act. This document has not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan or other regulatory institution under the securities laws of Taiwan. The Options may not be offered or sold in Taiwan in any circumstance that would constitute an offer to the public under the Securities and Exchange Act. This document may be distributed in Taiwan only to certain persons employed by the Company or its affiliates.

## 4.17. COMMISSIONS PAYABLE

No brokerage, commission or duty is payable by applicants on the acquisition of Shares under the Public Offer.

## 4.18. TAXATION

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus or the reliance of any applicant on any part of the summary contained in this Section.

## 4.19. WITHDRAWAL OF AND DISCRETION REGARDING THE PUBLIC OFFER

The Company may withdraw the Public Offer at any time before the issue of Shares to successful Applicants. If the Public Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Lead Manager also reserve the right to close the Public Offer or any part of it early, extend the Public Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

Section 5

# INDUSTRY OVERVIEW

# SECTION 5. INDUSTRY OVERVIEW

## 5.1. OVERVIEW OF X2M

X2M is a technology company that uses the internet to deliver productivity improvements, cost savings and improved public safety to enterprise and government customers. X2M's current focus is servicing the utility sector in Asia-Pacific (**APAC**) through the provision of technology which connects a number of devices over the internet, such as water/gas meters and pressure sensors, and which enables data exchange and control of these devices. This category of technology is part of what is commonly referred to as the Internet of Things (**IoT**).

The APAC utility market typically uses aging analogue infrastructure in an environment of increasing population and demand for services. Utility providers and governments in the APAC region are increasingly migrating to sophisticated, internet-based technology solutions in search of productivity improvements, environmental sustainability and enhanced public safety.

A summary of the APAC utility market and its adoption of IoT technology, being the Company's addressable market, is set out in this Section 5.

## 5.2. OVERVIEW OF THE INTERNET OF THINGS (IOT)

The IoT entails connecting everyday objects to the internet so they can communicate with each other and with centralised systems (such as big data, artificial intelligence systems, machine learning, billing and control platforms and distributed systems (such as factory automation, building automation, smart parks and local safety systems). These objects range from utility related devices such as air conditioning systems, solar systems, electric vehicle charging stations, pressure sensors, as well as water, electricity and gas meters to household or industrial items such as blinds, compressors, lights and displays. Once connected to the internet, they can send and/or receive information and potentially be controlled remotely. Figure 1 depicts how a typical end-to-end IoT solution operates. The three different components of an IoT platform are the IoT Device, the IoT Hub, and the IoT Platform:

### a. IoT Device:

These are individual smart devices, either built in or added to a meter or other infrastructure item that can connect to the internet to send and receive data.

### b. IoT Hub:

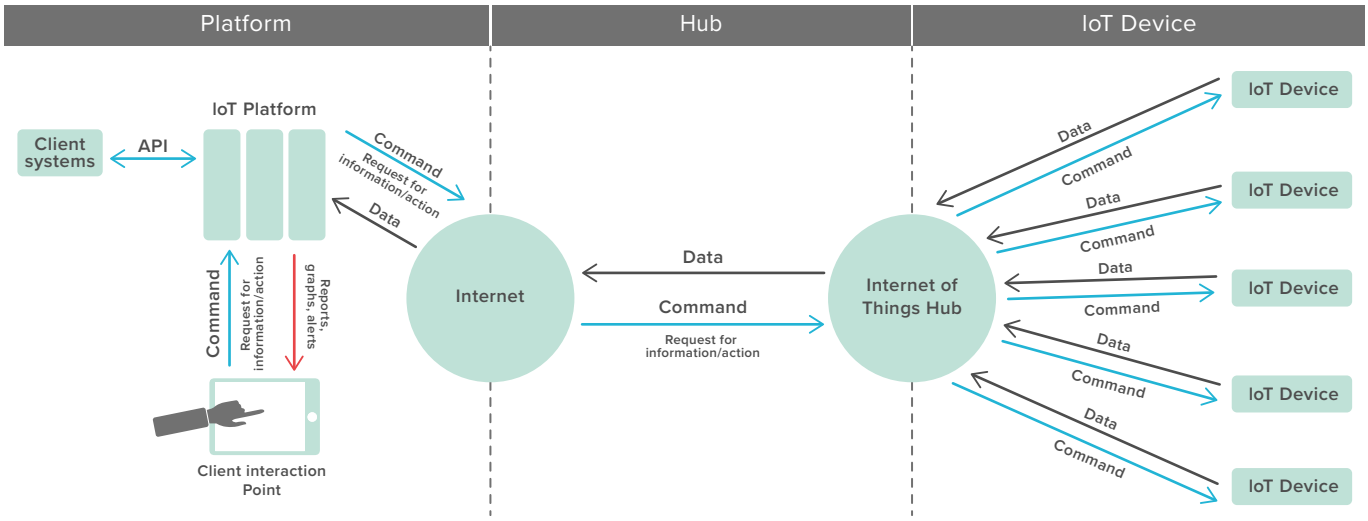
A small computing device that is located near the end smart devices. Its purpose is to collate and simplify the information received from each device and trigger local actions. Data is also sent to the central IoT platform in the cloud to trigger group actions. Some IoT devices do not make use of the IoT hub.

### c. IoT Platform:

The software application that allows device, alert and user management, data collection and visualisation, application development and analytics.

The IoT enables old style analogue devices to become 'smart' devices delivering immediate customer benefits, as evidenced in the utility market.

**FIGURE 1: THE INTERNET OF THINGS (IOT)**




## 5.3. APAC OVERVIEW AND ADOPTION OF IOT – ADDRESSABLE MARKET

### 5.3.1 Population Growth and Urbanisation

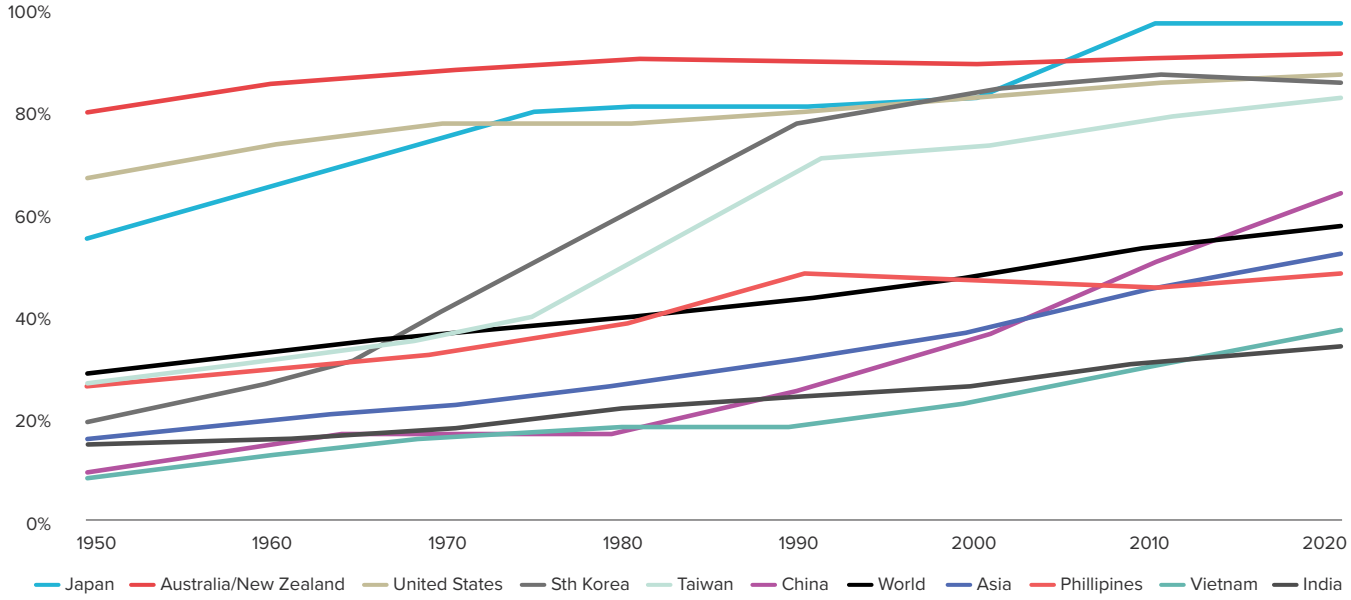
The APAC utility market is the largest utility market in the world in terms of population. In 2019, Asia had 4.6 billion people, comprising approximately 60% of total world population.

In addition to growth in the overall size of the APAC market, there has been a rapid trend towards urbanisation, particularly in countries such as China and India.

**FIGURE 2: GRAPH OF SHARE OF POPULATION IN URBAN AREAS FOR SELECTED COUNTRIES TO 2020[1]**

**Share of the population living in urban areas, 1950 to 2020**

Share of the total population living in urban areas, with UN urbanisation projections to 2050.




Source: OWID baed on UN Worls Urbanization Prospects 2018 and history source (see Sources). OurWorldinData.org/urbanization • CC BY
Note: Urban areas are defined base on national definitions which can vary by country.

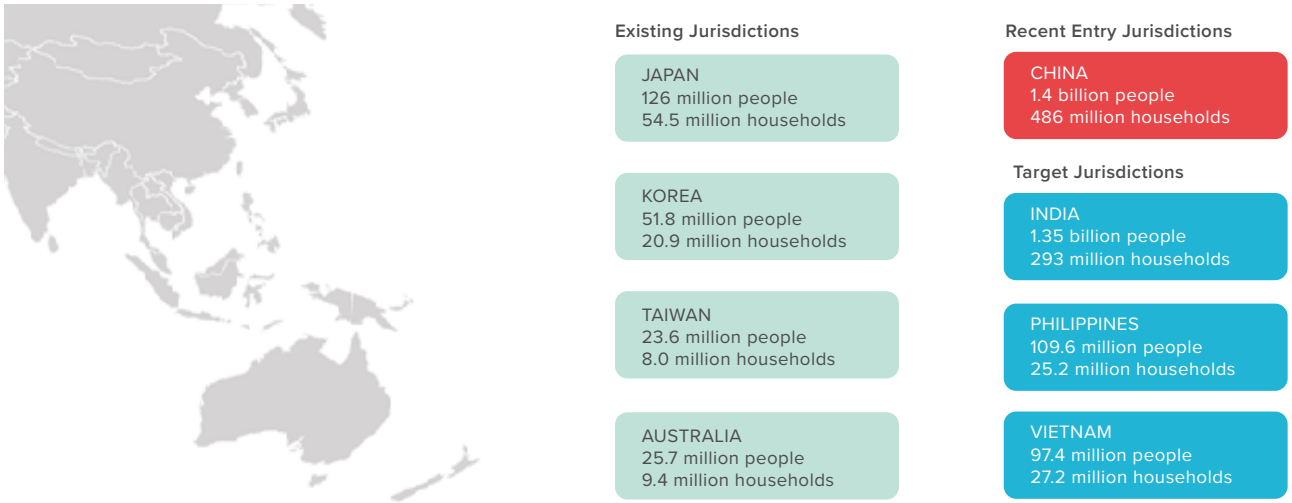
1. The Company notes that OWID has not provided its consent for Figure 2 to be included in the Prospectus.

# SECTION 5. INDUSTRY OVERVIEW

APAC countries tend to have rates of population increase that exceed the rates of much of the rest of the world. This population growth combined with increasing urbanisation in X2M's jurisdictions (refer to Figure 3 below) is expected to result in increases in the number of urban households serviced by target utilities.

There are currently approximately 87 million households across the countries in which X2M has existing commercial operations – Japan, Korea, Taiwan and Australia (excludes China) as shown in Figure 3 below. X2M is well placed to continue to increase penetration into these markets, in conjunction with increasing APAC footprint in recently entered China, and in other target jurisdictions such as India, the Philippines or Vietnam, which jurisdictions have been identified as target jurisdictions primarily because of the existence of relationships in these jurisdictions and work previously undertaken by Freestyle, supported by the rate of population growth, increasing urbanisation, adoption of IoT technology in these jurisdictions and existing telecommunications infrastructure (please refer to Sections 6.3(b) and 8.2 for further information regarding the status of the Company's entry into these target jurisdictions).

**FIGURE 3: X2M'S EXISTING, RECENT ENTRY AND TARGET JURISDICTIONS THROUGHOUT APAC**




## 5.3.2 Adoption of IoT Technology

Telecommunications providers worldwide are rolling out cellular based Narrowband Internet of Things (**NB-IoT**), Long Term Evolution for Machines (**LTE-M**) and unlicensed frequency based Long Range (**LoRa**) networks to connect sensors and devices over the internet. These networks are an extension of telecommunication carriers' mobile networks and facilitate predominantly lower speed data connectivity of devices and sensors over the internet. This will be a key enabler in the rollout of IoT platforms, such as those offered by X2M, and adoption of these technologies by enterprises and governments.

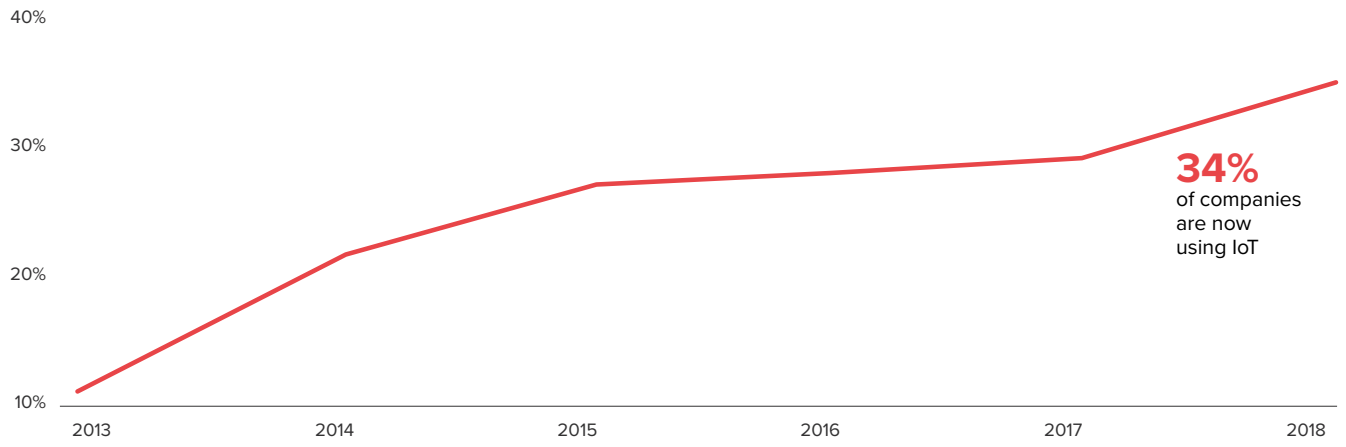
APAC enterprises and governments have traditionally demonstrated a willingness to adopt new technology, often being market leaders in both new technology creation and adoption. This is evident in the IoT category.

APAC enterprises tend to be fast adopters of IoT, seeing opportunities for improved brand differentiation, competitiveness, insights, productivity and revenue from IoT. The region has seen the biggest uplift in terms of IoT use in the past five years. In 2013, the proportion of firms using IoT applications was 12%, with this growing to 34% as of 2019.

**FIGURE 4: IOT ADOPTION RATES APAC**

**Adoption has increased significantly**

There was a surge in IoT adoption in 2018




### 5.3.3 Smart Utility Meters and Sensors Enabled by IoT

Smart utility meters typically are water, electricity and gas meters that have communication and built-in logic capability. They enable the collection of data typically to automate manual billing processors, as well as allowing control and configuration of the device. Typical data available from smart utility meters is resource consumption, flow and pressure, valve status and control, configuration and rating data, and event and alarm data.

IoT sensors, as separate from smart utility meters, allow collection of various measurements that might include pressure, temperature, water and air quality, fire or security alerts or carbon dioxide (**$CO_2$**) levels and which may be in a single sensor or grouped in a larger multipurpose sensor. IoT sensors might be located in industrial locations or in residential locations. Where measurements are recorded for individual residences, the operation of these devices may be subject to applicable privacy laws to the extent such measurements involve the collection, storage or use of personal information.

For clarity, whilst the Company's technology currently collects and stores data including consumption and flow measurements and which may include personal information provided in South Korea, Japan and Taiwan, it collects, gas consumption data but does not collect any personal information for its commercial IoT platform operations in Australia. Please refer to Sections 6.15 and 8.2 for further detail regarding the Company's information security measures and risks around cybersecurity and regulations (respectively). IoT enabled smart utility meters and sensors collect and transfer data over the internet using a combination of radio protocols over specified frequencies and telecommunications networks. As such, data can be transferred in real time and commands can be sent back to the device depending on specific device capabilities.

Commands can be to a specific device, localised to a specific catchment in the event of say a gas leak in a high-rise building, or much broader in the event of say, an earthquake.

### 5.3.4 Smart Utility Meters compared to Analogue Meters

Analogue meters are the original meters used by utility companies to measure utility use. They are increasingly being replaced with digital or 'smart' meters, either by retrofitting existing meters or being installed in new connections.

Some of the benefits of smart meters to utility companies and consumers compared to traditional analogue meters are given below.

| CATEGORY | TRADITIONAL MODEL /ANALOGUE METERS | SMART METERS (INCLUDING X2M ENABLED CAPABILITY) |
|---|---|---|
| **Public and Home Safety** | Unsafe delays and lack of control in the event of natural disaster or gas leaks | Through a dedicated IOT network, immediate detection and control (shut off) even if the backhaul communications infrastructure has been damaged |
| **Cost savings** | Manual on-site meter reading<br>• High cost<br>• Infrequent (quarterly to annually)<br>• Error-prone (human error)<br>• Difficult to access | Automatic, remote meter reading<br>• Lower cost<br>• Frequent (every 15 minutes depending on technology deployed)<br>• Greater accuracy (machine to machine)<br>• Reduced access issues |
| **Customer satisfaction** | • Estimated billing errors cause customer dissatisfaction, higher contact centre costs and leaks remain undetected for long periods | • Excess usage or leaks can be proactively detected and the customer can be notified<br>• Removes the requirement for estimates<br>• Results in greater customer satisfaction and lower contact centre costs |
| **Resource Savings** | • Leaks not detected for a month or more after the fact<br>• Water leaks result in damage<br>• Results in significant wasted non-revenue water | • Leaks detected within hours<br>• Mitigation of property damage<br>• Mitigation of health hazards<br>• Mitigation of non-revenue water losses |
| **Asset Longevity** | • Analog meters with 10-30 year lifespans must be replaced by expensive digital meters<br>• Water/gas supply must be shut off<br>• Plumber or gasfitter required | • Analog meters can be retrofitted<br>• No supply disruption<br>• Lower cost installer can be used |
| **Value-Added Services** | • Limited value adding possible with customer engagement restricted to a billing relationship<br>• Simple data asset | • Value added services can increase utility customer engagement or new revenues<br>• Valuable high frequency data asset can be leveraged for predictive analytics |
| **Capacity Planning and Service Delivery** | • Manual site visits<br>• Expensive equipment is transported to different sites manually<br>• Limited data results in conservative over-dimensioning of networks | • Remote sensing<br>• More low-cost sensors can be deployed and easily connected to the device and network agnostic IoT platform<br>• Results in fit-for-purpose dimensioning of the network |

## 5.4. COMPETITIVE LANDSCAPE

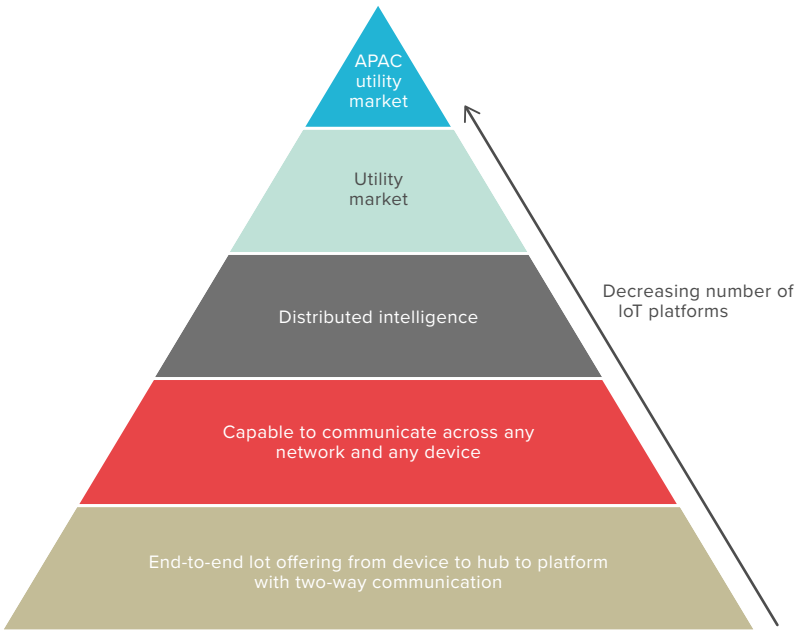
There are a number of technology competitors in the APAC utilities space, largely comprised of meter manufacturers with limited software offerings. There are also competitors that focus on data gathering. Meter manufacturers generally offer meter monitoring services and software which are only integrated with their own hardware and include only one-way collection of data.

The following table provides information on some of the capabilities of a selection of competitors in certain markets in which the Company operates.

| COUNTRY | MARKET | COMPETITOR | COLLECT DATA | TWO WAY CONTROL CAPABILITY | DISTRIBUTED INTELLIGENCE CAPABILITY |
|---|---|---|---|---|---|
| South Korea | Water | LeoTek | Yes | No | No |
| | | Hitech | Yes | No | No |
| | | ISTech | Yes | No | No |
| Taiwan | Gas | Chunghwa Telecom | Yes | Yes | No |
| Taiwan | Water | EMS | Yes | No | No |

In the Company's investigation of its current markets, other operating companies with equivalent distributed intelligence and control capabilities in its utility markets have immaterial market penetration at this stage to warrant any further comparison.

**FIGURE 5: PYRAMID DIAGRAM SHOWING DECREASING NUMBER OF COMPETITORS WITH X2M'S PLATFORM CAPABILITIES, OPERATING WITHIN TARGET SECTOR AND MARKET**



## 5.5. KEY DRIVERS OF CUSTOMER AND MARKET DYNAMICS

Existing analogue utility meter infrastructure in the APAC utility market has limited communication and remote data collection/control capabilities. This is a limitation for enterprises and governments looking to drive capital efficiencies and timely decision making in an environment of increased competition for customers and increased government accountability. Key issues include:

a. **Cost Management**: Existing utility meters in APAC generally require a high level of human intervention in network management; including the need for manual meter reading, and ongoing hardware maintenance with limited ability to detect system faults remotely before further deterioration.

b. **Competition for Customers**: Utility companies in the APAC region operate in a highly competitive market environment. The contest for customers has fostered a drive to improve efficiencies through adoption of big data analytics and artificial intelligence in an attempt to gain insights into customer usage and behaviour. Whilst these developments have occurred across many industries, it is increasingly difficult in the utility market given the poor access to any detailed high frequency customer data.

c. **Public Safety and Protection**: Gas leaks, explosions, water pipe bursts, and electricity outages occur frequently in developing regions, particularly Asia. Notable incidents include:

   i. The Kaohsiung gas explosion in Taiwan (2014) – this involved a series of gas explosions resulting in 32 deaths and more than 300 injured. Areas affected by the blasts spanned two to three square kilometres.

**FIGURE 6: AFTERMATH OF THE KAOHSIUNG GAS EXPLOSIONS**

   ii. Gas pipeline explosion in Guizhou, China (2018) – a gas pipeline operated by China National Petroleum Corp exploded, injuring 24 people.

This problem can be largely mitigated through remote and autonomous device control which would allow utility providers to make rapid decisions across their infrastructure network. For example, gas valves and electricity switches could be automatically turned off if a dangerous situation is detected.

## 5.6. BARRIERS TO ENTRY

In X2M's experience, the key barriers to entry in the APAC utility smart metering industry include:

a. **Local regulatory approvals and licensing** – new market entrants are required to receive a number of regulatory and safety approvals in respect of metering hardware and software, which vary by country and location and can involve independent audit and inspection, for example meeting various 'ISO' standards. These approvals can be lengthy and costly to obtain;

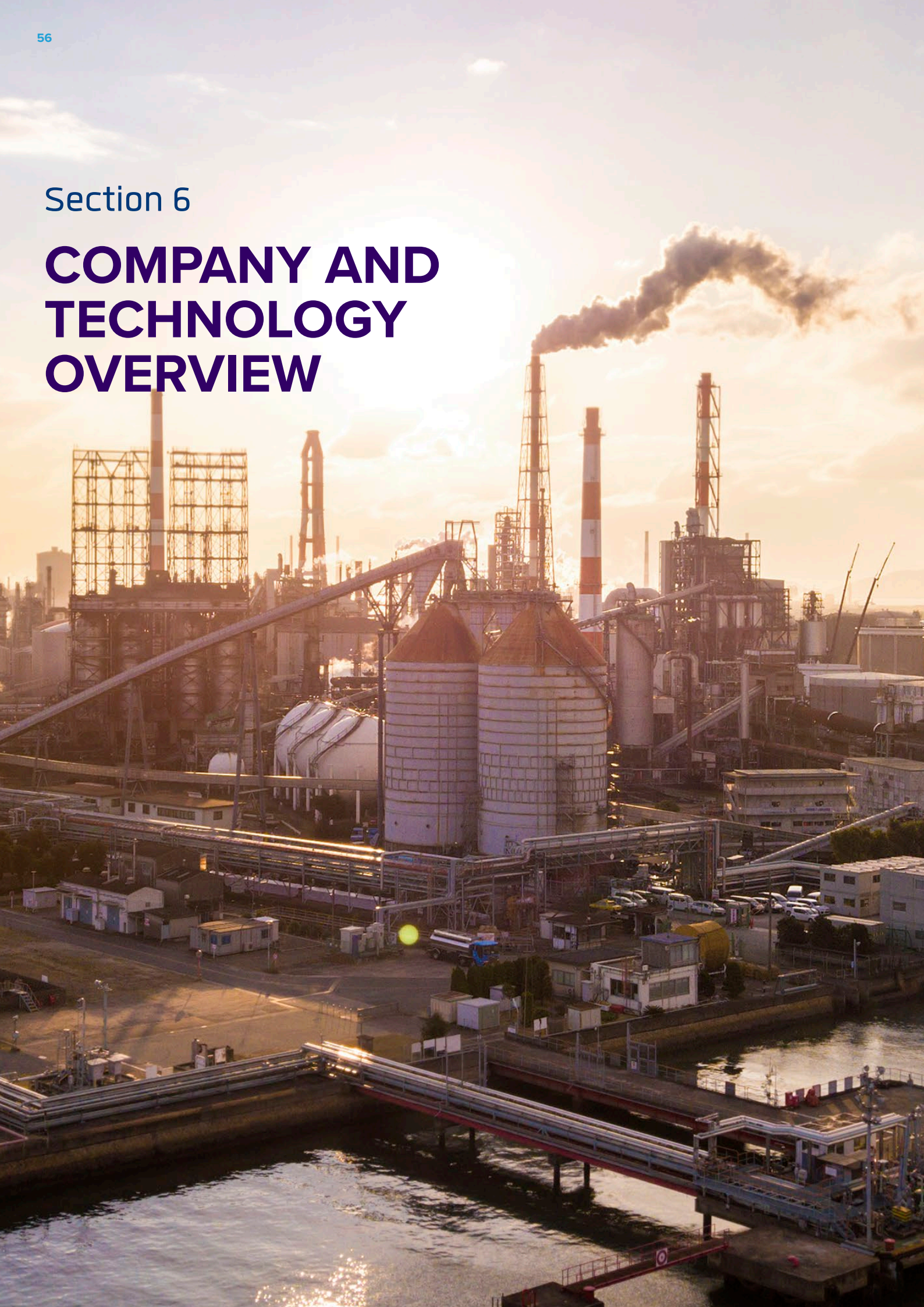
b. **Lengthy contracting cycle** – utility provider or manufacturing customers are typically government agencies, municipalities or large corporations which generally have a long procurement cycle. This can include a competitive tendering process followed by a contract trial over a number of months and years. This lengthy cycle makes it costly both in time and investment for any new market entrants;

c. **Long term contracts** – typical contracts for software licencing or subscription services have contract terms over several years with an option for renewal. Further, customers tend to stay with providers for years and are likely to renew contracts rather than to change technology providers. This makes it difficult for new market entrants to secure existing utility customers; and

d. **Incumbency** – in geographic markets already entered by the Company, the fact that utilities are using the Company's technology across the Company's platform and that utilities are progressively rolling out the Company's technology to households and their other customers makes the utilities concerned less likely to change to other suppliers. The Company's successful deployments also reduce business risks to the Company's customers. These factors represent a barrier to entry for other suppliers.

Section 6

# COMPANY AND TECHNOLOGY OVERVIEW



## 6.1. INTRODUCTION

X2M is an Australian technology company focused on digitising utility meters and sensors in the APAC region, either by replacing manual, analogue hardware or enabling remote monitoring and control capabilities for next generation 'smart meters', managed over the internet.

X2M's patented technology is comprised of three core elements which allow utility companies to receive information from, and control, a variety of devices across their infrastructure network (refer to Section 6.5 for further detail).

A key benefit of X2M's technology is its compatibility with a variety of devices on a communication network. Although X2M is initially focused on applying and commercialising its technology within the utility meter sector, there are numerous applications in other industry sectors which are areas for future growth and X2M intends to evaluate and determine the best sectors and timing to pursue these other industries following completion of the Public Offer. Additional key advantages of X2M's technology are set out in Section 6.9, and the advantages of an investment in the Company are set out in Section 6.10.

X2M's business model is to capitalise on this proven, 'commercial ready' technology solution and prospect pipeline. Funds raised under the Public Offer will be used to rapidly drive adoption of the X2M technology and corresponding revenue within its target countries in the APAC region (refer to Section 6.15 for further detail regarding the use of funds raised under the Public Offer).

## 6.2. HISTORY OF FREESTYLE AND DISTINGUISHING FACTORS OF X2M BUSINESS

### a. Freestyle History

X2M was incorporated in December 2019 and acquired the assets (including the technology) of Freestyle through a liquidation process in February 2020.

Freestyle was incorporated in December 2005 and raised approximately $70 million in capital between incorporation and November 2019 for the purposes of developing its proprietary technology platform, establishing and building its business, successfully completing proof of concept trials and securing a number of commercial contracts in Australia, Taiwan, South Korea and Japan.

Of the $70 million raised, X2M estimates that approximately $40 million was spent by Freestyle on research and development which included system design and architecture, platform and device software, device hardware, development tools, functional and regression testing, product certification, prototypes and evaluation trials. In addition, X2M estimates that approximately $9 million was spent by Freestyle on the deployment of the South Korean Gochang water monitoring project which became, and remains, a major sales and marketing example (refer to the summary at Section 6.14.2 and 10.3.2 of the Prospectus for further detail regarding the Gochang deployment). The balance of the $70 million was utilised for preparation, registration and renewal of a suite of international patents, sales and marketing costs, the incorporation of the foreign subsidiaries and establishment of foreign offices, costs of customer trials and demonstrations (other than Gochang), establishment of contract manufacturing capabilities in Taiwan and South Korea (to enable manufacture, testing and verification of the devices), production costs, administration and legal costs.

In the period from establishment to mid-2013, Freestyle achieved minimal revenue as it was focused on producing and registering its patent portfolio, building prototypes and evaluating what its key markets would be. At the end of this period, Freestyle had an incomplete technology platform and product offering, Freestyle had no customers and no revenues were being generated.

Between mid-2013 and mid-2014, Freestyle ran a number of trials and secured a contract in Taiwan based on its prototype platform.

From mid-2014, Freestyle transitioned to the development of its base hardware and software platforms, securing customers and completing trials. This led to securing and increasing revenue.

During the period between 2014 to 2019, Freestyle utilised capital raised from investors to further enhance its patent portfolio, complete development of devices and interfaces communicating over Zigbee, WiSUN, LoRa, NBIoT, 2G,

3G, 4G and similar networks, improve the prototype platform to a commercial, stable offering, establish production arrangements for Zigbee, WiSUN, LoRa and NBIoT based devices, market sales across a number of jurisdictions (South Korea, Taiwan, Japan and Australia), secure trial and commercial contracts with customers in these jurisdictions and foster the support of those customers.

Whilst Freestyle's business was operating in 2019 following the substantial completion of its IoT platform and was making progress in growing revenue and securing new customers, the business was not yet profitable.

Freestyle operated as a proprietary limited company until 10 May 2018 at which time it became a public limited company. Freestyle was subject to a number of complicated and restrictive shareholder related agreements which provided certain shareholders with special rights relating to the appointment of directors, pre-emptive rights on the issue and transfer of securities and restrictions on reserved matters such as capital raisings (many of which are not unusual for unlisted companies but can be problematic as relations between shareholder groups deteriorate).

Whilst these restrictions are not unusual for small private companies, there was an adverse effect on the day to day operations of Freestyle and the ability of management to work effectively and efficiently with the board, despite the credible results posted by Freestyle in the 2019 calendar year. Furthermore, there were continuing disputes and, in some cases, litigation amongst certain key shareholders of Freestyle which were was a major impediment to the operations of Freestyle.

In April 2019, Freestyle raised a further $2.5m through secured convertible loans from a number of investors (together, the **Secured Creditors**). The amount advanced by the Secured Creditors under the secured convertible loans was increased by an additional $1.95m between May and November 2019. These convertible loans were secured over all of the assets of Freestyle.

In 2019, Freestyle was in the process of undertaking an IPO. At that time, the number of paying B2B customers was 15 and growing. The number of connected devices had grown by 16% to circa 43,000 in FY19. FY19 revenue was $2.5m and expected to grow on the back of existing contracts and a strong customer pipeline. As such, the board believed Freestyle was well positioned for an IPO and listing on the official list of the ASX. Freestyle signed a mandate with a reputable broker to act as lead manager to the IPO, with Freestyle and the lead manager targeting completion of the IPO in the second half of 2019.

However, in May 2019, proceedings were lodged against Freestyle (and others) in the Supreme Court of Victoria by one shareholder of Freestyle, who later joined another associated shareholder as plaintiff (both entities of which are associated with the founder of Freestyle) (the **Freestyle Proceedings**). Please refer to Section 11.1 for further details regarding the current status of the Freestyle Proceedings.

In September 2019, Freestyle received a decision from ASX that it would not consider Freestyle's in-principle application for listing on the Official List until the Freestyle Proceedings had been resolved (the **ASX Decision**). Consequently, the proposed IPO of Freestyle was unable to proceed. The ongoing Freestyle Proceedings and the lack of clarity on their conclusion severely curtailed the ability of Freestyle to raise funds required to continue its operations and growth toward profitability. This was because, outside of the Secured Creditors, existing investors refused to inject additional capital into Freestyle primarily as a result of the Freestyle Proceedings. With litigation afoot and existing investors refusing to support a capital raising, it was impossible for Freestyle to attract new investors. In addition, Freestyle was unable to obtain debt funding as the Secured Creditors had security over the assets of Freestyle. As such, the Secured Creditors were the only parties that were prepared to provide funding to Freestyle however, this ceased in December 2019 for the same reasons.

Following confirmation that no funding would be forthcoming from the Secured Creditors and the fact that the Secured Creditors were seeking repayment of their secured convertible loans, the directors of Freestyle placed it into voluntary administration. This was despite the fact that the operations of the Freestyle business were otherwise progressing well.

X2M confirms that the plaintiffs in the Freestyle Proceedings (and the persons who control those entities) have had no and do not have any involvement, in any form, with X2M (as shareholders, employees, consultants, officers or otherwise). Further, they have no relationship with any existing or proposed customers of X2M. X2M also confirms, for the avoidance of doubt, that it is not presently a party to any litigation proceedings (refer to Section 11.1 of the Prospectus for further detail regarding the proceedings).

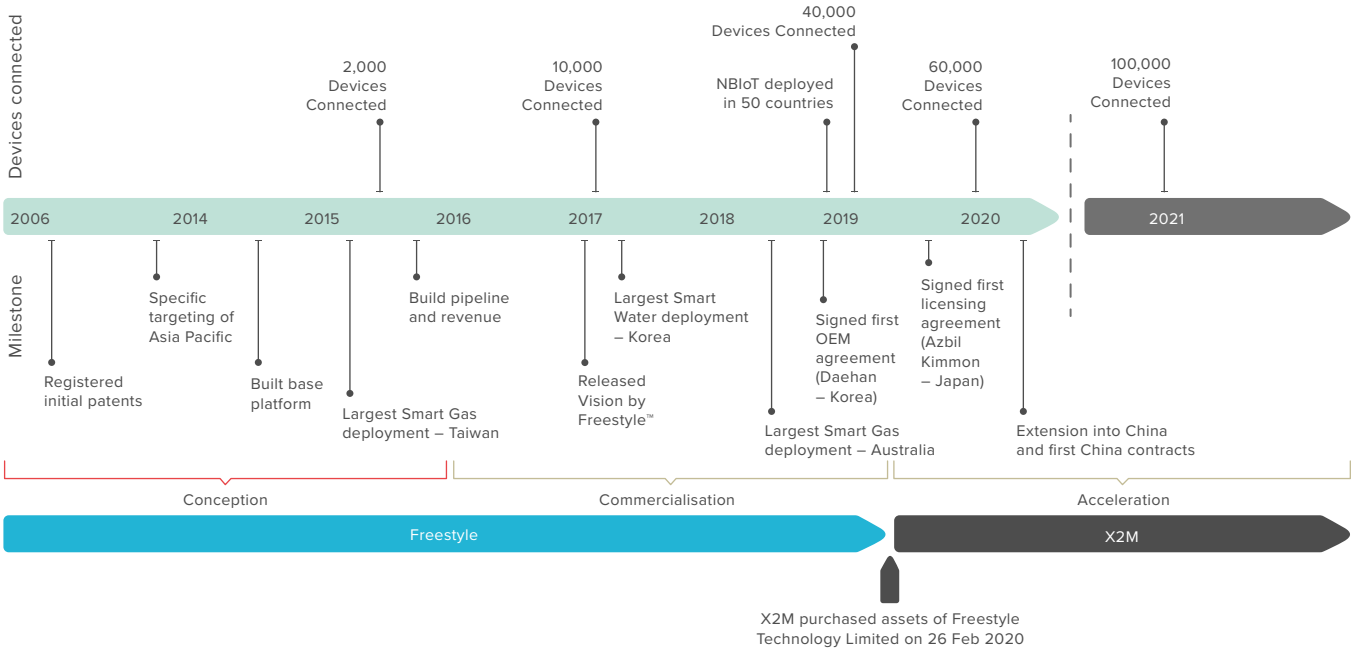
Please refer to Section 10.2 which contains a summary of the Asset Sale Agreement between Freestyle and the Company for further detail regarding the sale of assets to the Company.

## b. Progress Timeline

Since incorporation, X2M has operated under the "Freestyle" brand in Asia where it has an established track record and brand recognition within its markets in the utility industry.

The diagram in Figure 7 shows the timeline of the progress of the Business in the APAC utility market. This timeline includes the progress of Freestyle until January 2020.

**FIGURE 7: TIMELINE OF THE PLATFORM MILESTONES AND DEVICES CONNECTED ON THE X2M PLATFORM (INCLUDING DURING OWNERSHIP BY FREESTYLE TECHNOLOGY)**




## c. Distinguishing Features of X2M Business

The Company considers its business model to be distinguishable to that of Freestyle's for the following reasons:

i. As described in Section 6.2(a) above, Freestyle had a complicated and restrictive set of shareholder related agreements. Under these agreements, certain shareholders had Board nominees based on their respective shareholding in Freestyle and certain shareholders had to agree to any proposed exit, capital raisings, their quantum and valuations. Whilst these restrictions are not unusual for small private companies, their existence had an adverse effect on the day-to-day operations of Freestyle and the ability of Freestyle management to work effectively and efficiently with the board, despite the credible results posted by Freestyle in the 2019 calendar year, as a result of deteriorating shareholder relationships. In the Board's opinion, this issue does not exist for X2M. X2M has an independent Board that is diverse in skills, has a strong understanding of director obligations (particularly in a listed environment) and has a deep understanding of corporate governance. The Board also has a combination of skills and collective experience which reflects the requirements of the Company.

   Continuing shareholder disputes and, in some cases, litigation amongst certain key shareholders of Freestyle, was a major impediment to the operations of Freestyle. In addition to being a significant distraction to management, the litigation effectively removed the ability of Freestyle to raise capital. This was because, outside of the Secured Creditors, existing investors refused to inject additional capital into Freestyle primarily as a result of the Freestyle Proceedings. With litigation afoot and existing investors refusing to support further capital raisings, it was impossible for the board and management of Freestyle to attract new investors. In addition, Freestyle was unable to obtain secured debt funding as the Secured Creditors had security over the assets of Freestyle.

In contrast, X2M is governed by a standard ASX Listing Rule compliant, public company constitution, there is no shareholders agreement in place, and no shareholder, irrespective of their shareholding, has any special privileges or rights (voting or otherwise). X2M's shareholder base is well distributed and includes a number of new and unrelated sophisticated investors. In addition, X2M's assets are unencumbered. The Board acts in the best interests of all shareholders, with no potential for a conflict of interest arising from a nominating shareholder.

ii. At the end of FY19, Freestyle had 15 customers. In comparison, X2M has a solid customer base of 34 enterprise and government customers who have an addressable market of 25 million households. When a customer chooses to deploy X2M's technology they inevitably make a strategic decision to digitise their utility offering with internet-based technology and with X2M's platform already installed it is unlikely that the customer will choose another provider due to duplication costs. As a result, it is not unreasonable to expect the customer to undertake regular deployments of the X2M IoT technology as they retire depreciated old hardware. This has been the Company's experience to date. As X2M has substantially more customers operating its platform, it may receive an increased number of repeat orders as compared to Freestyle.

iii. X2M has an extensive prospect pipeline to convert to customers. As with X2M's customer base (described at paragraph (ii) above), X2M is benefitting from a strong prospect pipeline built by Freestyle and expanded by X2M that has and is expected to be converted into customers. The pipeline largely consists of prospects that have been engaged by the sales team over several years and thus who are familiar with the business case proposition and are close to decisions. X2M has the benefit that many of these pipeline prospects are now more advanced than during the Freestyle period. This has manifested in a faster conversion of prospects to customers and where 10 customers were attained by Freestyle across FY18 and FY19, 19 customers have been attained across FY20 and FY21.

iv. X2M's South Korean subsidiary became a recognised supplier to the South Korean Government in November 2019 which means the subsidiary is on the Government's official procurement system. As a result, municipalities can go online to the government procurement portal and directly order X2M products without salesperson involvement from X2M, thus driving up X2M productivity in South Korea. In addition, this capability allows municipalities to place larger orders without needing to issue a Request for Proposal resulting in less procurement process for the customer and increased order size for the Company. In addition, this capability allows existing customers to easily continue with repeat orders for their further deployments. A further advantage of being on the official procurement system in South Korea is that it enables the Company to improve the terms of trade in that jurisdiction, where up to 70% of contract costs are received up front from customers at the commencement of a large contract. Whilst the foundations were laid by Freestyle, the official procurement capability became effective around the time of Freestyle entering voluntary administration and since then there has been an increase in its utilisation.

v. X2M has an additional business model to Freestyle, in "SaaS licensing" (pursuant to which X2M software is licensed to third party utility hardware vendors), which is delivering strong results and which has been the most significant lever in the Business' acceleration phase. Whilst the first customisation contract was signed in 2019, due to the liquidation process, a long-term licensing agreement was not executed until early 2020. The result has been a rapid and significant scaling up of connected devices in X2M. For context, in the period since inception to 31 December 2019 where Freestyle had connected approximately 50,000 devices onto its platform, licensing alone has added approximately 55,000 devices from February 2020 to 30 June 2021. In addition, the economics of this aspect of the Business is very strong. In the South Korean model for example, X2M has a high touch involvement. X2M attends to sales, manufacture, installation and post installation customer care. Whereas, in the licensing model, the licensee, whose customers are enterprises, attends to all of this directly (and without X2M involvement). X2M collects a SaaS based license fee in respect of each connected end customer of these licensees.

vi. The expanded rollout of NB-IoT and LTE-M networks by the telecommunications sector has delivered X2M (and the 2019 period of Freestyle) structural simplicity and cost savings as a result of the companies not having to embark on infrastructure rollouts to support their software offerings, which was the case for much of Freestyle's existence. Telecommunications companies in X2M's existing jurisdictions are rolling out NB-IoT and LTE-M networks on the back of their cellular networks to drive adoption of the Internet of Things. In Australia, NBIoT

commenced with Vodafone, Telstra and Optus in 2018. Prior to this, companies like Freestyle had to roll-out their own IoT networks in order to provide an end-to-end solution. This was a slow, expensive and complex process. However now, the current hardware costs to customers for installed NBIoT devices is approximately 20% lower versus for installed WiSUN devices (which were the majority rolled out by Freestyle). The cost difference for a WiSUN deployment (prevalent for much of Freestyle's deployments) and a NB-IoT deployment (prevalent for X2M's deployments) on a 20,000 device deployment is substantial, a saving available to X2M customers that was not available to Freestyle customers and which provides a better business case to customers and opportunities for higher margins for X2M. In addition, X2M has also had a reduction in required upfront manufacturing expenditure (due to lower manufacturing costs of NBIoT devices). Further, licensee customers have been able to leverage the LTE-M network to connect their own hardware devices to the X2M IoT platform. The Company notes for completeness that whilst the X2M IoT platform supports LTE-M devices, the Company does not currently manufacture them.

vii. The X2M IoT platform development is substantially complete. The IoT platform was substantially built, trialed and commercialised by Freestyle in 2019 just prior to the voluntary administration of Freestyle (refer to Section 6.2(a) above for further detail). Accordingly, X2M is benefitting from the acquisition of the substantially completed platform (and a number of other assets) from Freestyle, which Freestyle wasn't able to fully leverage, due to capital constraints and the administration of the company.

Since substantial completion of the platform, platform development costs have been lower and will continue to be lower moving forward. The costs which will be relevant to the Company's operations fall into three cost categories:

- Periodic bugs that are detected and for which a "ticket" is raised and prioritised for fixing.
- Customer product enhancements (for example, automated report customisations). These enhancements are usually in response to a customer request and are funded by the customer. Depending on the opportunity, X2M might complete product enhancements at a low or zero cost margin.
- Platform enhancement for competitive advantage. These reflect further commercialisation aspects to improve the appeal and operation of the X2M IoT platform. These are expected to be smaller in number than those completed in the Freestyle period.

In addition, as the platform is substantially complete, X2M has been able to reduce its employee numbers. The reductions in staffing can be attributed to reductions in hardware engineers, software programmers and testing staff and has been a function of development milestones being completed on the platform. These variances contribute to an annual saving of approximately $1.2m and $0.65m in development and test employee salary costs compared to Freestyle in 2016 and 2019 respectively. In addition, the reduction in staff has allowed X2M to reduce Melbourne office rent (due to smaller space requirements) with further reductions under consideration.

viii. X2M's connected device footprint means that further free trials and proof of concepts are unlikely to be required, particularly in existing jurisdictions. As the technology was relatively new, a large part of Freestyle's evolution required trials and proof of concepts as part of the sales process. Such trials and proof of concepts were expensive and did not always lead to sales. In jurisdictions with a good spread of connected devices with scale, X2M does not need to undertake free trials or proof of concepts on a regular basis. Today, X2M generally charges customers for all work undertaken. This is a significant cost saving to the Company.

ix. Channels to market have been increased (primarily in South Korea, presently X2M's largest market). Developing critical mass and momentum is driven by the size and effectiveness of the Company's sales force. Freestyle, because of its market penetration at the time, was of limited appeal to channel partners. Therefore, Freestyle would have been required to employ a large sales force in order to quickly achieve scale without channel partners. These staff costs would be committed costs with no guaranteed outcome. With the increased spread of X2M's customer base, particularly in South Korea, there is now demand from external partners to become channel partners of X2M to a point where the Company can be selective. The benefit of external channel partners is that all costs of such partners are only incurred on sales success. In addition, there is a significant cost advantage versus employing full time salaried direct sales staff. Where Freestyle had 6 channel partners as at September 2019, X2M has grown its partners to 12 as at June 2021.

x. Finally, the X2M metrics demonstrate the significant growth of the X2M Business. X2M's first half revenue for FY21 is $3.15 million compared to Freestyle's first half revenue for FY20 of $1.51 million, an increase of 108.6%. The number of X2M connected devices as at 31 December 2020 is 89,952 versus that of Freestyle as at 31 December 2019 of 50,426, an increase of 78.4%.

For these reasons, the Company considers that its business model will result in an increase in Shareholder value notwithstanding the Company's IoT technology is the same as that developed by Freestyle and that Freestyle was unable to generate sufficient returns to prevent its placement into voluntary administration and subsequently litigation.

Investors should be aware that the Freestyle and X2M operating models are similar, the key management personnel of the two entities are similar and the technical and operating risks of the two entities are similar. However, a number of the risks associated with Freestyle have been mitigated as described above and a full description of risks to the Company and its operations is provided in Section 8.

## 6.3. KEY MARKETS

### a. Existing Markets

X2M has established a head office in Melbourne, Australia, with subsidiaries in South Korea, Taiwan and Japan, amongst other locations outlined in Section 5.3 (refer to Section 6.4 for further detail regarding the X2M group structure) to remain close to the Company's customers and opportunities.

The Company currently has 35 full time employees within these countries, as follows:

i. 16 based in Melbourne, Australia;

ii. 10 based in Seoul, South Korea;

iii. 7 based in Taipei, Taiwan;

iv. 1 based in Tokyo, Japan; and

v. 1 based in Beijing, China.

The Company's core activities in its existing markets are summarised as follows:

i. In Australia, activities are limited to gas usage monitoring for a utility provider;

ii. In Taiwan, activities cover residential gas and grid pressure monitoring, residential water monitoring and industrial battery monitoring;

iii. In Japan, activities cover residential bottled gas monitoring; and

iv. In South Korea, activities cover residential and grid water monitoring.

The Company plans to extend its activities in these existing markets as described in Section 6.12.

Recently, X2M has entered the Chinese market following the establishment of its Beijing subsidiary and has secured several hardware orders. X2M is targeting China as a market opportunity given China's history of rapid adoption of new technology and a policy of developing "smart cities", a program that fits with use of X2M's IoT technology. X2M plans to build upon its entry into the Chinese market and pursue software development and licensing opportunities.

The Beijing subsidiary is registered, validly existing and is duly authorised to carry on business and to own property in People's Republic of China. In addition, it has applied for and received the Internet Content Provider (ICP) license to allow the IoT Platform to operate on the China internet from within Amazon Web Services (AWS) servers in China. The Company does not export any hardware into China, therefore it does not require any China import permits. At present the Company is of the view that there are no further regulatory approvals required or barriers to entry applicable to China. In addition, no further regulatory approvals are required or additional barriers to entry applicable to X2M's proposed expansion in China.

X2M manages its Taiwan and China business out of its Taiwan offices under the leadership of Managing Director Mr ChengYu (Steve) Fang. For the China business, whilst customer care and back-room functions are carried out in Taiwan, business development is conducted on the ground in China by one employee in Beijing supported by Mr Fang. The Company intends to recruit one additional senior business development executive by the end of this

calendar year and transition Mr Jungheon Yoo, Director of Software Development, from Taiwan to Beijing once the COVID-19 situation in that country settles and travel is opened. This is not expected to occur until well into the 2022 calendar year. Moving forward, X2M's key target customers will be Taiwan enterprises headquartered in China and therefore the Taiwan workforce is a significant contributor to the Company's Chinese growth.

The Company considers that one to two business development personnel together with Mr Fang will initially be sufficient to support the Company's proposed expansion into China. To the extent the Company's China business grows, or grows faster than expected, the Company will look to increase its resourcing commitment in China/Taiwan.

### b. Target Markets

In addition to current markets, X2M plans to develop business in other APAC countries, such as the Philippines, India and or Vietnam, however presently, the Company does not plan on expanding into all of these countries within the two-year period following listing.

The Philippines, India and Vietnam have been identified as target jurisdictions primarily because of the existence of relationships in these jurisdictions and work previously undertaken by Freestyle, supported by the rate of population growth, increasing urbanisation, adoption of IoT technology in these jurisdictions and existing telecommunications infrastructure. The Company's proposed expansion timeline for entry into the target jurisdictions as at the date of this Prospectus (assuming the Maximum Subscription is raised) is as follows:

i. The Company will first pursue the Philippines in the second 6-month period post listing on the basis that successful initial proof of concepts with approximately 96 residences in the municipalities of Baliwag and Bocaue (near Manila) have previously been conducted by Freestyle.

ii. The Company plans to commence investigating the Indian market late in this financial year with a view to a possible market entry in mid to late 2023 financial year if its investigations are successful.

iii. Vietnam is targeted for the 2024 financial year.

If the Minimum Subscription is raised, the Company will consider entering one target jurisdiction only.

The Company advises Shareholders that it has not yet conducted market research or due diligence in respect of entry into these target markets. As such, the Company is not aware of the regulatory approvals or barriers to entry relevant for the Company's proposed expansion. However, based on X2M management's prior experience in entering new jurisdictions, X2M considers that the most efficient way to address the regulatory requirements and barriers to entry in these new markets is to work with a local agent or supplier who is familiar with the relevant regulations. As such, whilst the Company has not been actively exploring or seeking expansion into the Philippines, India or Vietnam, the Company has continued to stay in contact with known potential agents, partners or suppliers that may assist in the future expansion. Further, X2M is able to benefit from the internal know-how and knowledge of its executives and previous activities of Freestyle (as described below).

The Company will look to determine whether to enter any of the target jurisdictions following completion of the Public Offer and based on further market research and its due diligence investigations. If the Company determines it will proceed with expansion into a target jurisdiction, it will undertake a similar approach to that previously undertaken in respect of expansion to South Korea, Taiwan and Japan which involved:

i. Initial new market scoping work.

ii. The identification of suitable channel partner/s.

iii. The establishment of a local entity.

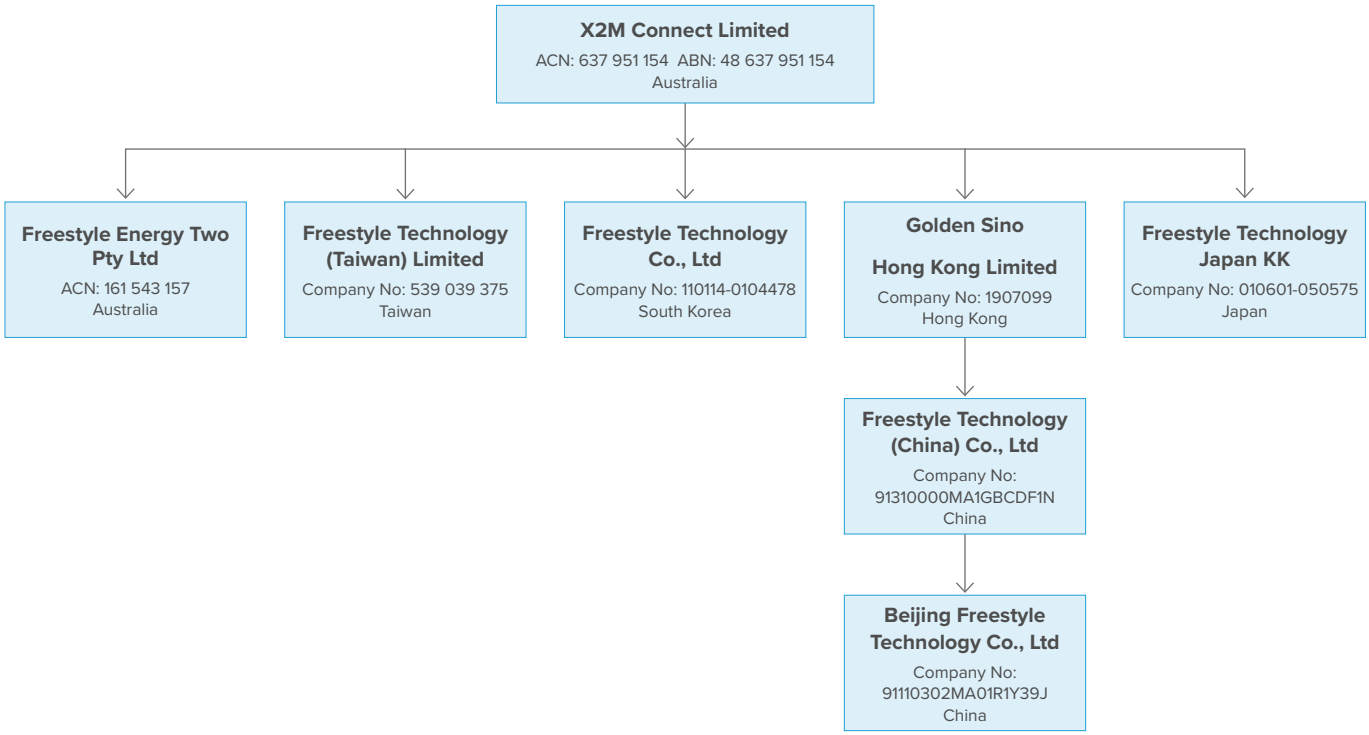
iv. Securing of a local serviced office and country manager.

v. Launch of the Company's products and brand at appropriate in-country trade shows.

Please refer to the use of funds at Section 6.16 for further detail regarding the geographic expansion. Please also refer to Section 8.2 further detail regarding the risk faced by the Company in entering new markets.

## 6.4. X2M GROUP STRUCTURE

The group ownership structure of X2M is set out below. All subsidiaries are 100% owned and controlled within the X2M Group.

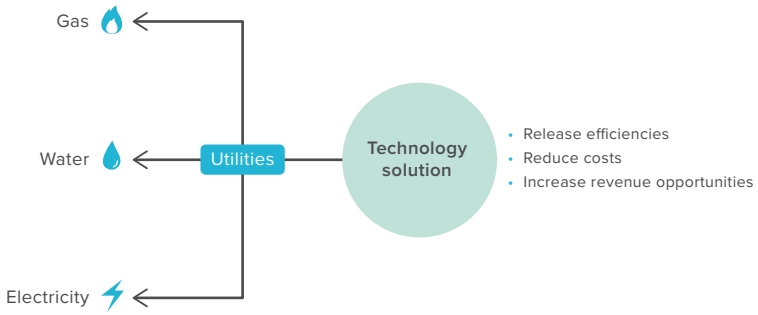



The subsidiaries of the X2M Group have been incorporated in each jurisdiction in which the Company operates and provide the sales, marketing, manufacturing (where applicable), support and regulatory responsibilities in each of their jurisdictions. Freestyle Energy Two Pty Ltd is a non-trading entity which was acquired as part of the Asset Sale Agreement.

## 6.5. TECHNOLOGY OVERVIEW

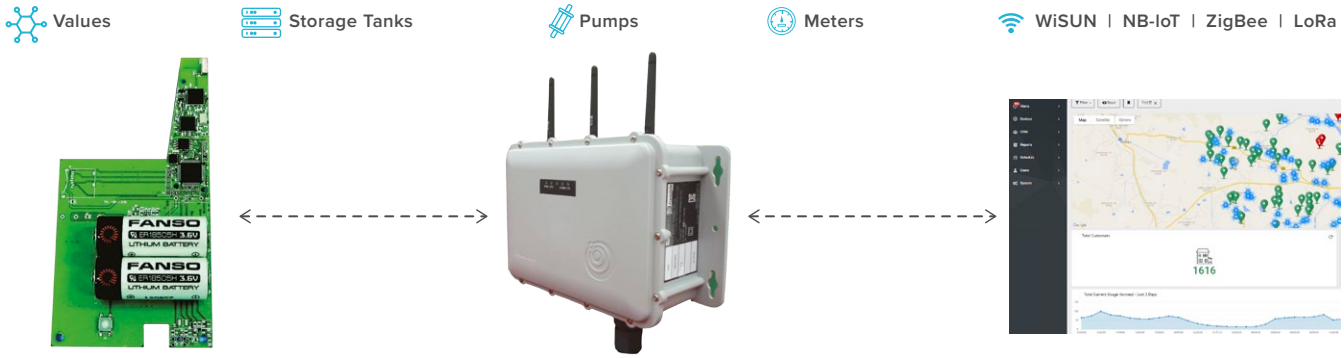
X2M's technology is built on an end-to-end, interoperable IoT solution which enables individual devices (e.g. utility meters) to exchange data with X2M's proprietary software platform (the X2M Iot platform). This enables a utility provider to interact with, analyse and control their meter network remotely, including at the individual meter level. In turn, this allows utility companies to receive extensive live data from any meter or sensor, analyse it and send commands back within seconds. The versatility of the technology means it can be applied to a number of industries in addition to utility meter monitoring.

### FIGURE 8: ONE SOLUTION FOR MULTIPLE UTILITY DEVICES



X2M's patented technology is comprised of three core elements which allow utility companies to receive information from, and control, a variety of devices across their infrastructure network (refer to Section 6.6 and the Intellectual Property Report in Annexure A for further detail).

### FIGURE 9: X2M'S PATENTED TECHNOLOGY



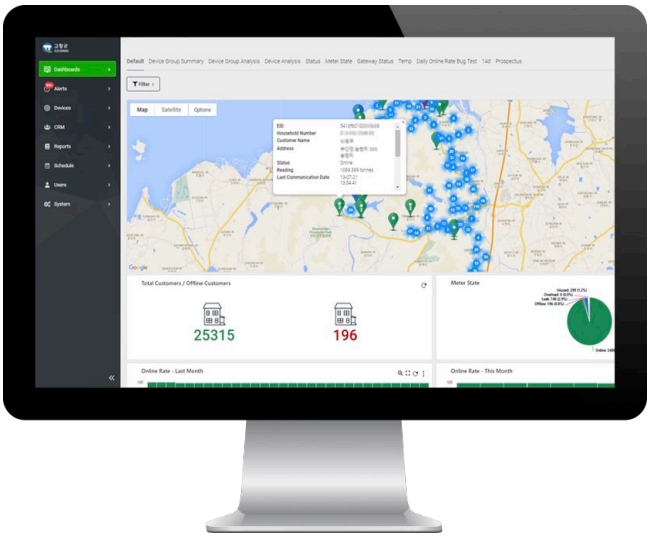

Details of the three core X2M technology components are as follows:

a. **Network Interface Card (NIC)**: The NIC can be added to or integrated within devices including meters, valves and pumps. It enables an existing device with no communication capability to transmit and receive information from X2M's Micro Engine.

b. **Micro Engine**: This is the core of X2M's technology offering. This is an 'intelligence engine' or 'logic concentrator' that interacts with multiple devices over any network. Applications running on the Micro Engine can make autonomous decisions based on the information they receive from individual devices or from groups of devices (commonly known as 'distributed intelligence'). The Micro Engine applications can also collate and normalise the information received from each device and send it to the X2M IoT platform, resulting in an overall reduction in the amount of data that needs to be sent to the platform.

c. **The X2M IoT Platform**: The X2M IoT platform is a SaaS offering that manages, monitors, diagnoses and controls deployed Micro Engines and all connected devices. It acts as an aggregation point for all customer data, report generation, and network management. It integrates via an open interface to billing, enterprise resource planning, customer care, marketing, and geospatial systems. The X2M IoT platform is known as the 'Vision Platform' (**Vision**). The X2M IoT platform includes the mobile application known as 'PRISM' (**PRISM**). PRISM is the user application that allows households to access their usage data and alerts and is available if the utility provider subscribes to this service. An example screenshot of the Vision and PRISM user interface is in Figure 10.

### FIGURE 10: SCREENSHOTS OF USER INTERFACE OF X2M'S SOFTWARE PLATFORM




Vision User Interface

Prism User Interface

a. automate a range of otherwise manual metering services;
b. provide enhanced information on customer usage;
c. provide control of endpoints through both distributed and centralised intelligence;
d. improve energy efficiency and load balancing across the network; and
e. assists in minimising the risk of safety incidents such as water leaks and gas explosions.

## 6.6. X2M'S PATENT PORTFOLIO

X2M has over 60 international patents across 15 countries, with additional patent applications that are currently pending.

Countries with patents granted or pending include Australia, Canada, China, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, USA and Vietnam.

X2M's portfolio of patents can be separated into three patent groups, each relating to a different feature of the overall technology offering as follows:

| Patent Groups | Patent Description | Outcome and Competitive Advantage |
|---|---|---|
| 1. Alert Device<br>2. Meter Device | • Alert and Metering Devices that can remotely receive applications and data to adjust and control the application executed by the device | ✓ Allows future proofing of end devices through software updates, upgrades to protocols and the addition of control functions |
| 3. Distributed intelligence client processor | • Remote application device that can execute multiple applications and remotely update the applications without interrupting their operation while downloading updated files | ✓ Allows applications to run at the edge close to end devices providing fast decisions, data reduction, remote management and modification of application behaviour<br>✓ Allows application interaction for increased flexibility and advanced edge processing regimes |
| 4. Enabling communications<br>5. Monitoring and controlling | • System for enabling communication between service providers and end devices<br>• Process and system for monitoring and controlling consumption of a resource including through a grid of metering and concentrator devices | ✓ Allows applications and architectures to adapt to optimise the operation of the communications between multitudes of devices<br>✓ Allows for remote management of a multitude of measurement, control devices and edge management devices across multiple communications technologies and multiple verticals |

Refer to the Intellectual Property Report in Annexure A for further detail regarding X2M's intellectual property.

## 6.7. BUSINESS MODEL AND METRICS

### 6.7.1 Revenue Model

X2M generates revenues from a combination of revenues from hardware sales, upfront connection fees for non X2M devices as they come on to the X2M IoT platform, time-based subscription fees and licensing fees to hardware manufacturers or system integrators (the key terms of which are summarised below).

X2M's primary focus is building recurring revenue streams by embedding the X2M technology in a customer's ordinary course of operations and then charging monthly fees for access to Vision and PRISM and through platform licensing arrangements.

| HARDWARE SALES | CONNECTION AND SUBSCRIPTION FEES | LICENSING |
|---|---|---|
| • Sale of hardware (network interface cards and gateways incorporating X2M's Micro Engine)<br>• Installation is the responsibility of the utility or outsourced by X2M<br>• Typically large deployments<br>• Refer to Section 10.3.2 and 10.3.3 for example operational agreements that include hardware sales as part of the arrangement | • Upfront connection fee per-non X2M device connected to the X2M IoT platform<br>• Monthly per device subscription fee for every device connection to Vision (web platform) and PRISM (mobile application)<br>• Sales contracts are long-dated, targeting 5-10 years with large deployments<br>• Refer to Section 10.3.2 and 10.3.3 for example operational agreements that include subscription fees | • Original Equipment Manufacturer (OEM) or SaaS based licensing arrangements with manufacturers where X2M provides its hardware and/or software to third party hardware vendors or system integrators who integrate into their products and in turn undertake all sales, marketing and installation activities<br>• Revenue profile increasingly SaaS subscription based as licensing gathers momentum<br>• Refer to Section 10.3.1 for an example licensing agreement |

The Company is driving hardware sales to secure subsequent years subscription revenue, and this is currently having the effect of increasing the percentage of hardware revenue as shown in the tables below.

| $000'S | FY2019 | FY2020 | H1FY2021 |
|---|---|---|---|
| Hardware | 795 | 1,651 | 2,331 |
| Subscription | 1,098 | 1,309 | 670 |
| Licensing/Customisation | 611 | 257 | 149 |
| **Total** | **2,504** | **3,217** | **3,150** |

| PERCENTAGE | FY2019[1] | FY2020 | H1FY2021 |
|---|---|---|---|
| Hardware | 32% | 51% | 74% |
| Subscription | 44% | 41% | 21% |
| Licensing/Customisation | 24% | 8% | 5% |

Note:

1. FY2019 Licensing/Customisation takes account of substantial revenue for setting up operations to enable an ongoing licensing contract entered into during late FY2020.

The Company's revenue model has now been proven with 74% of devices providing both hardware and subscription revenue and 26% providing licensing revenue as at 31 December 2020.

Figures 11A and 11B below highlight the growth in devices and data points processed on the X2M IoT platform between 2017 and 2021.

**FIGURE 11A: GRAPH SHOWING GROWTH IN CONNECTED DEVICES (PER THOUSAND) BY QUARTER ON THE X2M IOT PLATFORM**

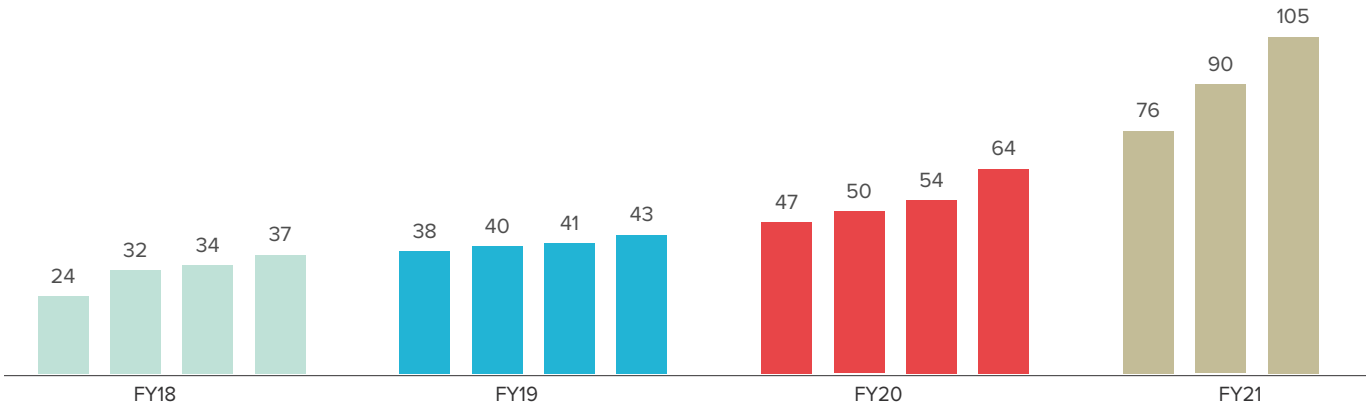
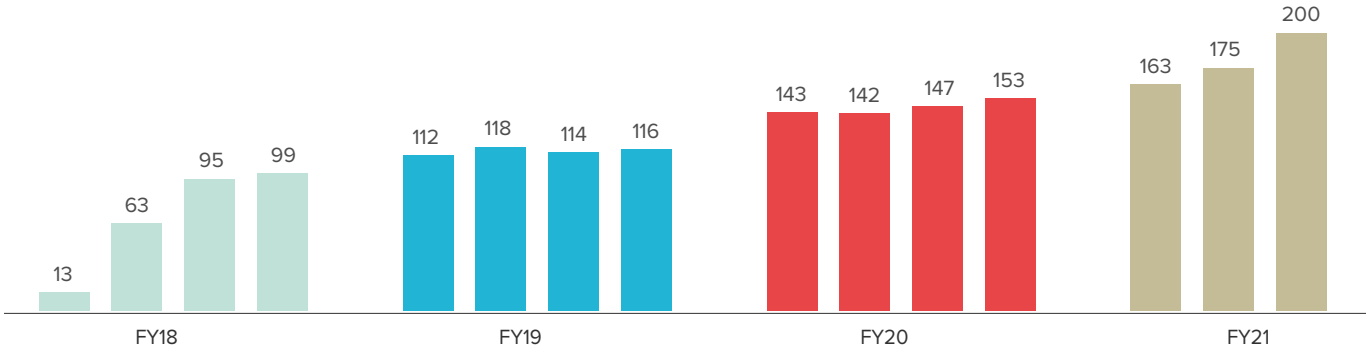



**FIGURE 11B: GRAPH SHOWING GROWTH IN DATA POINTS PROCESSED (PER MILLION) BY QUARTER ON THE X2M IOT PLATFORM**




### 6.7.2 Progress to date/Pipeline

X2M is actively working to leverage existing relationships and convert a pipeline of trials that are currently in-progress. Part of the funds raised under the Public Offer will be spent on marketing to drive customer acquisition and conversion of trials to contracts.

The revenue of the X2M business, including the results of Freestyle and its subsidiaries prior to the asset acquisition by X2M in February 2020, has grown year on year. Q3 revenue is normally soft due to Lunar New Year. The Q2FY21 revenue was driven by utilisation of government related budget in South Korea before the calendar year end predominantly on hardware purchases. This is also reflective of South Korea central government budget allocations currently being provided to local government for water digitisation.

**FIGURE 12A: GROSS REVENUE ($'000) (INCLUDING RESULTS OF THE FREESTYLE CONSOLIDATED GROUP PRIOR TO Q3 FY20) BY QUARTER**

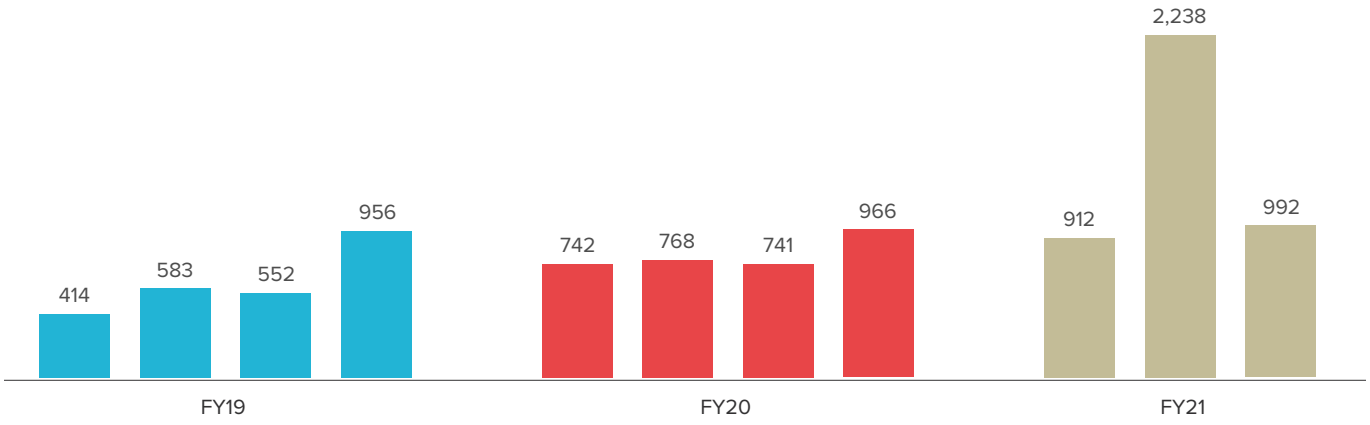
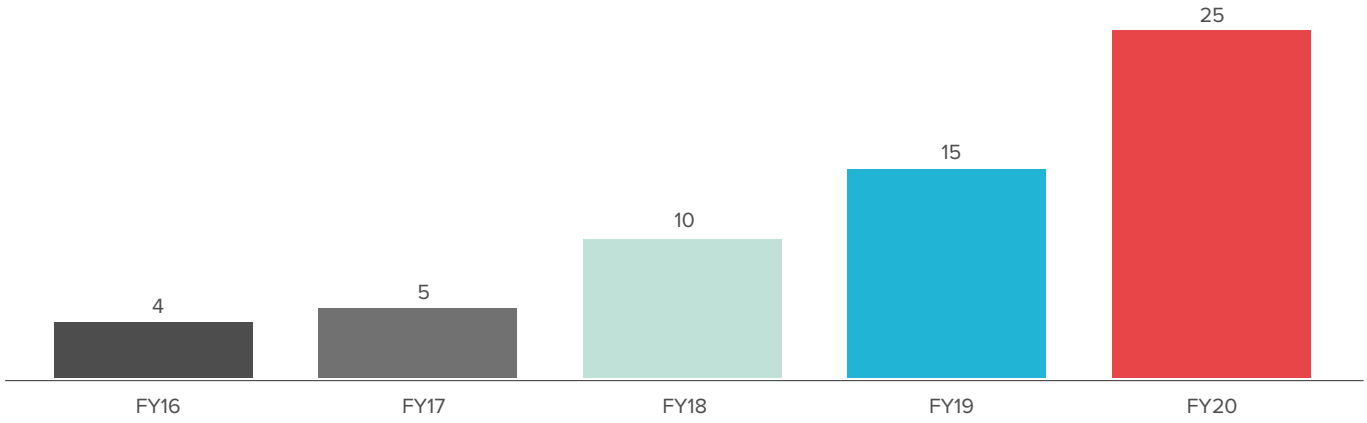



**FIGURE 12B: NUMBER OF B2B CUSTOMERS CONTRACTED ON THE X2M IOT PLATFORM BY FREESTYLE AND X2M**




The development of the X2M IoT platform and technology suite acquired by X2M is largely complete. This is demonstrated by the decreasing Research and Development Tax Offset claims for platform development costs and Australian headcount (reflecting a reduction in resources for software development) for Freestyle since FY16 as shown in Figure 13A show below.[1]

In addition, a timeline of the historical major development releases is set out below.

| DEVELOPMENT MILESTONE DESCRIPTION | DATE | COMMENTS |
|---|---|---|
| Zigbee based monitoring | April 2014 | Deployed Taiwan |
| Base Micro Engine and IoT Platform | July 2014 | Deployed Taiwan |
| Enhanced Zigbee monitoring | February 2015 | Deployed Taiwan |
| WiSUN based monitoring | December 2015 | Deployed Korea |
| LoRa based monitoring | April 2017 | Deployed Taiwan |
| Modbus Microgrid extensions | June 2017 | Deployed Australia |

1. FY20 Research and Development Tax Offset Claims are shown for Freestyle (red) and X2M (beige).

# SECTION 6. COMPANY AND TECHNOLOGY OVERVIEW

| DEVELOPMENT MILESTONE DESCRIPTION | DATE | COMMENTS |
|---|---|---|
| VISION initial release to IoT platform | October 2017 | Deployed Korea |
| NBIoT based monitoring | April 2018 | Deployed Australia, Korea and later Taiwan |
| PRISM release to IoT Platform | May 2019 | Trials Australia and Korea |
| LTE-M based monitoring | June 2019 | Deployed to Japan |
| VISION enhancements to IoT platform | October 2017 - present | Deployed to Taiwan, Korea, Australia and Japan |

**FIGURE 13A: RESEARCH AND DEVELOPMENT TAX OFFSET CLAIMS ($ MILLIONS) BY FREESTYLE (RED) AND X2M (BEIGE)**

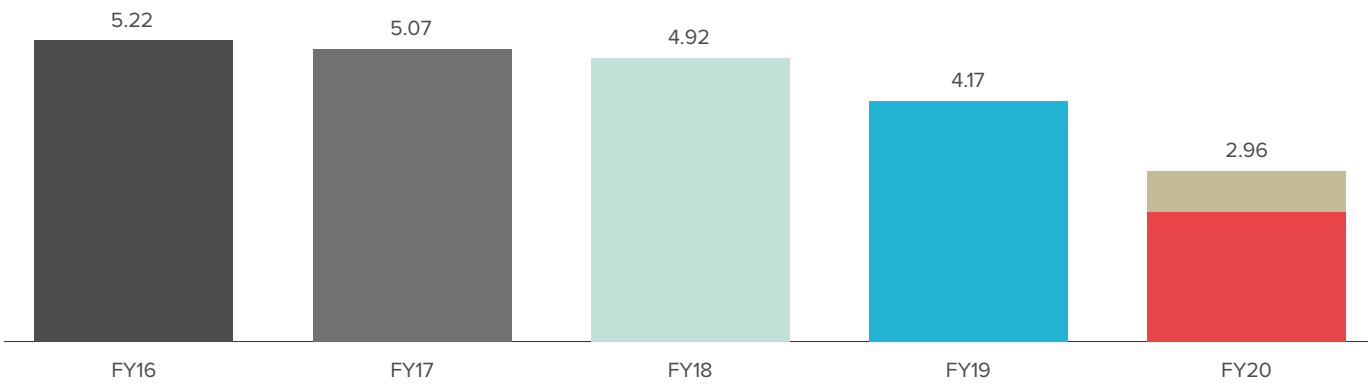
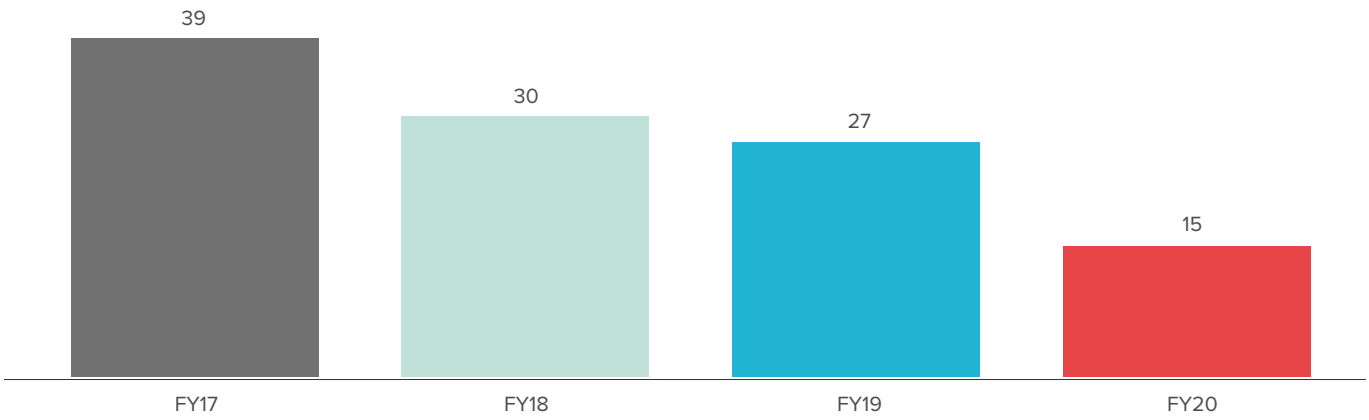



**FIGURE 13B: AUSTRALIAN EMPLOYEE HEADCOUNT OF FREESTYLE (FY17, FY18, FY19) AND X2M (FY20)**




Recent telecommunication changes have assisted in acceleration of device connection and the Company's progress to date.

NBIoT and LTE-M are both Low Power Wide Area (**LPWA**) networks typically deployed over existing cellular network infrastructure and are radio technology standards developed by the 3rd Generation Partnership Project (**3GPP**) with a focus on enabling IoT and machine-to-machine applications. NBIoT is targeted at lower bandwidth devices and LTE-M at higher bandwidth devices. Currently, X2M does not manufacture LTE-M hardware devices however, these devices can be connected to the X2M IoT platform.

Freestyle first connected a demonstration NBIoT device to a Vodafone trial network in Australia in November 2017.

Subsequently in 2018, NBIoT was rolled out commercially in Australia by Vodafone, Telstra and Optus with similar deployment timelines in Taiwan and Korea. Freestyle developed hardware and software to operate on these networks, but time was taken to evaluate and prepare the devices prior to commercial production delivery.

Notwithstanding the commercial rollout of these networks occurred in 2018, by December 2019, only approximately 3,000 Freestyle NBIoT devices were deployed in trial or in commercial deployments. X2M now has approximately 30,000 NBIoT devices deployed plus has approximately 65,000 connected LTE-M devices deployed by its customer in Japan. This increased uptake is primarily because customers in X2M's markets now consider NBIoT and LTE-M to be mainstream communications networks having been operational since 2018 and more readily accept devices operating on these networks. This change in the telecommunication network acceptance has assisted in the acceleration of device connection onto the X2M IoT platform in the last 18 months.

While X2M management is focused on actively driving revenue growth, it also expects revenues to increase organically as its B2B Customers continue to grow their customer base and therefore the devices connected on the X2M IoT platform.

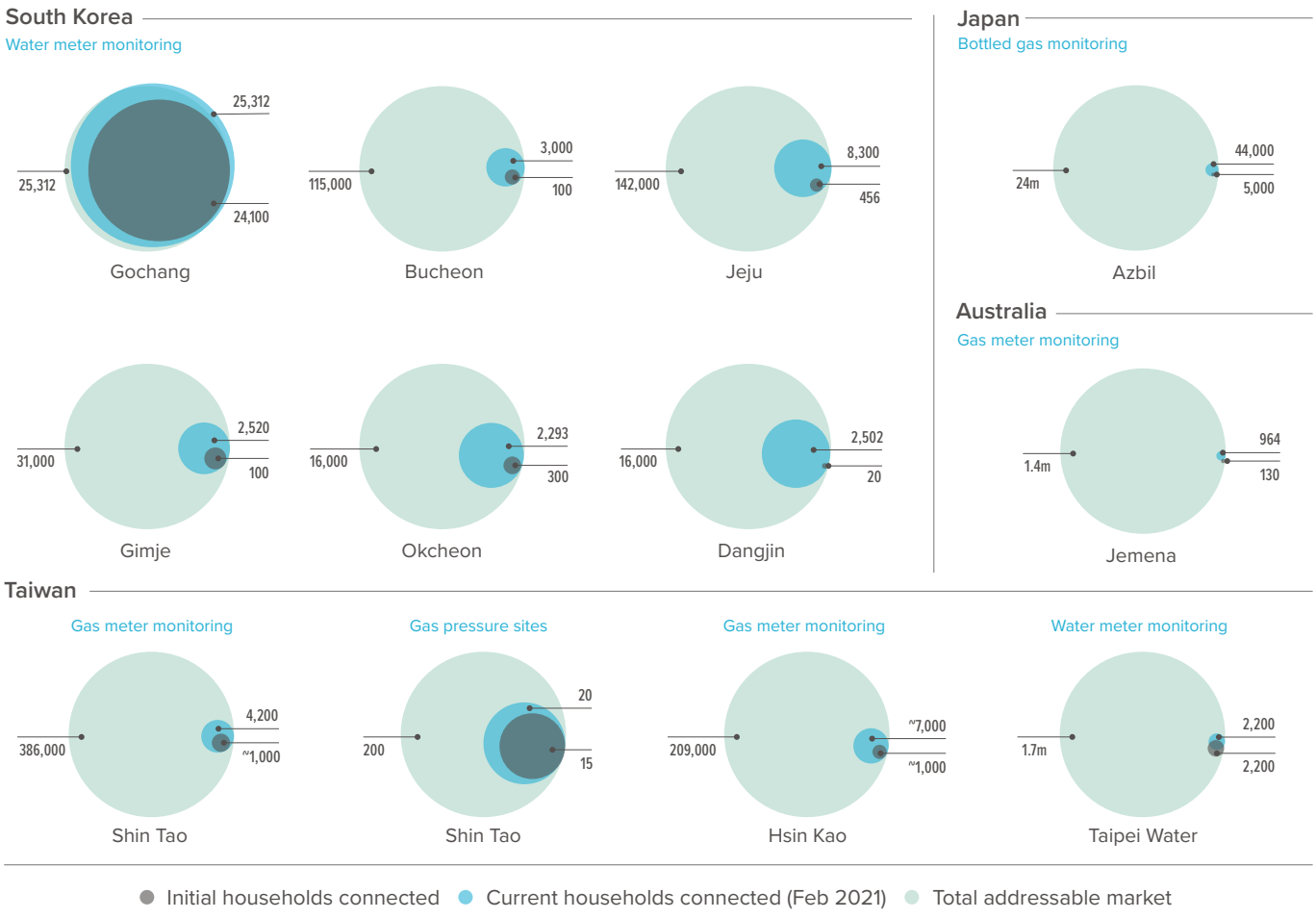
X2M management is also focused on improving its margins through:

a. a gradual reduction in development costs, as a percentage of revenue; and

b. pursuing subscription and licencing contracts, which have higher margins compared to contracts for hardware sales.

A summary of the initial and current deployment quantities and the total potential market size for key existing customers is set out below:

**FIGURE 14: INITIAL, CURRENT DEPLOYMENT AND TOTAL POTENTIAL MARKET SIZE FOR KEY EXISTING CUSTOMERS**



## 6.8. KEY DEPENDENCIES

The key dependencies of the Company's business model include:

a. ability to market and sell the Company's technology offering to new customers to increase revenue;

b. ability to generate a profit in due course by focusing on licensing arrangements with higher margins and other sales activities;

c. providing high levels of customer service for the X2M IoT platform;

d. retaining key staff and management; and

e. success in securing suitable staff to enhance the Company's capabilities.

## 6.9. COMPETITIVE ADVANTAGE

X2M believes that, through the substantial investment in research and development and its existing customer contracts and pipeline, it has the following competitive advantages over potential new market entrants:

### a. Patented technology

X2M has a portfolio of patents registered in key jurisdictions that encompass interoperability of devices, (where different devices can communicate over the one platform using different communication types), 2-way IoT communications and distributed intelligence. These patented data communication and intelligence attributes, when aggregated, lend themselves to a flexible and scalable technology solution for the utility smart metering and control market.

Refer to Section 6.6 and to the Intellectual Property Report at Annexure A for further detail regarding the X2M Group's registered intellectual property.

New market entrants would be required to fund and develop or licence technology which may not have similar capabilities and or applicability to multiple communication networks as X2M's technology.

### b. First-to-market and customer lead times

The "Freestyle" brand, which is owned by X2M, has been operating in its current jurisdictions for up to 9 years and has been used to establish reference projects and a pipeline of customers, many whom have been converted to paying customers.

X2M's operating history and existing customer base are considered by the Company to be strong selling points when marketing to new customers compared to new market entrants or others with a shorter operating history, all else being equal.

In addition, X2M has already overcome the typical barriers to entry experienced in its markets (refer to Section 5.6 for further detail).

## 6.10. KEY ADVANTAGES

In addition to the competitive advantage described above, the Directors are of the view that an investment in the Company provides the following non-exhaustive list of advantages to an investor:

a. participation in a company with an established business that has completed its initial development phase, is now demonstrating substantial growth and has competitive advantages in its markets;

b. the Company has an operational IoT platform in which significant funds have already been invested in its development; and

c. the technology offering has broad application to other industries in the APAC market resulting in substantial growth potential.

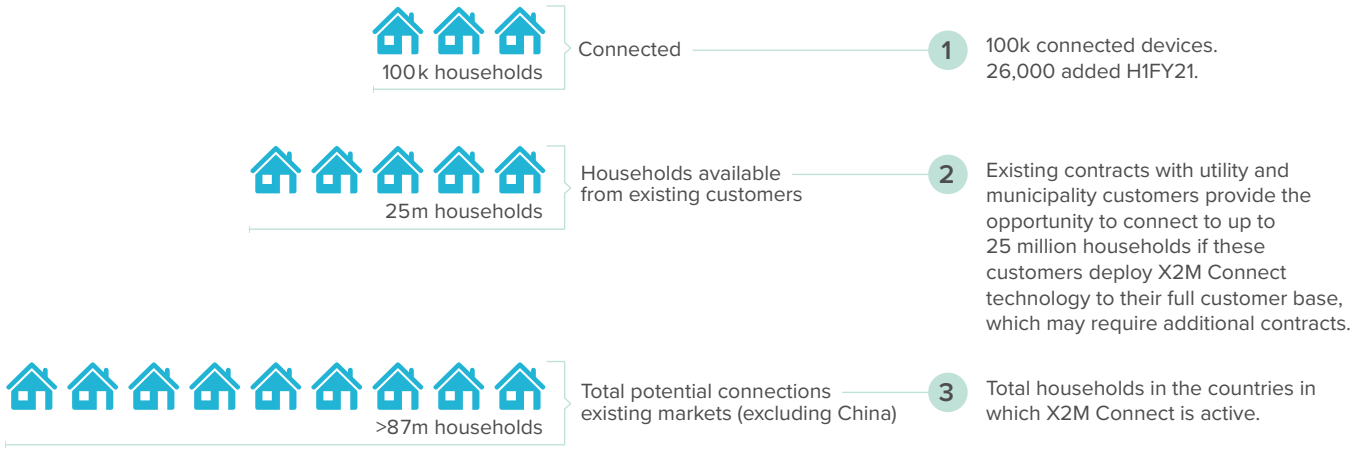
## 6.11. GROWTH POTENTIAL

### 6.11.1 Growth Potential From Current Markets

X2M's current markets and existing pipeline of enterprise and government customers are sufficient in the Company's view to deliver a significant business opportunity. As at 30 April 2021, a total of 34 business customers delivered an aggregate of over 110,000 households onto the X2M IoT platform.

The existing customers of X2M represent a total addressable market of in excess of 25 million residences. In countries in which X2M is currently represented, there are over 87 million households (excluding China). There is no guarantee that the existing customers will scale to this total addressable market, however X2M is focused on securing a substantial share of these markets and, in many cases, X2M has an early mover advantage.

**FIGURE OF CONNECTED HOUSEHOLDS AND TOTAL POTENTIAL CONNECTIONS FROM EXISTING CUSTOMERS AND ACTIVE COUNTRIES**




### 6.11.2 Licencing Arrangements

A key focus for X2M in growing sales will be pursuing:

a. high-margin licensing contracts for both its platform and technology; and

b. targeting utility providers and meter manufacturers and integrators across all utility verticals, within its existing and target jurisdictions.

X2M will establish dedicated licensing roles to drive this area of the business to secure licensing contracts similar in nature to the agreement summarised in Section 10.3.1. These contracts will be structured to have the licensee perform all the sales, marketing, manufacturing, installation and support of the end customer.

### 6.11.3 Other Technology Applications For Future Growth

At the heart of the X2M's technology is a flexible framework that allows monitoring and control logic to be quickly written for various devices – akin to the operating system on a smart phone, which allows various apps to be installed.

While X2M will initially focus on commercialising its technology in the gas, water and electricity sectors, proof of concept trials were previously deployed in other utility industry segments such as power management for electricity utilities.

These included:

a. management and control used in residential and commercial microgrids to control inverters, protection relays, generators and fast electric vehicle chargers to provide fast response control of the electrical power; and

b. management of local residential utility power lines through pole-top stabilisers that can absorb and inject power into the local power lines to improve power quality to consumers.

In addition, the X2M technology can be applied to building management systems, sign management and control, smart parks and local environments, street lighting and preventative maintenance for remote equipment such as pumps and motors.

## 6.12. SHORT TO MEDIUM TERM GROWTH STRATEGY

X2M's short to medium term growth objectives are as follows:

a. increasing penetration in existing customers and markets through:
   i. additional device deployments to existing customers;
   ii. deploying different device types within customers i.e. for an existing Taiwanese residential gas customer, the Company extended into gas grid pressure sensors with the same customer; and
   iii. deployments through industry channel partners, such as meter manufacturers;
b. growing customer base within existing jurisdictions and new target jurisdictions such as India, the Philippines and or Vietnam following completion of research and due diligence investigations into those jurisdictions;
c. increasing the sales and marketing team and resourcing in order to:
   i. increase focus on pursuing high margin subscription and licensing customers; and
   ii. grow the current pipeline and converting trials into paying customers; and
d. increasing organisational capability and executive staff in order to:
   i. support delivery of the above short-term growth objectives; and
   ii. pursue additional growth opportunities including value adding acquisitions.

## 6.13. LONGER TERM GROWTH STRATEGY

X2M's longer term strategy is to continue to develop its Software as a Service (**SaaS**) based subscription business where millions of devices and data can be controlled, managed and transferred to and from devices through the X2M IoT platform.

The X2M IoT platform is already scalable to accommodate strategic growth. X2M's ambition is to become a key business enabler, initially in the digitisation of utilities in the APAC region, and later extending to be a platform with a wider international footprint.

X2M currently generates revenues through a range of managed services offerings secured through its own sales force or through partners, as well as licencing the X2M IoT platform to hardware vendors and utility providers. Future revenues are expected from organic growth, expansion into new jurisdictions and a focus on licensing in current and new verticals. The platform developments have been substantially completed which means that research and development costs for the current product suite have now been largely incurred.

## 6.14. X2M INDUSTRY SOLUTION AND SELECTED CASE STUDIES

### 6.14.1 Key Features

X2M's technology solution is able to address a broad range of industry problems and focus areas, with a number of key features provided below.

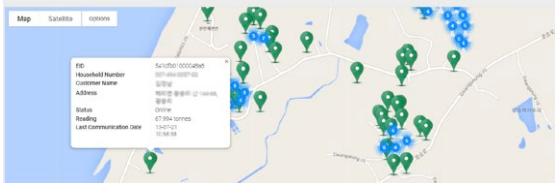
a. **Improved Customer Service** Customer provides better service to the end user and does not have to enter their premises regularly;

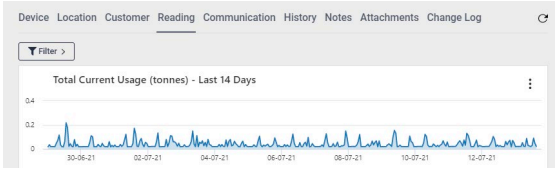
b. **Improved Safety and Efficiency Data** Customer has hourly data from the meter, receives alerts for leaks, over usage, third party non-use warnings and reverse flow;

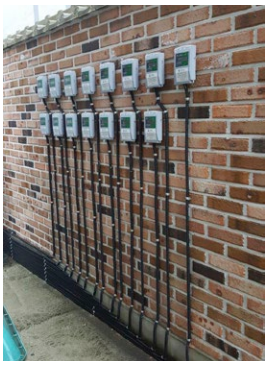
c. **Improved Data Analytics** Customer can compare individual users and usage patterns or compare districts and review metering geospatially;

d. **Improved Infrastructure Management** Customer can gain insights into capacity requirements for future upgrades; and

e. **Improved Customer Experience** Customer can provide their end customers with a mobile app for usage and alerts.



### 6.14.2 Gochang City Council, South Korea – Smart Meter Installation and Monitoring (ongoing)

#### The Problem

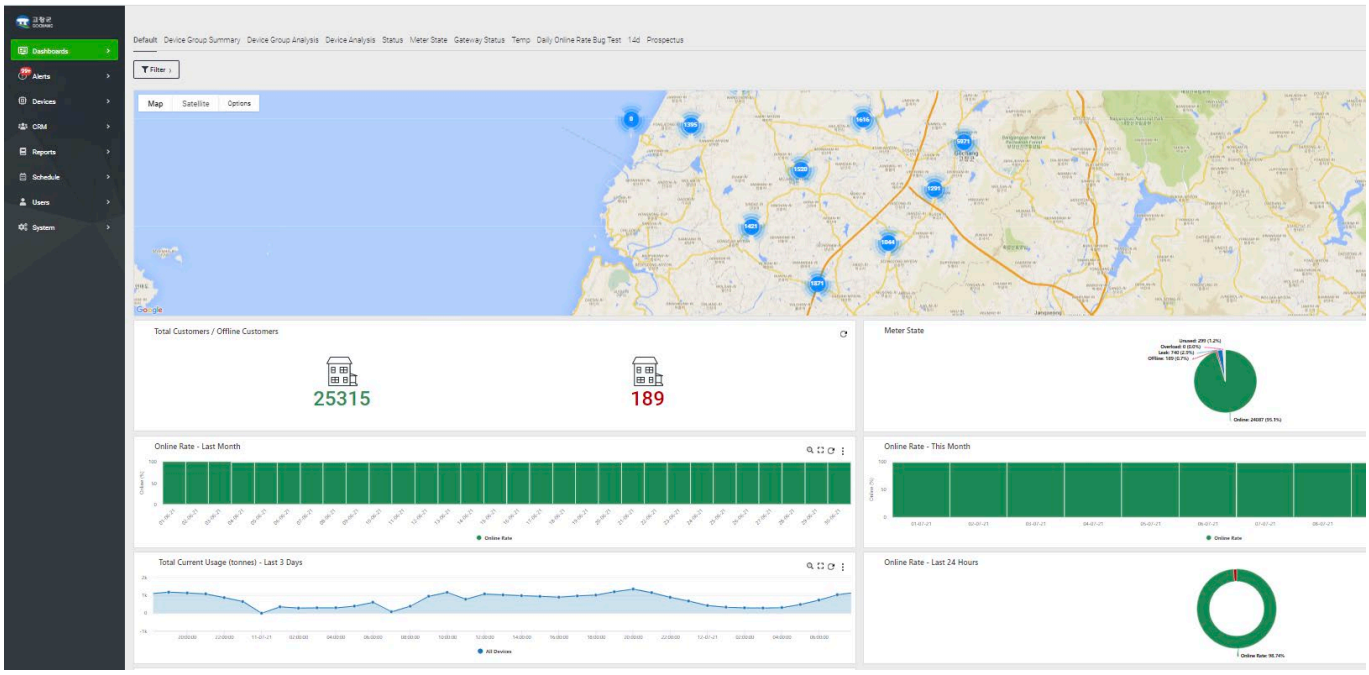
a. Underground water meters are difficult to access, particularly in winter when the covers can be frozen over;
b. Reliance on bill estimation when meters cannot be accessed by meter readers;
c. Estimation can lead to customer dissatisfaction with billing accuracy; and
d. Limited detection capability for water leakages.

#### X2M Solution

a. Meters retrofitted to make them 'smart' and communicate with the X2M IoT platform;
b. Provides accurate, real time data on usage, increasing accuracy of billing; and
c. Big data analytics utilised to monitor irregular patterns of usage and leaks to address water loss and potential social welfare issues.

In Gochang county, for example, following X2M's technology deployment in March 2018, the Water Department saw:

a. 19% leak detection improvement; and
b. 200+ social welfare cases detected from water non-use.




This large-scale deployment at Gochang is regularly used as a demonstration project to introduce other South Korean municipalities to the benefits of the X2M technology solution.

A summary of the material terms of the Gochang Services Agreement entered into by the Company is provided at Section 10.3.2.

## Azbil Kimmon, Japan – Software Licensing (ongoing)

Azbil Kimmon Co, Ltd (**Azbil**) is a leading gas and water meter manufacturer in Japan. The Company, through its Japanese subsidiary, won a competitive tender to licence its software for integration with Azbil's gas meters.

Azbil sought a platform provider that supported a data collection, predictive demand and logistics management solution to integrate into its gas meter hardware for marketing to its utility customers.

### The Problem

a. Residential and commercial bottled gas in Japan is metered. However, without knowledge of how much gas is left in the bottle, customers can run out of gas.

b. Just-in-case replacement incurs inefficiencies as gas bottles that are partially full are in transit.

c. Drivers typically don't use the most efficient route, resulting in larger number of fleet vehicles required and overtime pay.

### X2M Solution

a. Created centralised platform to act as point of coordination to remotely monitor usage and residual levels of gas over LTE-M networks.

b. This usage and residual gas level information shall be available for use by a predictive algorithm to determine when the gas bottle will run out.

c. Dynamic task lists for the drivers can be generated that minimise time taken to replace and kilometres travelled without the customer ever having to run out of gas.

### Commercialisation

a. An initial trial by Azbil at a large Japanese gas company showed up to 20% logistics cost savings.

b. X2M's Japanese subsidiary won the contract in December 2018 to deploy a production meter data management system within Azbil by June 2019 to form the basis of their gas bottle logistics solution.

c. X2M SaaS license and services contract executed with Azbil in March 2020.

d. The rollout under the SaaS licensing contract now exceeds 55,000 devices.

A summary of the material terms of the Azbil Services Agreement is set out in Section 10.3.1.

## 6.15. INFORMATION SECURITY PROTECTION MEASURES

In late 2020, the Company implemented an Information Security Management System (**ISMS**) which operates across the Company Group. As part of the ISMS, the Company has adopted a suite of policies and procedures relating to the security and protection of information. The Company uses these policies and procedures to review and report against its information security, cybersecurity and data protection measures.

The ISO27001 standard focuses on the controls that should be implemented by companies to suitably manage and protect the information collected and processed in the operation of the company and this includes the personal information of customers and end customers. The policies and procedures implemented under the ISMS are designed to reduce the threat of unexpected information disclosure, cyber attacks, system availability loss and business continuity loss. The testing under the ISMS, such as penetration testing on special test environments, is designed to evaluate the computer systems for any deficiencies against hackers and cyber attackers. The ISMS also provides for separation of roles, data access, storage and deployments to keep jurisdictions separated from each other to reduce exposure from transnational operations.

ISO27001 is an internationally recognised standard that is used as a benchmark against which organisations can measure their information protection measures.

The policies and procedures adopted by the Company Group are utilised by the Company Group to ensure it has appropriate controls in place to identify, assess, manage and mitigate the risks associated with managing information to the ISO27001 standard and to adopt a risk-based approach to information security that is in line with international best practices.

To achieve ISO27001 certification, the Company has undertaken a three-stage process. The first stage was to engage an independent advisor to assist the Company in preparing the policies and procedures of the ISMS (described above), to train all Company employees in the ISMS and to perform an internal audit. This occurred in late 2020 and early 2021.

The second stage was to engage an independent ISO27001 approved auditor to perform an external certification audit of the Company Group and its compliance with the ISO27001 standards. This occurred in April 2021. This audit included a review of the policies and implementation of cyber security and data protection measures.

The third stage was for the external auditor to assess the outcomes of the audit and, if appropriate, issue the certificate to the Company. The auditor has recommended the Company Group for all jurisdictions other than China (refer to below for further information regarding China) for certification and the Company has received the ISO27001 certificate.

The certifying body has recently advised the Company that China cannot be included in the single certificate covering the Company Group because the Chinese subsidiaries must be audited by a local auditor in China. As a result, the Company has only received an ISO27001 certificate for the Company Group excluding the China subsidiaries. The Company will engage a local auditor in China to audit the China operations in order for those entities to obtain the separate China certification as soon as possible following listing. However, the Company notes that absence of the Chinese certification is not considered to be materially adverse to the existing or proposed operations of the Company in China.

The Company's ISMS and the ISO27001 compliance will be audited by an external auditor every year, commencing April 2022. In addition, the Company will continue to review its operations as part of the internal audit and awareness program within the ISMS and the external annual audit process and make improvements where such improvements are identified as being necessary.

The Company notes that the cloud systems maintained in each jurisdiction in which the Company Group operates are localised to the specific jurisdiction area and managed independently from one another to reduce the chance of cross jurisdiction interaction or interference. Each jurisdiction has its own relevant privacy and cyber security regulations, and the relevant country executive is responsible for ensuring compliance under the ISMS.

## 6.16. USE OF FUNDS

X2M intends to apply funds raised from the Public Offer, together with existing cash reserves post-admission, over the first two years following admission of X2M to the Official List of ASX as follows:

| FUNDS AVAILABLE | MINIMUM SUBSCRIPTION ($'000) | PERCENTAGE OF FUNDS (%) | MAXIMUM SUBSCRIPTION ($'000) | PERCENTAGE OF FUNDS (%) |
|---|---|---|---|---|
| Existing cash reserves[1] | 1,700 | 22.1 | 1,700 | 17.5 |
| Funds raised from the Public Offer | 6,000 | 77.9 | 8,000 | 82.5 |
| **Total** | **7,700** | **100** | **9,700** | **100** |
| **Allocation of funds** | | | | |
| Customer acquisition[2] | 1,200 | 15.6 | 1,300 | 13.4 |
| Customer support[3] | 1,100 | 14.3 | 1,200 | 12.4 |
| Development, IT services and intellectual property costs[4] | 1,500 | 19.5 | 1,500 | 15.5 |
| Licensing and geographic expansion[5] | 500 | 6.5 | 1,700 | 17.5 |
| Mergers and acquisitions review[6] | 300 | 3.9 | 300 | 3.1 |
| Administration[7] | 1,600 | 20.8 | 1,750 | 18.0 |
| Working capital | 800 | 10.4 | 1,100 | 11.3 |
| Expenses of the Public Offer[8] | 700 | 9.1 | 850 | 8.8 |
| **Total** | **7,700** | **100** | **9,700** | **100** |

Notes:

1. Refer to the Financial Information set out in Section 7 for further details. The Company intends to apply these funds towards the purposes set out in this table, including the payment of the expenses of the Public Offer of which various amounts will be payable prior to completion of the Public Offer.
2. Costs include those related to sales staff, marketing and customer events plus a proportion of the Managing Director costs in each jurisdiction.
3. Costs include customer relationship management, in country technical support and operations management, customer project management and supplier management plus a proportion of the Managing Director costs in each jurisdiction.
4. Costs include development staff and resources (software development and maintenance resources), IT costs for corporate and development infrastructure services and patent renewal/registration costs. In particular, the Company notes that whilst the Company's technology is substantially complete, further developments will be required to deliver additional features to the Company's IoT platform as and when requested by customers, developments and new features will also be implemented to the extent the Company determines such features will increase the market for, and user experience of the platform. In addition, platform enhancements required to improve the overall security of the solution will also be required to keep pace with technology advances, as will developments to maintain the Company's technology at optimum working level (such as repairing bugs identified by customers or staff, maintaining appropriate patch levels and revisions of the software components and addressing support requests from the sales and support staff).
5. Costs include establishing dedicated licensing roles, targeting new licensing deals and the initial office setup, any required product approvals and marketing costs in new jurisdictions selected by the Company. X2M estimates that the costs associated with initial entry into a new jurisdiction is approximately $0.25m per jurisdiction in the first 12 months from commencement (assuming the Company's due diligence investigations are satisfactory and confirm the ability of the Company to satisfactorily operate in that jurisdiction). These estimated costs are based on X2M management's previous experience and direct knowledge entering the existing foreign markets. The Company notes that it does not intend on entering all four target jurisdictions in the two-year period post-listing and that expansion will be governed by the amount raised under the Public Offer. Please refer to the proposed timeline of expansion at the date of this Prospectus in Section 6.3(b) for further detail. The balance of the allocated funds will be used for costs associated with licensing.
6. Funds to be used in connection with investigations into mergers and acquisitions.
7. Administration costs include the general costs associated with the management and operation of the Company's business including administration expenses, rent, management remuneration (including salaries and bonuses), Directors' fees, taxation payments pursuant to the Company's PAYG payment plan and other associated costs.
8. Total expenses of the Public Offer including Lead Manager fees, legal, accounting and administrative fees, as well as printing, advertising and other miscellaneous expenses, rounded to the nearest $50,000.

The Directors consider that following completion of the Public Offer, X2M will have sufficient working capital to carry out its stated objectives. However, it should be noted that there is no guarantee that X2M will be fully self-funding through its own operational cash flow after application of all funds raised from the Public Offer. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding. Future capital needs will also depend on the success or failure of X2M's sales and marketing plans. The use of further debt or equity funding will be considered by the Board where it is appropriate to pursue various growth and acquisition opportunities in the IoT sector.

In the event X2M raises more than the Minimum Subscription of $6,000,000 under the Public Offer, but less than the Maximum Subscription of $8,000,000, the additional funds raised will be first applied towards the expenses of the Public Offer and then an additional $800,000 towards licensing costs, with the balance of funds allocated evenly across customer acquisition, customer support, working capital and administration costs.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including the success of research and development) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

It should be noted that an investment in the Company is speculative and investors are encouraged to read the risk factors outlined in Section 8.

## 6.17. CAPITAL STRUCTURE

The capital structure of the Company following completion of the Public Offer (assuming both Minimum and Subscription under the Public Offer) is summarised below:

### SHARES[1]

| | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION |
|---|---|---|
| Shares currently on issue[2] | 108,101,536 | 108,101,536 |
| Shares to be issued pursuant to the Public Offer[3] | 24,000,000 | 32,000,000 |
| Shares to be issued pursuant to the Employee Options Offer | Nil | Nil |
| Shares to be issued pursuant to the Executive Options Offer | Nil | Nil |
| **Total Shares on issue on completion of the Offers** | **132,101,536** | **140,101,536** |

Notes:

1. The rights attaching to the Shares are summarised in Section 11.2.
2. Comprising:
   a. 18,288,176 Shares issued to the founding Shareholders of the Company for nominal consideration in December 2019 and February 2020.
   b. 259,200 Shares issued to Null Cipher Pty Ltd ATF La Familia BGSP (an entity controlled by Michael An) on 12 February 2021 as remuneration for services provided to the Company by Michael An as Director and Chairman from incorporation of the Company until 12 February 2021. These Shares are subject to a holding lock for a period of 3 years from the date of issue.
   c. 15,840,001 Shares upon the conversion of convertible notes in the capital of the Company with an aggregate face value of $5,500,000 on 11 March 2021.
   d. 216,000 Shares issued to unrelated investors of the Company on 24 March 2021 to raise $75,000.
   e. 6,436,628 Shares issued to the Directors, key management personnel and employees of the Company for nil cash consideration, as an incentive component of their remuneration packages on 24 and 25 March 2021. These Shares are subject to a holding lock for a period of 3 years from the date of issue.
   f. 8,360,006 Shares issued to unrelated investors of the Company at an issue price of $0.125 per Share on 4 June 2021 to raise $1,045,000.
   g. 22,877,083 Shares issued on 9 and 15 June 2021 to existing Shareholders (and certain of whom further invested funds in connection with convertible notes held) who agreed to convert the convertible notes held by them early on 11 March 2021 and who were offered these Shares in consideration for dilution suffered due to a subsequent change in the Share structure of the Company.
   h. 3,682,880 Shares issued on 23 June 2021 to certain of the founding Shareholders upon conversion of loans from those Shareholders with an aggregate value of $460,360 (at a conversion price of $0.125 per Share). In addition, the founding Shareholders received 156,900 Shares on 23 June 2021 in consideration for providing the loans to the Company.
   i. 7,600,000 Shares issued to unrelated investors of the Company at an issue price of $0.125 per Share on 23 June 2021 to raise $950,000.
   j. 13,333,334 Shares issued upon the conversion convertible notes in the capital of the Company with an aggregate face value of $2,000,000 (at a conversion price of $0.15 per Share) on 14 July 2021.
   k. 11,051,328 Shares issued to employees of the Company (including, Directors and key management personnel) in consideration for nil consideration, as an incentive component of their remuneration packages on 30 June 2021 and 14 July 2021. These Shares are subject to a holding lock for a period of 3 years from the date of issue.
3. Assuming $6,000,000 is raised at an issue price per Share of $0.25 under the Minimum Subscription and $8,000,000 is raised at an issue price per Share of $0.25 under the Maximum Subscription.

### OPTIONS

| | MINIMUM SUBSCRIPTION | MAXIMUM SUBSCRIPTION |
|---|---|---|
| Options currently on issue[1] | 9,411,283 | 9,411,283 |
| Options to be issued under the Public Offer | Nil | Nil |
| Options to be issued under the Employee Options Offer[2] | 5,543,029 | 5,543,029 |
| Options to be issued under the Executive Options Offer[3] | 9,559,588 | 9,559,588 |
| Options to be issued to the Lead Manager | 3,132,308[4,6] | 3,292,308[5,6] |
| **Total Options on issue on completion of the Offers** | **27,646,208** | **27,806,208** |

Notes:

1. Options exercisable at $0.25 each, on or before 15 July 2025, held by Mohan Jesudason (Chief Executive Offer) and Keith Jelley (Chief Operating Officer and Joint Company Secretary). Refer to Section 11.3 for the full terms and conditions of the Existing Options.
2. Options exercisable, subject to the satisfaction of vesting conditions, at $0.3575 each, on or before the date that is four years from the date of issue of the Options, to be issued to employees of the Company (including the Directors) under the Employee Options Offer as an incentive component of their remuneration. Refer to Section 11.4 for the full terms and conditions of the Employee Options.
3. Options exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options, to be issued to Mohan Jesudason (Chief Executive Offer) and Keith Jelley (Chief Operating Officer and Joint Company Secretary) under the Executive Options Offer as an incentive component of their remuneration. Refer to Section 11.4 for the full terms and conditions of the Executive Options.
4. Comprising 1,566,154 Options exercisable at $0.25 each, on or before the date that is three years from the date of issue of the Options (**Tranche 1 Options**) and 1,566,154 Options exercisable at $0.3125 each, on or before the date that is three years from the date of issue of the Options (**Tranche 2 Options**) to be issued to the Lead Manager assuming the Minimum Subscription is raised.
5. Comprising 1,646,154 Tranche 1 Options and 1,646,154 Tranche 2 Options to be issued to the Lead Manager assuming the Maximum Subscription is raised.
6. Refer to Sections 10.1.1 and 11.5 for further detail relating to the Lead Manager Mandate and the full terms and conditions of the Lead Manager Options (respectively).

## 6.18. SUBSTANTIAL SHAREHOLDERS

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offers are set out in the respective tables below.

### AS AT THE DATE OF THE PROSPECTUS

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Super Properties Pty Ltd[1] | 27,738,780 | Nil | 25.7 | 23.6 |
| Mazzara Succession Pty Ltd ATF Mazzara Trust | 16,736,415 | Nil | 15.5 | 14.2 |
| M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust[2] | 10,810,152 | 7,058,462 | 10.0 | 15.2 |
| Andrew Greig | 9,689,623 | Nil | 9.0 | 8.2 |
| Azimbo Investments Pty Limited ATF Azimbo Family Trust[3] | 3,603,384 | 2,352,821 | 3.3 | 5.1 |

Notes:

1. Comprising:
   a. 19,441,890 Shares held by Super Properties Pty Ltd ATF Shayne Smyth Trust;
   b. 5,563,774 Shares held by Perle Ventures Pty Ltd ATF 877 Cap Investments No 2; and
   c. 2,733,116 Shares held by Perle Ventures Pty Ltd ATF PV Investments 3.
2. An entity controlled by Mohan Jesudason.
3. An entity controlled by Keith Jelley.

## ON COMPLETION OF THE ISSUE OF SHARES UNDER THE PUBLIC OFFER WITH MINIMUM SUBSCRIPTION AND OPTIONS UNDER THE SECONDARY OFFERS (ASSUMING NO EXISTING SUBSTANTIAL SHAREHOLDER SUBSCRIBES AND RECEIVES ADDITIONAL SHARES PURSUANT TO THE PUBLIC OFFER)

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Super Properties Pty Ltd[1] | 27,738,780 | Nil | 21.0 | 17.4 |
| Mazzara Succession Pty Ltd ATF Mazzara Trust[2] | 16,736,415 | Nil | 12.7 | 10.5 |
| M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust[3] | 10,810,152 | 14,228,153 | 8.2 | 15.7 |
| Andrew Greig[4] | 9,689,623 | Nil | 7.3 | 6.1 |
| Azimbo Investments Pty Limited ATF Azimbo Family Trust[5] | 3,603,384 | 4,742,718 | 2.7 | 5.2 |

Notes:

1. Comprising:
   a. 19,441,890 Shares held by Super Properties Pty Ltd ATF Shayne Smyth Trust;
   b. 5,563,774 Shares held by Perle Ventures Pty Ltd ATF 877 Cap Investments No 2; and
   c. 2,733,116 Shares held by Perle Ventures Pty Ltd ATF PV Investments 3.

   The Company notes that it has agreed to allocate 1,317,840 Shares to Super Properties Pty Ltd and its associated entities under the Chairman's List Offer as such, the maximum interest which may be held by these parties (assuming they subscribe for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Minimum Subscription is raised) is 22.0% (on an undiluted basis) as set out in Section 4.4.4.
2. The Company notes that it has agreed to allocate 523,600 Shares to Mazzara Succession Pty Ltd ATF Mazzara Trust (**Mazzara**) under the Chairman's List Offer as such, the maximum interest which may be held by Mazzara (assuming it subscribes for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Minimum Subscription is raised) is 13.1% (on an undiluted basis) as set out in Section 4.4.4.
3. An entity controlled by Mohan Jesudason.
4. The Company notes that it has agreed to allocate 2,000,000 Shares to Andrew Greig (**Greig**) under the Chairman's List Offer as such, the maximum interest which may be held by Greig (assuming it subscribes for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Minimum Subscription is raised) is 8.8% (on an undiluted basis) as set out in Section 4.4.4.
5. An entity controlled by Keith Jelley.

## ON COMPLETION OF THE ISSUE OF SHARES UNDER THE PUBLIC OFFER WITH MAXIMUM SUBSCRIPTION AND OPTIONS UNDER THE SECONDARY OFFERS (ASSUMING NO EXISTING SUBSTANTIAL SHAREHOLDER SUBSCRIBES AND RECEIVES ADDITIONAL SHARES PURSUANT TO THE PUBLIC OFFER)

| SHAREHOLDER | SHARES | OPTIONS | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Super Properties Pty Ltd[1] | 27,738,780 | Nil | 19.8 | 16.5 |
| Mazzara Succession Pty Ltd ATF Mazzara Trust[2] | 16,736,415 | Nil | 11.9 | 10.0 |
| M & M Jesudason Co Pty Ltd ATF Jesudason Family Trust[3] | 10,810,152 | 14,228,153 | 7.7 | 14.9 |
| Andrew Greig[4] | 9,689,623 | Nil | 6.9 | 5.8 |
| Azimbo Investments Pty Limited ATF Azimbo Family Trust[5] | 3,603,384 | 4,742,718 | 2.6 | 5.0 |

Notes:

1. Comprising:
   a. 19,441,890 Shares held by Super Properties Pty Ltd ATF Shayne Smyth Trust;
   b. 5,563,774 Shares held by Perle Ventures Pty Ltd ATF 877 Cap Investments No 2; and
   c. 2,733,116 Shares held by Perle Ventures Pty Ltd ATF PV Investments 3.

   The Company notes that it has agreed to allocate 1,317,840 Shares to Super Properties Pty Ltd and its associated entities under the Chairman's List Offer as such, the maximum interest which may be held by these parties (assuming they subscribe for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Maximum Subscription is raised) is 20.7% (on an undiluted basis) as set out in Section 4.4.4.

2. The Company notes that it has agreed to allocate 523,600 Shares to Mazzara under the Chairman's List Offer as such, the maximum interest which may be held by Mazzara (assuming it subscribes for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Maximum Subscription is raised) is 12.3% (on an undiluted basis) as set out in Section 4.4.4.
3. An entity controlled by Mohan Jesudason.
4. The Company notes that it has agreed to allocate 2,000,000 Shares to Andrew Greig (**Greig**) under the Chairman's List Offer as such, the maximum interest which may be held by Greig (assuming it subscribes for the maximum number of Shares agreed to be allocated under the Chairman's List Offer and the Maximum Subscription is raised) is 8.3% (on an undiluted basis) as set out in Section 4.4.4.
5. An entity controlled by Keith Jelley.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

## 6.19. RESTRICTED SECURITIES

Subject to the Company being admitted to the Official List and completing the Public Offer, certain Securities will be classified by the ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

While the ASX has not yet confirmed the final escrow position applicable to the Company's Shareholders, the Company anticipates that the following Securities will be subject to ASX imposed escrow:

a. 69,411,183 Shares;

b. 7,058,462 Options on issue;

c. 5,543,029 Options to be issued under the Employee Options Offer

d. 9,559,588 Options to be issued under the Executives Options Offer; and

e. up to 3,292,308 Options to be issued to the Lead Manager (assuming the Maximum Subscription is raised under the Public Offer).

The number of Securities that are subject to ASX imposed escrow are at the ASX's discretion in accordance with the ASX Listing Rules and underlying policy. The above is a good faith estimate of the Securities that are expected to be subject to ASX imposed escrow.

In addition to ASX imposed escrow, a number of Shareholders have entered into voluntary escrow deeds with the Company in connection with the Public Offer and in connection with the employee share scheme (**ESS**) start-up concession. 17,033,441 Shares held by certain substantial Shareholders of the Company (being 12.9% of the total number of Shares that will be on issue assuming the Minimum Subscription is raised under the Public Offer) will be held under voluntary escrow until 28 February 2022 (for the avoidance of doubt, none of these Shares are expected to be subject to ASX escrow). 17,747,156 Shares held by employees of the Company (including, key management personnel and Directors) (being 13.4% of the total number of Shares that will be on issue assuming the Minimum Subscription is raised under the Public Offer) will be subject to voluntary escrow until the date that is three years from the date of issue of those Shares (**Employee Voluntary Escrow Shares**). The Company notes that the Employee Voluntary Escrow Shares held by related parties or promoters of the Company are also expected to be subject to ASX escrow for a period of two years from the date of Official Quotation (and so have been included in the ASX escrow figures stated above).

The primary purposes of the substantial Shareholder voluntary escrow arrangements entered into in connection with the Public Offer are to align the interests of the holders that are subject to escrow with those incoming investors under the Public Offer and promote an orderly market for the Company Shares following completion of the Public Offer.

The primary purpose of the employee voluntary escrow arrangements is to satisfy the Company's requirements under the employee share scheme (**ESS**) start-up concession which, amongst other things, require employees to hold the ESS interests (in this case, Shares) for a minimum of three years from the date of issue of the Shares.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Shares commencing trading on the ASX (which admission is subject to the ASX's discretion and approval).

## 6.20. ADDITIONAL INFORMATION

Prospective investors are referred to and encouraged to read in its entirety both:

a. the Intellectual Property Report in Annexure A for further details about the Company's intellectual property; and

b. the Investigating Accountant's Report in Annexure B for further details about the Company's pro-forma financial information to 31 December 2020 and for further details in respect to the financial position of the Company.

## 6.21. DIVIDEND POLICY

The Company anticipates that significant expenditure will be incurred in the expansion of the Business. These activities are expected to dominate at least, the first two-year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors. It will depend on the availability of distributable earnings, operating results, the financial condition of the Company, support for growth initiatives, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

Section 7

# FINANCIAL INFORMATION

# SECTION 7. FINANCIAL INFORMATION

## 7.1. BACKGROUND

X2M was incorporated on 9 December 2019 for the purpose of acquiring the assets of Freestyle; a consolidated group of companies which owned technology patents and had an operating business of providing hardware and software to enable utility monitoring and control (amongst other applications).

Pursuant to the Asset Sale Agreement between X2M and the liquidator of Freestyle (refer to the summary set out in Section 10.2), X2M acquired 100% of the issued share capital of subsidiary companies within Freestyle (the **X2M Subsidiary Group**), intellectual property and other assets of Freestyle on 26 February 2020 (the **Acquisition**). The group of companies following the Acquisition, including X2M Connect Limited and the X2M Subsidiary Group, is referred to as the **X2M Group**.

## 7.2. INTRODUCTION

The financial information set out in this Section 7 includes the following:

a. Pro-forma statement of profit or loss and other comprehensive income of the X2M Group for the years ended 30 June 2019 (FY2019), 30 June 2020 (FY2020) and for the six months ended 31 December 2020 (HY2021), after adjustments made to remove certain one-off charges, annualise X2M Connect head office costs for FY2019 and FY2020, and apply estimated annual public listed company costs as if they had been in place as at 1 July 2018; and

b. Pro-forma statement of financial position of the X2M Group at 31 December 2020 and supporting notes which includes the Pro-forma adjustments and capital raising including the Public Offer;

together referred to as the '**Pro-forma Financial Information**'.

The Pro-forma Financial Information should be read together with the other information contained in this Prospectus, including:

a. management's discussion and analysis set out in Section 7.6;

b. the Historical Financial Information set out in Section 7.8;

c. the risk factors described in Section 8;

d. the Investigating Accountants Report set out in Annexure B; and

e. the other information contained in this Prospectus.

Investors should also note that historical results are not a guarantee of future performance.

## 7.3. FORECAST FINANCIAL INFORMATION

There are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this bases, and after considering ASIC Regulatory Guide 170, the Directors do not believe they have a reasonable basis to reliably forecast future earnings and accordingly forecast financials are not included in this Prospectus.

## 7.4. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION AND PRO-FORMA FINANCIAL INFORMATION

The Historical Financial Information and Pro-forma Financial Information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (**IFRS**), issued by the International Accounting Standards Board (**IASB**). The Directors are not aware of any reconciliatory differences between the application of IFRS and the Australian equivalents to International Financial Reporting Standards (**AIFRS**) which require disclosure within this financial information section.

The Historical Financial Information and Pro-forma Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001. Significant accounting policies applied to the Historical Financial Information and Pro-forma Financial Information are provided in Annexure C. The accounting policies of X2M Connect Limited and the group entities have been consistently applied throughout the periods presented.

The X2M Subsidiary Group historical aggregated statement of profit and loss and other comprehensive income has been audited by Grant Thornton for the periods FY2019 and FY2020. The X2M Group consolidated financial statements for the period 9 December 2019 to 30 June 2020 were audited by Grant Thornton. The HY2021 period has been reviewed by Grant Thornton. An unqualified audit and review opinion (as the case may be) was issued for each of those periods but each included an emphasis of matter on material uncertainty around going concern.

Additional commentary on the preparation of Historical Financial Information and Pro-forma Financial Information is provided in Section 7.8.

All amounts disclosed in this section are presented in Australian Dollars unless otherwise noted.

## 7.5. PRO-FORMA STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS

The Company was incorporated on 9 December 2019 and acquired the X2M Subsidiary Group on 26 February 2020. Therefore, the Pro-forma statement of profit or loss and other comprehensive income is based on:

a. For the year ended 30 June 2019; the audited aggregated financial statements of the X2M Subsidiary Group for the year;

b. For the year ended 30 June 2020; the audited aggregated financial statements of the X2M Subsidiary Group and the audited consolidated financial statements of the Company for the year; and

c. For the half year ended 31 December 2020; the reviewed consolidated financial statements of the Company for the half year,

after eliminating intercompany transactions between those companies and making such other adjustments as are necessary to remove certain one-off charges, annualise X2M head office costs for FY2020 and apply estimated annual public listed company costs as if they had been in place as at 1 July 2018.

# SECTION 7. FINANCIAL INFORMATION

The table below presents the summarised pro-forma historical statement of profit or loss and other comprehensive income for FY2019, FY2020 and HY2021 for the X2M Group.

| $'000s | PRO-FORMA X2M GROUP YEAR ENDED 30 JUNE 2019 | PRO-FORMA X2M GROUP YEAR ENDED 30 JUNE 2020 | PRO-FORMA X2M GROUP SIX MONTHS ENDED 31 DECEMBER 2020 |
|---|---|---|---|
| Revenue | 2,230 | 3,126 | 3,192 |
| Other income | 414 | 414 | 133 |
| **Total revenue and other income** | **2,644** | **3,540** | **3,325** |
| Cost of sales | (968) | (1,802) | (2,184) |
| Employee benefits expense | (3,484) | (3,606) | (2,097) |
| Depreciation and amortisation expense | (901) | (913) | (616) |
| Telephone expenses | (183) | (197) | (99) |
| Short-term lease expenses | (280) | (355) | (41) |
| Other expenses | (1,894) | (1,475) | (149) |
| Professional fees | (1,070) | (1,049) | (544) |
| Finance costs | (308) | (56) | (4) |
| **Total expenses** | **(9,088)** | **(9,453)** | **(5,734)** |
| **Loss before income tax expense** | **(6,444)** | **(5,913)** | **(2,409)** |
| Income tax expense | (1) | – | (71) |
| **Loss after income tax expense** | **(6,445)** | **(5,913)** | **(2,480)** |
| Other comprehensive income/(loss) | 32 | (328) | (37) |
| **Total comprehensive loss** | **(6,413)** | **(6,241)** | **(2,517)** |

Set out below is a reconciliation of the pro-forma net loss after tax to the statutory profit/(loss) after tax for FY2019, FY2020 and HY2021.

| $'000s | NOTES | PRO-FORMA X2M GROUP YEAR ENDED 30 JUNE 2019 | PRO-FORMA X2M GROUP YEAR ENDED 30 JUNE 2020 | PRO-FORMA X2M GROUP SIX MONTHS ENDED 31 DECEMBER 2020 |
|---|---|---|---|---|
| Statutory profit/(loss) after income tax expense | 1 | (3,596) | 8,872 | (2,327) |
| X2M Subsidiary Group adjustment | 2 | – | (12,181) | – |
| Net loss from X2M Connect Limited | 3 | – | (612) | – |
| Remove one-off items | 4 | 171 | 163 | 231 |
| Annualise X2M Connect Limited net operating costs | 5 | (2,192) | (1,327) | – |
| Estimated annual public listed company costs | 6 | (828) | (828) | (384) |
| **Pro-forma net loss after income tax expense** | | **(6,445)** | **(5,913)** | **(2,480)** |

Notes on Pro-forma net loss after income tax expense adjustments:

1. Data in the 30 June 2019 and 30 June 2020 columns represents the total comprehensive income/(loss) from the audited aggregated X2M Subsidiary Group. Data in the 31 December 2020 column represents the reviewed X2M Group total comprehensive loss.
2. Accounting adjustment: removal of non-cash benefit of intercompany loan treatment upon sale of subsidiaries to X2M Connect Limited.
3. X2M net loss for the period between 9 December 2019 and 30 June 2020.
4. Removal of one-off items including loss from embedded derivatives on convertible notes, job keeper subsidy, Public Offer and listing associated costs and other minor expenditures that will not be part of operating results going forward.
5. Annualisation of X2M operating costs, net of R&D benefits, to reflect a full financial year of operation.
6. Estimated annual public listed company costs include remuneration for Directors, company secretary services and other related costs and are based on the estimated annual amounts expected to be incurred following completion of the Offers and listing on the ASX.

## 7.6. MANAGEMENT DISCUSSION AND ANALYSIS

The following comments are made with respect to the summarised pro-forma historical statement of profit or loss and other comprehensive income in Section 7.5:

a. The acceleration in revenue growth in HY2021 was largely driven by increased deployments in South Korea and contributions from our recent entry into the China market in Beijing. The number of customers increased from 25 customers at the end of FY2020 to 34 customers as at 30 April 2021, which assisted this revenue growth.

b. There is a consequential increase in the costs of sales and in some employee benefits expense related costs.

c. Administration costs are down significantly through reductions associated with insourcing of accounting functions in South Korea and Taiwan coupled with the Covid-19 impacts on travel.

d. Other income includes consistent income from the R&D rebate across all years.

e. Finance costs are reduced as long-term supplier financing in South Korea has completed.

## 7.7. HISTORICAL AND PRO-FORMA STATEMENT OF FINANCIAL POSITION

The table below sets out:

a. the reviewed historical statement of financial position of the X2M Group at 31 December 2020;

b. the pro-forma adjustments that have been made to it (further described in Section 7.7.1; and

c. the pro-forma consolidated statement of financial position as at 31 December 2020 at Minimum and Maximum Subscription under the Public Offer.

The pro forma statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of X2M Connect Limited's view of its future financial position.

# SECTION 7. FINANCIAL INFORMATION

| $'000s | NOTES | X2M GROUP 31 DECEMBER 2020 | PRO-FORMA ADJUSTMENTS (MINIMUM SUBSCRIPTION) | PRO-FORMA MINIMUM SUBSCRIPTION | PRO-FORMA ADJUSTMENTS (INCREMENTAL MAXIMUM SUBSCRIPTION) | PRO-FORMA MAXIMUM SUBSCRIPTION |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | 1, 2, 3, 5, 11, 12 | 487 | 8,500 | 8,987 | 1,880 | 10,867 |
| Trade and other receivables | | 693 | – | 693 | – | 693 |
| Contract assets | | 900 | – | 900 | – | 900 |
| Inventories | | 757 | – | 757 | – | 757 |
| Other assets | | 701 | – | 701 | – | 701 |
| **Total Current Assets** | | **3,538** | **8,500** | **12,038** | **1,880** | **13,918** |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment and right of use assets | | 1,083 | – | 1,083 | – | 1,083 |
| Intangibles | | 2,154 | – | 2,154 | – | 2,154 |
| Other assets | | 104 | – | 104 | – | 104 |
| **Total Non-Current Assets** | | **3,341** | **–** | **3,341** | **–** | **3,341** |
| **Total Assets** | | **6,879** | **8,500** | **15,379** | **1,880** | **17,259** |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Trade and other payables | | 2,745 | – | 2,745 | – | 2,745 |
| Contract liabilities | | 55 | – | 55 | – | 55 |
| Borrowings | 1, 3, 4, 5, 10 | 6,286 | (6,286) | – | – | – |
| Lease liabilities | | 142 | – | 142 | – | 142 |
| Derivative financial instruments | 4 | 143 | (143) | – | – | – |
| Employee benefits | | 329 | – | 329 | – | 329 |
| Provisions | | 58 | – | 58 | – | 58 |
| **Total Current Liabilities** | | **9,758** | **(6,429)** | **3,329** | **–** | **3,329** |
| **Non-Current Liabilities** | | | | | | |
| Lease liabilities | | 164 | – | 164 | – | 164 |
| Deferred tax | | 417 | – | 417 | – | 417 |
| Employee benefits | | 268 | – | 268 | – | 268 |
| **Total Non-current Liabilities** | | **849** | **–** | **849** | **–** | **849** |
| **Total Liabilities** | | **10,607** | **(6,429)** | **4,178** | **–** | **4,178** |
| **Net Assets/(Deficiency)** | | **(3,728)** | **14,929** | **11,201** | **1,880** | **13,081** |
| **Equity** | | | | | | |
| Contributed equity | 2, 4, 6, 10, 11, 12 | – | 17,381 | 17,381 | 1,880 | 19,261 |
| Reserves | 7, 8, 9 | (13) | 1,995 | 1,982 | 12 | 1,994 |
| Accumulated losses | 4, 7, 8, 9, 12 | (3,715) | (4,447) | (8,162) | (12) | (8,174) |
| **Total Equity** | | **(3,728)** | **14,929** | **11,201** | **1,880** | **13,081** |

### 7.7.1 Notes on Pro-forma adjustments

The following notes define the contemplated transactions and adjustments in this Prospectus which are to take place on or before the completion of the Offers and are presented as if they, together with the Offers, had occurred subsequent to 31 December 2020 and are set out below.

With the exception of the transactions noted below, no other material transactions have occurred between 31 December 2020 and the date of this Prospectus which the Directors consider require disclosure.

1. **Convertible note raising**: In January 2021, the Company completed a capital raising through the issue of convertible notes totalling $0.15 million;
2. **Pre-Public Offer capital raising**: In March, May and June 2021, the Company completed a capital raising through the issue of Shares to a value totalling $2.07 million;
3. **Pre-Public Offer convertible note raising**: In June and July 2021, the Company completed a capital raising through the issue of convertible notes totalling $2.0 million;
4. **Conversion of Convertible Notes**: On 11 March 2021, convertible notes with a face value totalling $5.5 million were converted to Shares in accordance with the terms of their issue;
5. **Loan Repayments**: Loans to the value of $0.936 million were repaid using proceeds of the pre-Public Offer capital raise.
6. **Key Employee Shares**: In February, March, June and July 2021, the Company issued 17,747,156 Shares to Directors (including, former Director Michael An), key management personnel and employees for nil consideration. The valuation of the share-based payment provided is $2.218 million.
7. **Existing Options**: In July 2021, the issue of 9,411,283 Options to Mohan Jesudason and Keith Jelley (key management personnel) for nil consideration, which Options are exercisable at $0.25 each on or before 15 July 2025. The valuation of the Options is $0.575 million.
8. **Executive Options Offer**: The issue of 9,559,588 Options to Mohan Jesudason and Keith Jelley (key management personnel) under the Executive Options Offer for nil consideration, which Options are exercisable at $0.3575 each on or before the date that is four years from the date of issue of the Options. The valuation of the Options is $1.178 million.
9. **Lead Manager Options**: the issue of Options to the Lead Manager of the Public Offer (Bell Potter) totalling 3,132,308 if the Minimum Subscription is raised or 3,292,308 if the Maximum Subscription is raised, which are split equally between two tranches, exercisable at $0.25 and $0.3125 each expiring on the date that is three years from the date of issue of the Options. The valuation of the Options is $0.242 million at Minimum Subscription and $0.254 million at Maximum Subscription.
10. **Conversion of Pre IPO convertible notes**: in accordance with the terms of issue of the Pre IPO convertible notes, immediately prior to lodgement of the Prospectus, the convertible notes on issue totalling $2.0 million were converted to 13,333,334 Shares.
11. **Public Offer**: the issue of up to 24,000,000 Shares for the Minimum Subscription and 32,000,000 Shares for the Maximum Subscription, at $0.25 per Share, amounting to $6.0 million and $8.0 million respectively.
12. **Public Offer costs**: total expenses associated with the Public Offer including Lead Manager fees, legal, accounting and administrative fees as well as printing, advertising and other miscellaneous expenses are estimated to be $0.734 million and $0.855 million (exclusive of GST) under the Minimum Subscription and Maximum Subscription respectively. $0.327 million of the Public Offer costs are expensed and the balance is capitalised.

### 7.7.2 Pro forma cash and cash equivalents

X2M Group expects that it will have sufficient cash to fund its operational requirements and business objectives following the Public Offer.

**AUDITED AND PRO-FORMA CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2020**

| $'000 | NOTES | TOTAL CASH AND CASH EQUIVALENTS |
|---|---|---|
| X2M Group audited cash and cash equivalents as at 31 December 2020 | | 487 |
| Convertible note raise | 1 | 150 |
| Pre IPO capital raise | 2 | 2,070 |
| Pre IPO convertible note raise | 3 | 2,000 |
| Repayment of borrowings | 5 | (936) |
| Interest, establishment and other charges | | (50) |
| Public Offer (Minimum Subscription) | 11 | 6,000 |
| Public Offer costs (Minimum Subscription) | 12 | (734) |
| **Pro-forma cash and cash equivalents (Minimum Subscription)** | | **8,987** |
| Public Offer (Maximum Subscription) | 11 | 2,000 |
| Public Offer costs (additional brokerage fee at Maximum Subscription) | 12 | (120) |
| **Pro-forma cash and cash equivalents (Maximum Subscription)** | | **10,867** |

## 7.8. HISTORICAL FINANCIAL INFORMATION

The financial information set out in this Section 7.8 includes the following:

a. Summary of the audited statement of profit and loss and other comprehensive income of the aggregated X2M Subsidiary Group for the years ended 30 June 2019 and 30 June 2020;

b. Summary of the audited statutory statement of profit and loss and other comprehensive income of the X2M Group for the period 9 December 2019 to 30 June 2020;

c. Summary of the reviewed statutory statement of profit and loss and other comprehensive income of the X2M Group for the half year ended 31 December 2020;

d. Summary of the pro-forma cashflow of the X2M Subsidiary Group for the years ended 30 June 2019 and 30 June 2020;

e. Summary of the audited statutory cashflow of the X2M Group for the period 9 December 2019 to 30 June 2020;

f. Summary of the reviewed statutory cashflow of the X2M Group for the half year ended 31 December 2020;

g. Summary of the audited statutory balance sheet of the X2M Group as at 30 June 2020; and

h. Summary of the reviewed statutory balance sheet of the X2M Group as at 31 December 2020;

together referred to as the **Historical Financial Information**.

## Additional commentary on the preparation of the Historical Financial Information and the Pro-forma Financial Information

The historical financial statements of foreign subsidiaries of the X2M Group were prepared in their respective local currencies in accordance with IFRS. For the purposes of the prospectus and the disclosure in this financial information and to reflect the functional and presentational currency that X2M Connect Limited will report in going forward as an ASX listed company, the Historical Financial Information and Pro-forma Financial Information has been translated to Australian Dollars (AUD).

The Historical and Pro-forma Financial Information presented in this section includes a consolidation of the following entities historical financial performance:

a. X2M Connect Limited;

b. Freestyle Energy Two Pty Ltd (Australia);

c. Freestyle Technology (Taiwan) Limited (Taiwan);

d. Freestyle Technology Co., Ltd (South Korea);

e. Freestyle Technology Japan KK (Japan);

f. Golden Sino Hong Kong Limited (China);

g. Freestyle Technology (China) Co., Ltd (Shanghai, China); and

h. Beijing Freestyle Technology Co., Ltd (Beijing, China).

## Basis of preparation of the Historical Financial Information and Pro-forma Financial Information

The historical statement of profit or loss and other comprehensive income for the X2M Subsidiary Group is prepared on an aggregated basis for FY2019 and FY2020.

The historical statement of profit or loss and other comprehensive income for the X2M Group is prepared on a consolidated basis for the period from 9 December 2019 to 30 June 2020 (subsidiaries included from 26 February 2020) and for the half year ended 31 December 2020.

The pro-forma consolidated statement of profit or loss and other comprehensive income and statement of cashflows for FY2020 has been prepared on a consolidated basis including X2M Connect Limited (adjusted for annualisation) and its wholly owned subsidiaries for the whole period.

The historical and pro-forma consolidated statement of profit or loss and other comprehensive income and statement of cashflows HY2021 has been prepared on a consolidated basis including X2M Connect Limited and its wholly owned subsidiaries for the whole period.

## Foreign exchange rates applied to the Historical Financial Information and Pro-forma Financial Information

The average and spot exchange rates used for the translation of the Historical Financial Information and the Pro-forma Financial Information have been set out below:

| | HY2021 | | FY2020 | |
|---|---|---|---|---|
| EXCHANGE RATE | AVERAGE | SPOT | AVERAGE | SPOT |
| AUD/TWD (Taiwanese dollar) | 20.89 | 21.60 | 20.43 | 20.25 |
| AUD/KRW (South Korean won) | 832.82 | 834.39 | 802.80 | 826.04 |
| AUD/JPY (Japanese yen) | 72.97 | 79.43 | 72.60 | 74.13 |
| AUD/HKD (Hong Kong dollar) | 6.00 | 5.96 | 5.23 | 5.33 |
| AUD/RMB (Chinese yuan) | 4.80 | 5.02 | 4.72 | 4.86 |

The Historical Financial Information and Pro-forma Financial Information has been translated to Australian dollars for the purposes of the disclosure of this financial information in the Prospectus. No other adjustments have been made to the Historical Financial Information other than adjustments to the Aggregated X2M Subsidiary Group cash flows.

The Directors are responsible for the inclusion of all financial information in this Prospectus. Investors should note that historical financial performance is not a guide for future financial performance.

The Historical Financial Information and Pro-forma Financial Information has been reviewed by Grant Thornton Corporate Finance Pty Ltd, whose Investigating Accountants Report is contained in Annexure B of the Prospectus. Investors should note the scope and limitations of that report. The information in this section should also be read in conjunction with the risk factors set out in Section 8 and other information contained in this Prospectus.

## Historical statement of profit or loss and other comprehensive income and statement of cash flows

The Company was incorporated on 9 December 2019 and acquired the X2M Subsidiary Group on 26 February 2020. Therefore, the historical statement of profit or loss and other comprehensive income and statement of cashflows for the consolidated X2M Group are based on:

a. For the period ended 30 June 2020; the audited consolidated financial statements of the X2M Subsidiary Group and the Company for the period; and

b. For the half year ended 31 December 2020; the reviewed consolidated financial statements of the X2M Subsidiary Group and the Company for the period,

after eliminating intercompany transactions between those companies.

The historical statements of profit and loss and other comprehensive income for the X2M Subsidiary Group are based on the audited aggregated financial statements of the X2M Subsidiary Group for the years ended 30 June 2019 and 30 June 2020.

| $'000s | AGGREGATED X2M SUBSIDIARY GROUP YEAR ENDED 30 JUNE 2019 | AGGREGATED X2M SUBSIDIARY GROUP YEAR ENDED 30 JUNE 2020 | X2M GROUP YEAR ENDED 30 JUNE 2020 | X2M GROUP HALF YEAR ENDED 31 DECEMBER 2020 |
|---|---|---|---|---|
| Revenue | 2,230 | 2,880 | 1,314 | 3,192 |
| Other income | – | 12,182[1] | 180 | 413 |
| **Total revenue and other income** | **2,230** | **15,062** | **1,494** | **3,605** |
| Cost of sales | (968) | (1,802) | (552) | (2,184) |
| Employee benefits expense | (2,059) | (2,181) | (1,282) | (2,217) |
| Depreciation and amortisation expense | (803) | (814) | (386) | (616) |
| Telephone expenses | (90) | (104) | (90) | (99) |
| Short-term lease expenses | (110) | (185) | (66) | (41) |
| Other expenses | (947) | (529) | (272) | (150) |
| Professional fees | (540) | (519) | (184) | (519) |
| Finance costs | (308) | (56) | (113) | (35) |
| **Total expenses** | **(5,825)** | **(6,190)** | **(2,945)** | **(5,861)** |
| **Profit/(Loss) before income tax expense** | **(3,595)** | **8,872** | **(1,451)** | **(2,256)** |
| Income tax benefit/(expense) | (1) | – | 63 | (71) |
| **Profit/(Loss) after income tax benefit/(expense)** | **(3,596)** | **8,872** | **(1,388)** | **(2,327)** |
| Other comprehensive loss | 32 | (328) | 24 | (37) |
| **Total comprehensive income/(loss)** | **(3,564)** | **8,544** | **(1,364)** | **(2,364)** |

1. Non-cash benefit of intercompany loan treatment upon sale of X2M Subsidiary Group to X2M.

# SECTION 7. FINANCIAL INFORMATION

| $'000s | PRO-FORMA AGGREGATED X2M SUBSIDIARY GROUP YEAR ENDED 30 JUNE 2019 | PRO-FORMA AGGREGATED X2M SUBSIDIARY GROUP YEAR ENDED 30 JUNE 2020 | X2M GROUP PERIOD ENDED 30 JUNE 2020 | X2M GROUP HALF YEAR ENDED 31 DECEMBER 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash receipts from customers and other sources | 1,457[1] | 3,452[1] | 1,419 | 3,899 |
| Payments to suppliers and employees | (5,424)[1] | (5,595)[1] | (2,325) | (4,881) |
| **Net cash used in operating activities** | **(3,967)** | **(2,143)** | **(906)** | **(982)** |
| **Cash flows from investing activities** | | | | |
| Payments for intangibles | | | (258) | (536) |
| Payment for purchase of business, net of cash acquired | | | (2,825) | – |
| **Net cash used in investing activities** | | | **(3,083)** | **(536)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from convertible notes | | | 4,200 | 1,150 |
| Proceeds from borrowings | | | 113 | 652 |
| Repayment of lease liabilities | | | (19) | (67) |
| **Net cash from financing activities** | | | **4,294** | **1,735** |
| Net increase in cash and cash equivalents | | | 305 | 217 |
| Cash and cash equivalents at the beginning of the financial period | | | – | 302 |
| Effects of exchange rate changes on cash and cash equivalents | | | (3) | (32) |
| **Cash and cash equivalents at the end of the financial period** | | | **302** | **487** |

1. Aggregated cash flows are derived from profit and loss values coupled with starting and ending accounts receivable and accounts payable.

Greyed out data is not available as this is an aggregation of entities.

## Historical statement of financial position

The table below presents the statement of financial position as at FY2020 and HY2021 for the X2M Group respectively.

| | AUDITED | REVIEWED |
|---|---|---|
| $'000s | 30 JUNE 2020 | 31 DECEMBER 2020 |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 302 | 487 |
| Trade and other receivables | 521 | 693 |
| Contract assets | 438 | 900 |
| Inventories | 269 | 757 |
| Other assets | 639 | 701 |
| **Total Current Assets** | **2,169** | **3,538** |
| **Non-Current Assets** | | |
| Property, plant and equipment and right of use assets | 1,307 | 1,083 |
| Intangibles | 1,761 | 2,154 |
| Other assets | 256 | 104 |
| **Total Non-Current Assets** | **3,324** | **3,341** |
| **Total Assets** | **5,493** | **6,879** |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Trade and other payables | 1,108 | 2,745 |
| Contract liabilities | 8 | 55 |
| Borrowings | 4,484 | 6,286 |
| Lease liabilities | 63 | 142 |
| Derivative financial instruments | 112 | 143 |
| Employee benefits | 266 | 329 |
| Provisions | 88 | 58 |
| **Total Current Liabilities** | **6,129** | **9,758** |
| **Non-Current Liabilities** | | |
| Lease liabilities | 64 | 164 |
| Deferred tax | 346 | 417 |
| Employee benefits | 318 | 268 |
| **Total Non-current Liabilities** | **728** | **849** |
| **Total Liabilities** | **6,857** | **10,607** |
| **Net Deficiency** | **(1,364)** | **(3,728)** |
| **Equity** | | |
| Contributed equity | – | – |
| Reserves | 24 | (13) |
| Accumulated losses | (1,388) | (3,715) |
| **Total Deficiency in Equity** | **(1,364)** | **(3,728)** |

Section 8

# RISK FACTORS

## 8.1. INTRODUCTION

The Securities offered under this Prospectus should be considered as speculative and an investment in the Company is not risk free.

The future performance of the Company and the value of the Securities may be influenced by a range of factors, many of which are largely beyond the control of the Company and the Directors. The key risks that have a direct influence on the Company, its Business and activities are set out in Section 3. Those key risks as well as other risks associated with the Company's business, the industry in which it operates and general risks applicable to all investments in listed securities and financial markets generally are described below.

The risks factors set out in this Section 8, or other risk factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities. This Section 8 is not intended to provide an exhaustive list of the risk factors to which the Company is exposed.

The Directors strongly recommend that prospective investors consider the risk factors set out in this Section 8, together with all other information contained in this Prospectus.

Before determining whether to invest in the Company you should ensure that you have a sufficient understanding of the risks described in this Section 8 and all of the other information set out in this Prospectus and consider whether an investment in the Company is suitable for you, taking into account your objectives, financial situation and needs.

If you do not understand any matters contained in this Prospectus or have any queries about whether to invest in the Company, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

## 8.2. COMPANY SPECIFIC RISKS

| CATEGORY OF RISK | RISK |
|---|---|
| **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.<br><br>For those systems which the Company retains an ownership in and operates on behalf of the customer under long term agreements, or which the Company maintains under long term maintenance agreements, the Company may be made responsible if such systems are not functional or faulty. The Company may face claims from customers if its products do not meet standards that were contractually agreed upon. |
| **Disruption of key business processes risk** | The Company's business model relies on the execution of several critical business processes, 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 that measures implemented by the Company to protect against such events are ineffective.<br><br>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. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Price risks** | The price of the Company's products may be too high compared to other products, in particular within emerging markets and the APAC region where the Company operates in, where there is a high price pressure. This may lead to difficulties in the market acceptance for the Company's products, as customers may switch to cheaper products, which may require the Company to decrease prices. As a result, there could be lower operating margins. |
| **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.<br><br>The delivery of such components may be delayed, or a specific supplier may not be able to deliver at all, which may lead to a longer sales cycle or may force the Company to shift to another supplier. There is a risk that the Company could be disrupted if no alternative suppliers were able to be sought. 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. |
| **Contract non-renewal risk and key customers** | The Company's contracts with customers are generally long term contracts of several years. Further the nature of the Company's business means it contracts with relatively few but large customers. There is a risk that when these large customers reach the end of their service contracts, they will not renew the term of their contract which may materially impact the Company's expected revenue.<br><br>The Gochang Services Agreement (summarised in Section 10.3.2) is one of these contracts and will expire on 31 December 2021 (unless renewed by the parties). The Company considers the risk of the non-renewal to be low given present discussions with Gochang however, if the risk of non-renewal was to materialise, there may be an adverse impact on the Company. The Company specifically notes that Gochang contribution to revenue in FY2020 was $1.1m, HY2021 was $0.5m and its connected device count as at the date of the Prospectus is approximately 25,000. |
| **Reliance on key personnel risk** | A failure to attract and retain executive, business development, technical and other key personnel could reduce the Company's revenues and operational effectiveness. There is a continuing demand for relevant qualified personnel, and the Company believes that its future growth and success will depend upon its ability to attract, train and retain such personnel. Competition for personnel in the Company's industry is high, and there is a limited number of persons with knowledge of, and experience in, this industry. An inability to attract or maintain a sufficient number of requisite personnel could have a material adverse effect on the Company's performance or on the Company's ability to capitalise on market opportunities. |

| CATEGORY OF RISK | RISK |
|---|---|
| **New markets** | The Company will look to expand its product offerings into new markets such as India, the Philippines and or Vietnam post listing (refer to Section 6.3(b) for further detail including the proposed expansion timeline). Any efforts to enter a new market space holds the risk that the product offering does not meet the needs of the market at an acceptable price point, the product does not meet the relevant regulatory standards and or the underlying intellectual property is not registrable in the market. New markets usually cost substantially more to penetrate than a known market.<br><br>Prior to entering into a new jurisdiction, the Company undertakes a due diligence process to ensure it understands and is capable of meeting local regulatory requirements and other barriers to entry.<br><br>As at the date of this Prospectus, X2M has not yet commenced due diligence in any of the target jurisdictions of India, the Philippines or Vietnam. In the Philippines and Vietnam however early, exploratory work has previously been undertaken. In the Philippines, proof of concepts have also been conducted with two municipalities near Manila across approximately 96 residences. In Vietnam, Freestyle previously demonstrated its technology to a key Vietnamese electricity utility in the city of Danang by showing monitoring of electricity meters in various locations across the city. Based on X2M management's prior experience in entering new jurisdictions, X2M considers that the most efficient way to address the regulatory requirements and barriers to entry in these new markets is to work with a local agent or supplier who is familiar with the relevant regulations. The Company will continue to investigate these requirements as part of its engagement of a local agent or supplier.<br><br>Further, as at the date of this Prospectus, the Company is not aware of the specific barriers to entry faced when expanding its product offerings to India, the Philippines and Vietnam, having not yet conducted due diligence into these target jurisdictions. As such, the Company may be prevented from expanding into these jurisdictions, which could have an adverse impact on its activities and short to medium term growth strategy.<br><br>In addition, whilst the Company is of the view that the 2020 Foreign Investment Negative List (**Negative List**) does not apply to the existing operations in China, the Negative List may be expanded to capture the Company's activities, at which time, any expansion into China would be adversely impacted. |
| **Competition risk** | The utility industry in which the Company operates is subject to competition. 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.<br><br>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. |

# SECTION 8.

| CATEGORY OF RISK | RISK |
|---|---|
| **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 (refer to Section 6.15 for further detail), 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.<br><br>The Company recently obtained ISO 27001:2013 certification (which covers all existing jurisdictions other than China) and will look to obtain certification for its Chinese entities as soon as possible following listing. As part of the certification process, the Company is subject to an annual audit by an independent third party, which involves a review of the Company's cybersecurity and data protection measures. However, certification and an annual audit process does not offer the Company absolute protection against cyber-attacks. |
| **Liquidity and dilution risk** | There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. On completion of the Offers (assuming the Minimum Subscription is raised under the Public Offer), 69% of the issued Shares are anticipated to be subject to escrow with 31% of the issued Shares freely tradable.<br><br>Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the Public Offer and may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities. The Company may undertake offerings of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such Shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, voting power of the Company's existing Shareholders may be diluted. |

| CATEGORY OF RISK | RISK |
|---|---|
| **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. As at the date of this Prospectus, there are no legal proceedings affecting the Company and the Directors are not aware of any other legal proceedings pending or threatened against or affecting the Company.<br><br>However, the Directors advise Shareholders that legal proceedings were commenced against Freestyle (the vendor who sold the Company its assets through a liquidation sale) (refer to the summary of the Asset Sale Agreement set out in Section 10.2 for further detail) in May 2019.<br><br>The plaintiffs in those proceedings have previously indicated they wish to join the Company to the proceedings as a defendant. As at the date of this Prospectus, those proceedings are temporarily stayed given the plaintiffs have failed to comply with Court orders to provide security for the defendants' legal costs. If the stay is not lifted and the security not provided, the proceedings will be dismissed with costs on 23 September 2021.<br><br>On the assumption that the stay is lifted and the security for costs is provided, there would then need to be a contested hearing of the plaintiffs' application to join the Company to the proceedings as a defendant. The Company is not currently a defendant to any proceedings, but it may be in the future the plaintiff's application is successful. Furthermore, if the plaintiff's claims are ultimately successful (which the Company considers is very unlikely), the Company considers that the appropriate assessment of quantum is nil, and therefore the risk to the Company and Shareholders is immaterial. Following admission to the Official List, in compliance with its continuous disclosure obligations, the Company will continue to update the market with regards to the Freestyle legal proceedings and any inclusion of the Company as a defendant.<br><br>The Directors' view, based on advice, is that the Company has a strong prospect of defending the proposed claims (if the Company is joined to the proceedings) and that the plaintiffs have not suffered any relevant loss in any event. |
| **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 under the Public Offer. 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.<br><br>Further, the Company specifically notes the circumstances of Freestyle (vendor of the Company's assets, including the technology) and particularly, that notwithstanding Freestyle had been in operation for nearly 13 years before it was placed into voluntary administration in December 2019, Freestyle was not able to achieve profitability. However, the Company distinguishes itself from Freestyle for the reasons set out in Section 6.2(c). |

# SECTION 8.

| CATEGORY OF RISK | RISK |
|---|---|
| **COVID-19 risk** | The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any government or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.<br><br>In compliance with its continuous disclosure obligations, the Company will continue to update the market with regard to the impact of COVID-19 on its revenue channels and any adverse impact on the Company. If any of these impacts appear material prior to close of the Offers, the Company will notify investors under a supplementary prospectus. |
| **Intellectual property risk** | The Company has a patent portfolio of over 60 patents, which are largely built around remote programming and control of devices, autonomous decentralised logic, remote communication with devices and information transfer between machines over multiple service providers. The Company relies on laws relating to patents to assist to protect its proprietary rights.<br><br>The success of the Company's technology depends largely on the ability of the Company to protect the underlying know how, while not infringing the proprietary rights of others. Many of its inventions are protected based on a strategy of securing the underlying trade secrets – which are remote programming and control of devices, autonomous decentralised logic, remote communication with devices and information transfer between machines over multiple service providers.<br><br>There is a risk that unauthorised use or copying of the Company's software, data or platforms will occur. If the Company fails to protect its intellectual property, know-how or trade secrets, competitors may gain access to its proprietary information which could harm the Company's businesses.<br><br>There is a risk that the Company will be unable to register or otherwise protect new intellectual property it develops in the future. Competitors may be able to work around any of the applications or other intellectual property rights used by the Company, or independently develop technologies or competing products that are not covered by the Company's intellectual property rights. Further, there is no assurance that others will not be able to copy the technology. This may materially adversely impact the Company's revenue, legal expenses and profitability.<br><br>If the Company believes its intellectual property rights have been infringed, it may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of the Company's rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel. |
| **Personal information collation risk** | The Company collects, stores and processes highly sensitive, highly regulated and confidential information. The provision of secure and reliable information storage and processing services is integral to the businesses and operations of the Company in the utility management industry. While the Company has in place strict policies and procedures when collecting data, if the Company's systems or data is compromised for any reason there is a risk that the Company may become involved in legal action due to breaching data confidentiality agreements. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Sales cycle** | It takes considerable time for the Company's customers to evaluate, test and make a final decision about the purchase of its technology solution. The Company mainly deals with large corporations and municipal organisations, which are subject to certain formal administrative procedures and requirements which increase the time required for approval of a transaction and/or sale. |
| **Legal title to intellectual property risk** | On 26 February 2020, the Company, Freestyle and liquidators of Freestyle entered into the Asset Sale Agreement under which Freestyle agreed to sell certain assets to the Company and novate certain contracts to the Company.<br><br>Whilst completion of the sale under the Asset Sale Agreement occurred on 26 February 2020, there has been a delay in transferring legal title to some of the assets to the Company, specifically, a number of patents. If the intellectual property rights of the Company are infringed before the intellectual property is registered in the Company's name, the Company may have limited recourse to enforce its legal and beneficial rights to the intellectual property, which may have an adverse effect on the Company and its operations.<br><br>For further information relating to the legal and beneficial ownership of the Company's intellectual property, please refer to the Intellectual Property Report annexed to this Prospectus at Annexure A. |
| **South Korean lease** | The Company, via its wholly owned South Korean subsidiary Freestyle Technology Co., Ltd, has leased part of a building located in the Seoul Digital National Industrial Complex for use as its head office.<br><br>Whilst the Company has entered into a lease for the office, at the date of this Prospectus, the Company has not entered into an occupancy agreement with the relevant management agency of the industrial complex.<br><br>Under the South Korean Industrial Cluster Development and Factory Establishment Act (**South Korean Act**), a company that wishes to lease part of a building located in an industrial complex is required to execute an occupancy agreement with the management agency of the industrial complex. The Company is in the process of entering into an occupancy agreement as required under the South Korean Act. Until such time as the process is completed, there is a risk that the Company may be sanctioned for failing to have the occupancy agreement in place in accordance with applicable laws. |
| **Asset Sale Agreement risk** | As set out above and in Section 10.2, the Company and Freestyle have entered into the Asset Sale Agreement under which completion occurred on 26 February 2020. Notwithstanding completion occurring, as at the date of this Prospectus, the transfer of legal title to certain assets acquired under the Asset Sale Agreement from Freestyle to the Company including a number of patents as outlined in the Intellectual Property Report in Annexure A has not been completed. As such, until such time as the Company is recorded as legal owner of those assets, the Company may have limited recourse to enforce its legal and beneficial rights to the assets. Furthermore, there are risks that other matters unknown at this time may arise related to the Asset Sale Agreement. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Going concern risk** | The X2M Subsidiary Group historical aggregated statement of profit and loss and other comprehensive income has been audited by Grant Thornton for the periods FY2019 and FY2020. The X2M Group consolidated financial statements for the period 9 December 2019 to 30 June 2020 were audited by Grant Thornton. The HY2021 period has been reviewed by Grant Thornton. An unqualified audit and review opinion (as the case may be) was issued for each of those periods but each included an emphasis of matter on material uncertainty around going concern.<br><br>Notwithstanding the 'going concern' qualification included in the reports for these periods, the Directors believe that upon the successful completion of the Public Offer, the Company will have sufficient funds to adequately meet the Company's current operational commitments and short-term working capital requirements. In the event that the Public Offer is not completed successfully there is significant uncertainty as to whether the Company can continue as a going concern, and which is likely to have a material adverse effect on the Company's activities. |

## 8.3. INDUSTRY SPECIFIC RISKS

| CATEGORY OF RISK | RISK |
|---|---|
| **Infrastructure and technology failure** | The Company relies on its infrastructure and technology to provide its customers with a highly reliable service. There may be a failure to deliver this level of service as a result of numerous factors, including human error, power loss, equipment failure, improper maintenance including by landlords and security breaches. Service interruptions, regardless of their cause, may cause contractual and other losses to the Company. |
| **Technology risk** | The Company's market involves rapidly evolving products and technological change. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products, services and technologies developed by others may render the Company's products and services obsolete or non-competitive. |
| **Security risk** | As with all technology companies, the Company is reliant on the security of its products and associated technologies. Breaches of security could impact customer satisfaction and confidence in its products, and some breaches, including cyber-attacks, could render the services and related products unavailable through a disrupted denial of service or other disruption. Unavailability of the Company's services could impact the Company's financial performance. Further, it could hinder the Company's ability to retain existing customers. |

| CATEGORY OF RISK | RISK |
|---|---|
| **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.<br><br>The Company intends to expand its operations into target jurisdictions in the short to medium term (including the Philippines, India and Vietnam). Further regulatory approvals may be required to expand into these 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 Prospectus, 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. |

## 8.4. GENERAL RISKS

| CATEGORY OF RISK | RISK |
|---|---|
| **Operational risks** | While the Company implements measures and procedures to manage operational risk, the Company's profitability will continue to be subject to a variety of strategic and business decisions (including any future operational risks arising from inadequate or failed internal processes, people and systems, or external events) including:<br>• fraud and other dishonest activities;<br>• workplace safety;<br>• compliance and regulatory risk;<br>• business continuity and crisis management;<br>• key person and personnel risk;<br>• information systems integrity; and<br>• outsourcing risk. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Contractual disputes** | There are a number of risks associated with contracts or arrangements entered into by the Company, including the risk that those contracts or arrangements may contain unfavourable provisions, or be terminated, lost or impaired, or renewed on less favourable terms. There is a risk that the business could be disrupted in situations where there is a disagreement or dispute in relation to a term of the contract or arrangement. Should such a disagreement or dispute occur, this may have an adverse impact on the Company's operations and performance generally. It is not possible for the Company to predict or protect itself against all such risks. Material contracts entered into by the Company are summarised in Section 10.<br><br>Further, from time to time, as part of its Business, the Company has entered and will continue to enter into contracts which are be governed by the laws of countries other than Australia. Should a contractual dispute result in court action or should the Company be required to enforce its rights, the procedure of the courts in the various foreign jurisdictions may be different to those in Australia. |
| **Future capital needs and additional funding** | The future capital requirements of the Company will depend on many factors, including the pace and magnitude of its development of its business and sales. The Company believes that its available cash and the net proceeds of the Public Offer will be adequate to satisfy its anticipated current working capital and other capital requirements as set out in this Prospectus. Should the Company require additional funding, there can be no assurance that additional financing will be available on acceptable terms or at all.<br><br>Volatility in the financial markets could also have a material adverse effect on the Company's ability to equity or debt fund its business operations or future acquisitions. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. In addition, any deterioration in global financial markets could impact risk appetite among lending institutions which may impact the Company's ability to enter into new loan facilities or replace existing facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.<br><br>If the Company is unable to obtain additional funding as needed, or is unable to do so on acceptable terms, it may be required to reduce the scope of its operations and scale back its programs as the case may be, which may have a material adverse effect on the Company's business, financial condition and results of operations. |
| **Policies and legislation** | Any material adverse changes in government policies or legislation of markets in which the Company's products are sold, or any other country that the Company has economic interests in, may affect the viability and profitability of the Company. |
| **Economic** | General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's development and expansion activities, as well as on its ability to fund those activities. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Currently no market** | There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Public Offer.<br><br>The price at which the Company's Shares trade on ASX after listing may be higher or lower than the issue price of Shares offered under this Prospectus and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in mineral prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.<br><br>There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid. |
| **Market conditions** | Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:<br>• general economic outlook;<br>• introduction of tax reform or other new legislation;<br>• interest rates and inflation rates;<br>• changes in investor sentiment toward particular market sectors;<br>• the demand for, and supply of, capital; and<br>• terrorism or other hostilities.<br><br>The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.<br><br>Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of exploration companies experience extreme price and volume fluctuations that have often been unrelated to the operating performance of such companies. These factors may materially affect the market price of the shares regardless of the Company's performance. |
| **Taxation** | The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus. |

# SECTION 8.

| CATEGORY OF RISK | RISK |
|---|---|
| **Government policy changes** | Any material adverse changes in government policies or legislation of markets in which the Company's products are sold, or any other country that the Company has economic interests in, may affect the viability and profitability of the Company.<br><br>Further there is a risk that intervention by foreign governments in the affairs of current or potential customers of the Company may adversely affect current and future revenue. |
| **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.<br><br>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. |
| **Force majeure** | Events may occur within or outside Australia that could impact on the Australian economy, the global economy, the operations of the Company, the price of the Shares and the Company's ability to pay dividends. The events include but are not limited to acts of terrorism, an outbreak of war or other international hostilities, fires, floods, earthquakes, labour strikes, workplace relations disputes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that could have an adverse effect on the on the demand for the Company's services and its ability to conduct its business. The Company has only a limited ability to insure against some of these risks. |
| **Negative publicity may adversely affect the Share price** | Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the stock performance of the Company, whether or not this is justifiable. Examples of such negative publicity or announcements may include involvement in legal or insolvency proceedings, failed attempts in takeovers, joint ventures or other business transactions. |
| **Foreign currency and exchange rate risks** | The Company conducts business in other jurisdictions and is therefore exposed to the effects of changes in currency exchange rates. Unhedged, unfavourable movements in foreign exchange rates may have an adverse effect of the Company's revenue and/or cost of operating and therefore affect the market price of the Shares. |
| **Australian Accounting Standards** | Australian Accounting Standards are set by the AASB and are outside the control of the X2M Group. There is the risk that future interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, such as revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements. |

| CATEGORY OF RISK | RISK |
|---|---|
| **Concentration of ownership** | Following completion of the Offers, the existing Shareholders will hold 76.7% of the Shares on issue (assuming the Minimum Subscription is raised under the Public Offer). Accordingly, a number of these parties may be in a position to exert significant influence over the affairs of the Company (refer to Section 6.18 for details of the substantial Shareholders as at the date of the Prospectus and completion of the Offers). Further, the sale of Shares in the future by existing Shareholders may adversely affect the market price of Shares. Also, the concentration of ownership may affect the liquidity of the market for Shares on ASX. |

## 8.5. INVESTMENT SPECULATIVE

The risk factors described above, and other risks factors not specifically referred to, may have a materially adverse impact on the performance of the Company and the value of the Securities.

Prospective investors should consider that an investment in the Company is speculative.

There is no guarantee that the Securities offered under this Prospectus will provide a return on capital, payment of dividends or increases in the market value of those Securities.

Before deciding whether to subscribe for Securities under this Prospectus you should read this Prospectus in its entirety and consider all factors, taking into account your objectives, financial situation and needs.

Section 9

# BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

## 9.1. DIRECTORS

The Board currently consists of the following Directors:

**Alan Stockdale AO**
*Non-Executive Chairman (Independent)*

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.

Mr Stockdale was appointed Chairman of Freestyle in May 2019 and was Chairman when it entered administration in December 2019 after litigation (see Sections 6.2 and 11.1) hindered that company raising further capital.

Mr Stockdale provided consultancy services to the Company from 1 August 2020 to 31 January 2021 prior to his appointment as Chairman of the Board.

Mr Stockdale is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

**Jodie Leonard**
*Non-Executive Director (Independent)*

Ms Leonard is an ASX experienced Non-Executive Director and digital transformation advocate with experience in financial services, consumer goods and media/entertainment. Ms Leonard is currently a Non-Executive Director at Great Ocean Road Coast and Parks Authority. Ms Leonard was previously a Non-Executive Director of BWX Limited, Flexigroup Limited (now HUM Limited), RACV, Beyond Bank Australia, Kinetic Superannuation, Racing Victoria and Tourism North East.

Ms Leonard is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of her judgement.

**Damien Johnston**
*Non-Executive Director (Independent) and Chair of Audit Committee*

Mr Johnston is an ASX experienced Finance Executive. Mr Johnston was Chief Financial Officer at Tabcorp Holdings Limited until 2019 and held several senior financial roles at BHP Group Limited. Mr Johnston has solid governance experience through his involvement on 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.

Mr Johnston is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

**John Stewart**
*Non-Executive Director (Independent)*

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 SSW Dairy Proprietary Limited, Stratford Retail Group (UK), Sovereign Investments, Gander APP Pty Ltd and Access Investing Limited.

Mr Stewart is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

## 9.2. MANAGEMENT

**Mohan Jesudason**
*Chief Executive Officer*

Mohan Jesudason has over 30 years' business and executive experience. Mr Jesudason 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 Jesudson 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 Jesudson is a Director of the Melbourne Football Club, on the Advisory Board of Enterprise Victoria and a past Director of Racing Victoria Limited where he was also a Member of the Racing Integrity Council.

Mr Jesudason led Freestyle for six years and was Managing Director when it entered administration in December 2019 (see Sections 6.2 and 11.1).

**Keith Jelley**
*Chief Operating Officer and Joint Company Secretary*

Keith Jelley has over 35 years' experience in operations and technology development across 9 countries, delivering mission critical systems and transformations through major programs in the military, telecommunications, and embedded systems industries. Mr Jelley is also a degreed engineer and held senior positions in the highly regulated gaming industry in Victoria.

Prior to joining Freestyle and X2M, Mr Jelley held senior leadership positions within Tabcorp Holdings Limited's Gaming Division.

Mr Jelley was employed at Freestyle for five years and held the position of director and Chief Operating Officer when it entered administration in December 2019 (see Sections 6.2 and 11.1).

Keith Jelley was also Company Secretary for Freestyle from 2017 to 2020.

**Yongsun Kim**
*Managing Director (South Korea)*

Mr Kim is an experienced IT professional with over 20 years of sales, marketing and management experience in Original Equipment Manufacture, Telecommunication, and Government sector. Mr Kim's previously held the positions of Korea Country Manager at NextWindow for 4 years and Chief Executive Officer at Kathrein for 5 years. He also worked for Intel for 10 years.

**Steve Fang**
*Managing Director (Taiwan and the People's Republic of China)*

Mr Fang has over 30 years of management experience in Information Technology including IOT, Big Data, Cloud and Green Energy industries including 12 years' experience working in business and product development and as the Business Unit head of Enterprise Solutions for Ericsson in Taiwan and China.

Mr Fang is based in Taiwan and has over 10 years' experience in working with Chinese organisations, which is a target geography for the Company.

**Brett Tucker**
*Joint Company Secretary*

Brett Tucker is a chartered accountant who has acted as company secretary to over 10 ASX listed companies across a wide range of industries, including communications and technology. Mr Tucker has a strong knowledge of ASX Listing Rules and public company governance.

The Company is aware of the need to have sufficient management to properly supervise the Company's business and the Board will continually monitor the management roles in the Company. As our business requires an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's business.

The Company advises Shareholders that notwithstanding that Messrs Stockdale (Non-Executive Chairman), Jesudason (Chief Executive Officer) and Jelley (Chief Operating Officer and Joint Company Secretary), were previously involved in the management of Freestyle in the period prior to external administration, all three officers have significant track records running successful enterprises in prior (and other current) roles (as set out above) and notwithstanding the overlapping roles, the Board (with Mr Stockdale abstaining) believes that the Company is well positioned to take advantage of the expertise of these individuals (including, in respect of their prior experience with the Business), in addition to the skills and experience of the Company's other management personnel and independent Board. Accordingly, the Board is of the view that investors can be comfortable with the experience and direction of the Company's leadership.

## 9.3. DISCLOSURE OF INTERESTS

### Remuneration

The former Directors who were appointed on incorporation of the Company on 9 December 2019 or prior to February 2021 did not receive any remuneration for their services as Directors (other than Mr Michael An who received 682,746 Shares for nil cash consideration in consideration for services provided to the Company) from the date of their appointment until their resignation as Directors between December 2020 and February 2021.

The remuneration to be paid to the current Directors following the listing of the Company is set out below.

| NAME | REMUNERATION FOR THE YEAR ENDED 30 JUNE 2020[1] | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2021[2] | REMUNERATION FOR THE YEAR ENDING 30 JUNE 2022[3] |
|---|---|---|---|
| **Director** | | | |
| Alan Stockdale AO | Nil | $88,354[4] | $110,000 |
| Jodie Leonard | Nil | $19,589 | $50,228 |
| Damien Johnston | Nil | $19,589 | $50,228 |
| John Stewart | Nil | $19,589 | $50,228 |

**Notes:**

1. The current Directors were appointed on 8 February 2021 and therefore did not receive any remuneration for the year ended 30 June 2020.
2. Remuneration for the year ending 30 June 2021 including superannuation is calculated pro rata from the Directors appointment date on 8 February 2021.
3. Includes per annum Directors' fees including superannuation.
4. Includes monthly consulting fees of $7,575.75 ex GST paid from 1 August 2020 to 31 January 2021 totalling $45,455.

### Interests in Securities

#### As at the date of this Prospectus

As at the date of this Prospectus, the Directors have relevant interests in securities as follows:

| NAME | SHARES | OPTIONS | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Alan Stockdale AO[1] | 576,541 | Nil | 0.53% | 0.49% |
| Jodie Leonard[2] | 288,271 | Nil | 0.27% | 0.25% |
| Damien Johnston | 288,271 | Nil | 0.27% | 0.25% |
| John Stewart[3] | 288,271 | Nil | 0.27% | 0.25% |

**Notes:**

1. Held by Dominique Fisher (spouse of Alan Stockdale).
2. Held by Challenger Consulting Pty Ltd as trustee for the J Leonard Super Fund (an entity controlled by Jodie Leonard).
3. Held by John Stewart as trustee for the JT & SI Stewart Family Trust (an entity controlled by John Stewart).

### Post-completion of the Public Offer – Minimum Subscription

| NAME | SHARES | OPTIONS[1] | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Alan Stockdale AO[2] | 576,541 | 144,135 | 0.44% | 0.45% |
| Jodie Leonard[3] | 288,271 | 72,068 | 0.22% | 0.23% |
| Damien Johnston | 288,271 | 72,068 | 0.22% | 0.23% |
| John Stewart[4] | 288,271 | 72,068 | 0.22% | 0.23% |

**Notes:**

1. These Options are exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options and will be issued pursuant to the Employee Options Offer as an incentive component of the remuneration of the Directors.
2. Held by Dominique Fisher (spouse of Alan Stockdale).
3. Held by Challenger Consulting Pty Ltd as trustee for the J Leonard Super Fund (an entity controlled by Jodie Leonard).
4. Held by John Stewart as trustee for the JT & SI Stewart Family Trust (an entity controlled by John Stewart).

### Post-Completion of the Public Offer – Maximum Subscription

| NAME | SHARES | OPTIONS[1] | PERCENTAGE (%) (UNDILUTED) | PERCENTAGE (%) (FULLY DILUTED) |
|---|---|---|---|---|
| Alan Stockdale AO[2] | 576,541 | 144,135 | 0.41% | 0.43% |
| Jodie Leonard[3] | 288,271 | 72,068 | 0.21% | 0.21% |
| Damien Johnston | 288,271 | 72,068 | 0.21% | 0.21% |
| John Stewart[4] | 288,271 | 72,068 | 0.21% | 0.21% |

**Notes:**

1. These Options are exercisable at $0.3575 each, on or before the date that is four years from the date of issue of the Options and will be issued pursuant to the Employee Options Offer as an incentive component of the remuneration of the Directors.
2. Held by Dominique Fisher (spouse of Alan Stockdale).
3. Held by Challenger Consulting Pty Ltd as trustee for the J Leonard Super Fund (an entity controlled by Jodie Leonard).
4. Held by John Stewart as trustee for the JT & SI Stewart Family Trust (an entity controlled by John Stewart).

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors is $400,000 per annum although this may be varied by ordinary resolution of the Shareholders in general meeting.

The remuneration of any executive Director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

## 9.4. AGREEMENTS WITH DIRECTORS AND RELATED PARTIES

The Company's policy in respect of related party arrangements is:

a. a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

b. for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

The Company also maintains an up-to-date Register of Declarations of Interests lodged with the Company by each Director.

The agreements between the Company and related parties are summarised in Section 10.4.

## 9.5. CORPORATE GOVERNANCE

### a. ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (4th Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website www.x2mconnect.com.

### b. Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

i. maintain and increase Shareholder value;

ii. ensure a prudential and ethical basis for the Company's conduct and activities consistent with the Company's stated values; and

iii. ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

i. leading and setting the strategic direction, values and objectives of the Company;

ii. appointing the Chairman of the Board, Managing Director or Chief Executive Officer and approving the appointment of senior executives and the Company Secretary;

iii. overseeing the implementation of the Company's strategic objectives, values, code of conduct and performance generally;

iv. approving operating budgets, major capital expenditure and significant acquisitions and divestitures;

v. overseeing the integrity of the Company's accounting and corporate reporting systems, including any external audit (satisfying itself financial statements released to the market fairly and accurately reflect the Company's financial position and performance);

vi. establishing procedures for verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor, to ensure that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions;

vii. overseeing the Company's procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;

viii. reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance; and

ix. approving the Company's remuneration framework and the remuneration and benefits provided to the Chief Executive Officer from time to time.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

## c. Composition of the Board

Election of Board members is substantially the province of the Shareholders at general meetings, subject to the following:

i. membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and

ii. the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent Shareholders and fulfil the business objectives and values of the Company a well as to deal with new and emerging business and governance issues.

The Board currently consists of four Directors all of whom are Non-Executive Directors and are considered independent. Upon listing, the Board will consist of the same four Non-Executive Directors. The Board considers the current balance of skills and expertise to be appropriate for the Company given its currently planned level of activity.

The Company is committed to workplace diversity. The Company is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

To assist in evaluating the appropriateness of the Board's mix of qualifications, experience and expertise, the Board intends to maintain a Board Skills Matrix to ensure that the Board has the skills to discharge its obligations effectively and to add value.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director or senior executive.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors, which is tailored to their existing skills, knowledge and experience. The purpose of this program is to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to enable new directors to gain an understanding of the Company's policies and procedures.

The Board maintains oversight and responsibility for the Company's continual monitoring of its diversity practices. The Company's Diversity Policy provides a framework for the Company to achieve enhanced recruitment practices whereby the best person for the job is employed, which requires the consideration of a broad and diverse pool of talent.

## d. Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

## e. Identification and management of risk

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management and mitigation will be recurring items for deliberation at Board meetings.

## f. Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of the Company's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In particular, the Company and the Board are committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues as set out in in the Company's Anti-Bribery and

Anti-Corruption Policy. In addition, the Company encourages reporting of actual and suspected violations of the Company's Code of Conduct or other instances of illegal, unethical or improper conduct. The Company and the Board provide effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy.

### g. Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### h. Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders at a general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $400,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having regard to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### i. Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities of the Company by its key management personnel (i.e. Directors, the Managing Director or CEO and, if applicable, any employees reporting directly to the CEO) and as otherwise determined by the Board. The policy generally provides that, the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading and black-out periods apply.

### j. External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company. From time to time, the Board will review the scope, performance and fees of those external auditors.

### k. Audit and Risk committee

The Audit and Risk committee will comprise three non-executive Directors including Damien Johnston who will act as chair of the committee.

The duties of the committee include but are not limited to:

i. monitoring and reviewing any matters of significance affecting financial reporting and compliance;

ii. verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor;

iii. monitoring and reviewing the Company's internal audit and financial control system, risk management systems; and

iv. management of the Company's relationships with external auditors.

## l. Other Committees

The Company will not have separate remuneration and nomination committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the board will operate under the written terms of that committee.

## m. Departures from Recommendations

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's compliance and departures from the Recommendations will also be announced prior to admission to the Official List of the ASX.

Section 10

# MATERIAL CONTRACTS

**ELEMENT**

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Set out below is a brief summary of the certain contracts to which the Company is a party and which the Directors have identified as material to the Company or are of such a nature that an investor may wish to have details of particulars of them when making an assessment of whether to apply for Securities.

There are a number of other third-party customer and supply contracts which are not included in this Section on the basis that they have not been identified as material for the purposes of the Prospectus.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

## 10.1. CAPITAL RAISING AGREEMENTS

### 10.1.1 Lead Manager Mandate

Bell Potter Securities Limited (ACN 006 390 772, AFSL 243480) (**Bell Potter**) has been engaged by the Company pursuant to a lead manager mandate (**Lead Manager Mandate**) to act as the sole and exclusive lead manager and bookrunner to the Public Offer on the following terms and conditions:

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| **Bell Potter's role** | a. Bell Potter's services for the Public Offer will include the following:<br>i. lead managing the Public Offer, including co-ordinating the Public Offer timetable;<br>ii. providing advice and recommendations on the structure of the Public Offer;<br>iii. familiarising itself with the business, operations, assets, liabilities, financial condition and prospects of the Company;<br>iv. providing advice on and coordinating the marketing of the Company and the Public Offer to potential investors and/or participants in the Public Offer;<br>v. assisting with the drafting of the prospectus or other offer document and any other documents required in connection with the Public Offer;<br>vi. participating in the due diligence process;<br>vii. liaising with regulatory bodies such as the ASX and ASIC when required;<br>viii. conducting the bookbuild;<br>ix. allocating the Public Offer securities with the agreement of the Company and confirming final allocations with the Company on completion of the bookbuild;<br>x. providing such other assistance to the Company in relation to the Public Offer as agreed in writing from time to time,<br>(together, the **Services**).<br>b. Bell Potter will not provide advice on tax, legal, regulatory, accounting or other specialist matters.<br>c. Bell Potter may subscribe on its own account for Public Offer securities. The directors and employees of Bell Potter may also participate on their own accounts at their discretion. |
| **No underwriting** | Bell Potter has not been engaged to underwrite the Public Offer (which the Company confirms is not underwritten). |

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| **Fees** | As consideration for the Services, the Company agrees to:<br>a. subject to a minimum fee of $200,000, pay Bell Potter a:<br>i. management fee equal to 2% of the gross amount raised under the Public Offer; and<br>ii. selling fee equal to 4% of the gross amount raised under the Public Offer; and<br>b. issue Bell Potter that number of Options that equals 2% of the fully diluted share capital (excluding any Performance Rights that the Company has on issue) of the Company after completion of the Public Offer (refer to Sections 4.12 and 11.5 for further detail regarding the terms and conditions of the Options),<br>(together, the **Fees**). |
| **Expenses** | a. The Company agrees to reimburse Bell Potter for all reasonable out-of-pocket expenses incurred by Bell Potter in connection with the Public Offer, including (but not limited to) marketing and communication costs, printing, couriers, postage and distribution, roadshow expenses accommodation, travel and legal fees.<br>b. Bell Potter agrees to seek written approval from the Company prior to incurring an expense above $2,000, excluding legal fees. |
| **Termination** | a. The Lead Manager Mandate expires automatically on the earlier of:<br>i. the completion of the Public Offer; and<br>ii. 24 months after the date of the Lead Manager Mandate, unless terminated earlier.<br>b. Either party may terminate the Lead Manager Mandate by giving 14 days' prior written notice to the other party at any time prior to the earlier of:<br>i. the commencement of the deal roadshow for the Public Offer;<br>ii. the making of a firm commitment to any investor by Bell Potter to subscribe for any of the Public Offer securities; or<br>iii. signing of any underwriting agreement or offer management agreement in connection with the Public Offer.<br>c. Other than due to termination by the Company for cause due to Bell Potter's fraud, wilful misconduct, gross negligence or material breach of the agreement, where the Company terminates the Lead Manager Mandate and subsequently completes an offer or similar equity capital raising within 12 months from the date of termination, the Company must pay Bell Potter within seven days of the settlement date an amount equal to the Fees. |

The Lead Manager Mandate contains such other terms and conditions considered standard for an agreement of its nature (including representations and warranties).

## 10.2. ASSET SALE AGREEMENT – FREESTYLE TECHNOLOGY LIMITED (UNDER EXTERNAL ADMINISTRATION)

On 26 February 2020, the Company (then known as 'FS IOT Holdings Pty Ltd') (ACN 637 951 154) entered into an asset sale agreement with Freestyle and Gideon Isaac Rathner and Matthew Brian Sweeny as liquidators of Freestyle (**Liquidator**) under which Freestyle agreed to sell certain assets of Freestyle (including its interest in its wholly owned subsidiaries) to the Company and to novate certain contracts to the Company on the terms and conditions (**Asset Sale Agreement**) set out below.

Freestyle is not a related party or promoter of the Company. Other than common employees, Freestyle has no relationship with the Company, or any related party, promoter or advisor of the Company.

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| **Completion** | Completion of the agreement will occur at 5.00pm on 26 February 2020 or such other date agreed in writing between the parties (**Completion**). |
| **Sale and purchase** | Freestyle agreed to sell such right, title and interest that it may have in certain assets specified in the agreement (**Assets**) and to assign such right, title and interest as Freestyle may have in certain contracts specified in the agreement (**Contracts**) to the Company free from any registered encumbrance or external administrator lien. |
| **Assets** | Freestyle agreed to sell to the Company such right, title and interest that Freestyle has in the following Assets, subject to any third party consents as required:<br>a. each Contract unless otherwise notified by the Company to Freestyle;<br>b. the business names, domain names, trade marks and any other intellectual property rights (**Business IP**);<br>c. software;<br>d. IT systems;<br>e. certain fixed assets;<br>f. the rights of Freestyle in all documents and records relating to the operation of the business prior to Completion (**Records**), comprised of:<br>i. any available document showing or evidencing title to the Assets, fixed assets and certain securities (**Securities**) and any document concerning their operation, acquisition or manufacture;<br>ii. the certificate of registration for each motor vehicle used in the business;<br>iii. original copies of each Contract; and<br>iv. all documents and records relating to the business.<br>g. any Securities Freestyle has an interest in as owner or holder, including in companies, bodies corporate, bodies or entities; and<br>h. any other assets owned by Freestyle in connection with its technology business.<br>The Assets do not include the excluded assets specified in the Asset Sale Agreement (which include, without limitation, cash held by or on behalf of Freestyle, security deposits or bonds made by or on behalf of Freestyle, any research and development rebate that Freestyle is or may become entitled to, leased equipment, book debts, the business of Freestyle and circulating assets). |
| **Purchase price** | The Company paid the purchase price of $3,000,000 (inclusive of GST) to Freestyle on 26 February 2020 and 27 February 2020 as directed by the Liquidator (**Purchase Price**). |

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| **Freestyle's obligations on Completion** | Freestyle must, subject to the due performance by the Company of its obligations on Completion:<br>a. deliver to the Company the original Records in relation to the Assets;<br>b. give the Company access to the business premises;<br>c. provide the Company with a written release of all external administrator liens over the Assets and a written release of the registered encumbrance contained in the agreement (**Registered Encumbrance**); and<br>d. give the Company, free from any encumbrance registered on the PPSR or free from any external administrator lien:<br>i. such right, title and interest (if any) as Freestyle has to each Asset; and<br>ii. such beneficial ownership (if any) as Freestyle has of each Asset. |
| **The Company's obligations on Completion** | The Company must, subject to the due performance by Freestyle of its obligations on Completion:<br>a. pay to the Liquidator as agent for Freestyle, or as the Liquidator may otherwise direct by notice to the Company, an amount equal to the Purchase Price;<br>b. deliver to the Liquidator duly signed deeds of release signed by the relevant security holder to release the Registered Encumbrance;<br>c. accept all documents and all other items which Freestyle gives to the Company; and<br>d. do all other acts and execute all other documents required under the agreement on Completion. |
| **Freestyle's obligations post completion** | Freestyle must within 10 business days after Completion:<br>a. give an effective transfer of each item of Business IP and, in the case of:<br>i. the trade marks, an executed confirmatory deed of assignment in respect of each trade mark specified in Schedule 5 the agreement; and<br>ii. the domain names, all relevant registry keys, access codes and all other information and details necessary to enable the Company to use the domain names;<br>b. give to the Company possession of:<br>i. each original of each Contract;<br>ii. documents evidencing title to each item of Business IP; and<br>iii. all Records which may be copies if the originals are not available;<br>c. in relation to the Securities, give to the Buyer:<br>i. duly and fully completed and executed documents of transfer in favour of the Company as transferee and Freestyle as transferor;<br>ii. in relation to an entity:<br>A. of which Freestyle has 'control'; or<br>B. which is otherwise a 'subsidiary' of Freestyle;<br>all of the entity's 'books', seals or any other instrument of authentication of authority to bind the entity to any decision or act, and all the entity's other business records; and<br>iii. the original documents of title, including share or stock certificates, for the Securities or, if not in the possession, custody or control of the Company, declarations in a form acceptable to the Company that the original has been lost or destroyed; and<br>d. do all other acts and execute all other documents that the agreement requires Freestyle to do or to execute. |

The Asset Sale Agreement contains such other terms and conditions considered standard for an agreement of its nature (including representations and warranties).

## 10.3. OPERATIONAL AGREEMENTS

### 10.3.1 Azbil Software Services Agreement

On 12 March 2020, the Company and Azbil Kimmon Co., Ltd (an entity incorporated in Japan) (**Azbil**) entered into a software services agreement (**Azbil Software Services Agreement**), pursuant to which Azbil agreed to outsource IoT platform software, services, and know-how from the Company in order to obtain and execute customer contracts in Japan.

The material terms and conditions of the Azbil Software Services Agreement are as follows:

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| **Services** | a. The Company has agreed to assist Azbil with the Gas Automated Meter Reading (**GAMR**) project by providing the following services:<br>i. preparation;<br>ii. project management;<br>iii. network designs;<br>iv. general assistance;<br>v. on-site support; and<br>vi. deployment management.<br>b. In addition, the Company has agreed to provide software services to Azbil and the final-end customers who purchases the GAMR system (**End Users**) using the Company's IoT platform software (**Software Services**). |
| **Term** | a. The term of the Azbil Software Services Agreement commenced on its date of execution and shall remain in force until the initial term ending 30 June 2023 (**Initial Term**).<br>b. The Initial Term will automatically renew for an additional two years (**Additional Term**) at the end of the Initial Term or the end of any other Additional Term unless a party provides notice of termination at least 180 days before the end of such Initial or Additional Term. |
| **Software Services License** | The Company has granted Azbil and the End User for each customer contract a non-exclusive, revocable license to use the Software Services to the extent required to enable Azbil to evaluate, demonstrate, or utilize, or the End User to utilize, the Software Services delivered under the Azbil Software Services Agreement for the duration of the period for which applicable subscription fees are paid for every connected device. |
| **Intellectual Property License** | a. The Company reserves the right, from time to time and at its sole discretion, to license any of its intellectual property (**Intellectual Property**) to persons other than Azbil (**Other Persons**).<br>b. Azbil has agreed that such licensed Intellectual Property may be embodied within such Other Persons products and services and the Company cannot prevent such Other Persons from making said products and services available for sale within Japan. |
| **Trademark License** | The Company has granted Azbil a non-exclusive, non-transferable, revocable license, without the right to sublicense, only in Japan, to use, display, and reproduce the trademarks, service marks, or trade names owned by the Company and placed by the Company on the applicable Software Services or otherwise used by the Company in connection with the applicable Software Services. |
| **Intellectual Property** | Each party will retain ownership of their respective intellectual property. |

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| **Cloud Environment** | the Company has agreed to establish a dedicated cloud environment for Azbil (**Cloud Environment**) on the following terms:<br>a. Azbil owns and pays for the Cloud Environment;<br>b. the Cloud Environment is managed, operated, and updated by the Company; and<br>c. the Company is authorised to modify the server configuration under the Cloud Environment in order to provide the agreed level of service and this may result in changes to the amount payable by Azbil, and Azbil agrees to pay any such charges. |
| **Termination** | Either party may terminate the Software Services Agreement without any prior notice, and with the right to claim compensation from the other Party for any damages suffered (excluding loss of profits or consequential damages) for that termination. |

The Azbil Software Services Agreement otherwise contains provisions considered standard for an agreement of its nature.

### 10.3.2 Gochang Services Agreement

On 2 March 2017, Freestyle Technology Co., Ltd (South Korean subsidiary of X2M) (**FSTK**) and the Water and Sewage Business of Gochang-gun, Jeollabuk-do (**Gochang**) entered into a service agreement (**Gochang Services Agreement**).

The material terms of the Gochang Services Agreement are as follows:

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| **Term** | The term of the Gochang Services Agreement commenced on its date of execution and shall expire on 31 December 2021 (**Term**). |
| **Services** | FSTK agreed to provide the following services during the Term:<br>a. replace 24,000 water meters located in Gochang-Gun (a province situated in South Korea) with new digital water supply meters and also install all hardware and required software (**Digital Water Supply Meters**); and<br>b. installing new Digital Water Supply Meters as new demand arises; and<br>c. reading, inspecting and conducting maintenance on the Digital Water Supply Meters,<br>(together, the **Services**). |
| **Fee** | FSTK receives a monthly fee from Gochang in relation to the provision of the Services. |
| **Employees** | FSTK must employ at least three employees to provide the Services, at least one which must be a full time employee shall be located in Gochang water department. FSTK has agreed to make an effort to employee people that have lived in Gochang-Gun for at least three years. |
| **Intellectual Property** | FSTK must supply Gochang with all the equipment necessary for the reading of the Digital Water Supply Meters. However, the ownership of the related intellectual property will remain with FSTK. |

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| **Termination** | Gochang may terminate the Gochang Services Agreement if:<br>a. FSTK does not start the implementation of Services or fails to complete the Services without a valid reason;<br>b. FSTK subcontracts the whole or a part of Services to a third party without Gochang's prior written consent;<br>c. FSTK discloses information to a third party that was acquired in the course of providing the Services, resulting in serious loss to Gochang;<br>d. FSTK is considered unable to provide normal Services since it is engaged in a civil or criminal case; or<br>e. FSTK frustrates the Gochang Services Agreement due to a breach of other terms and conditions of the Gochang Services Agreement. |

The Gochang Services Agreement otherwise contains provisions considered standard for an agreement of its nature.

### 10.3.3 Bucheon Agreement

On 8 April 2021, FSTK and Bucheon City (**Bucheon**) entered into a goods and services agreement under which the Company agreed to provide its remote automatic reading system to Bucheon (**Bucheon Agreement**).

The material terms of the Bucheon Agreement are as follows:

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| **Duration** | The Bucheon Agreement commenced on its date of execution and shall be completed by 13 January 2022 (**Duration**). |
| **Services** | FSTK agreed to provide the remote automatic reading system to Bucheon. |
| **Fee** | The Bucheon Agreement has fees of 2,191,000,000 KRW (including VAT) (approximately AUD$2,626,000 based on 834.39 KRW:1 AUD) payable for the goods and services.<br>The deposit payable by Bucheon is 109,500,000 KRW (including VAT) (approximately AUD$131,234 based on 834.39 KRW:1 AUD). |
| **Delay Penalty** | A delay penalty of 0.08% per day of delay applies for delivery after the end date. |

The Bucheon Agreement otherwise contains provisions considered standard for an agreement of its nature.

## 10.4. AGREEMENTS WITH DIRECTORS AND MANAGEMENT

### 10.4.1 Executive Services Agreement – Mohan Jesudason

The Company has entered into an executive employment agreement on 12 May 2021 with Mohan Jesudason pursuant to which Mr Jesudason has been appointed as 'Chief Executive Officer' of the Company (**Jesudason Employment Agreement**). The material terms and conditions of the Jesudason Employment Agreement are as follows:

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| **Term** | a. The Jesudason Employment Agreement commenced on 1 February 2020 and will continue until validly terminated in accordance with its terms.<br>b. Mr Jesudason's years of service with Freestyle prior to the commencement date of the Jesudason Employment Agreement will count as years of service under the Jesudason Employment Agreement. |
| **Duties** | Mr Jesudason will perform those duties normally associated with the Chief Executive Officer of a company of similar size to the Company. |
| **Remuneration and Bonus** | a. The Company will pay Mr Jesudason base remuneration of $501,874 per annum inclusive of superannuation (**Jesudason Base Remuneration**).<br>b. Upon the Company meeting all of the ASX conditions required for admission to the Official List, Mr Jesudason will receive a bonus equivalent to 1.5% of the Company's post-IPO money valuation immediately preceding trading on the ASX (being $495,381 based on the Minimum Subscription and $525,381 based on the Maximum Subscription) (**Sale Bonus**). |
| **Incentives** | a. 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.<br>b. The Company has agreed to pay Mr Jesudason a cash based Short Term Incentive (**STI**) of 40% of the Jesudason Base Remuneration per annum for on target performance as and when deemed appropriate by the Board under the Short Term Incentive Plan to be 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 being:<br>i. for the 2020/2021 financial year – nil STI; and<br>ii. thereafter – KPIs determined by the Board for the year concerned. |
| **Intellectual Property** | a. All intellectual property rights created by Mr Jesudason in the course of Mr Jesudason's employment automatically vest in the Company, subject to any written agreement to the contrary.<br>b. Mr Jesudason must disclose any discovery, invention, design, development, technique, idea, method, secret process, system or improvement made or discovered by Mr Jesudason (**Invention**) to the Company. Mr Jesudason agrees that all rights in such Invention will belong to the Company. Mr Jesudason must not disclose or make use of any Invention with external parties without the Company's prior written consent. |

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| **Restraint** | Mr Jesudason is subject to a restraint period of up to 6 months following termination of his employment during which time Mr Jesudason must not anywhere in Australia:<br>a. be engaged, concerned or interested in any person which is engaged, concerned or otherwise interested in or carrying on any business the same as or substantially similar to or in competition (whether partly or wholly) with any business conducted by the Company Group at the date of termination in which Mr Jesudason was involved at any time during the 12 month period prior to the termination date;<br>b. on his own account or for any person solicit, approach or entice away any customer of the Company Group (or entity in which the Company has made an investment) with whom Mr Jesudason has had dealings with at any time during the 12 months period prior to the termination date;<br>c. on his own account or for any person solicit, approach or entice away any supplier to the Company Group with whom Mr Jesudason has had dealings with at any time during the 12 months period prior to the termination date; or<br>d. on his own account or for any person solicit, approach or entice away any director or managerial level employee of the Company Group known personally to him. |
| **Termination** | a. The Jesudason Employment Agreement may be terminated in writing at any time by the Company or Mr Jesudason by giving at least 12 months' notice.<br>b. Upon such termination, with the exception of termination following a change of control of the Company where the Company is listed on the ASX, all Options held by Mr Jesudason that are subject to vesting conditions which have not vested will immediately vest and become exercisable as at the termination date. The Company will reasonably seek to obtain Shareholder approval to facilitate the termination payment to Mr Jesudason if it would cause the Company to breach the Listing Rules or Corporations Act.<br>c. The Company may immediately terminate Mr Jesudason's employment by making a payment to Mr Jesudason equal to the base remuneration payable for the 12 month period of notice.<br>d. The total payments made to Mr Jesudason as a result of termination of employment (including acceleration of vesting of incentive securities) may not exceed the maximum amount permitted under the Corporations Act.<br>e. The Company may terminate the Jesudason Employment Agreement immediately without notice if Mr Jesudason:<br>i. commits any act which may significantly or detrimentally affect the Company;<br>ii. willfully, persistently or materially breaches any provisions of this Agreement after receiving 3 warnings to correct the behaviour;<br>iii. fails to comply with policies or procedures after receiving 3 warnings to correct the behaviour;<br>iv. is charged with or convicted of any criminal offence which may embarrass Mr Jesudason or bring the Company into disrepute;<br>v. is prohibited by law from taking part in the management of the Company; or<br>vi. is made bankrupt or enters into any arrangement for the benefit of the creditors of Mr Jesudason. |

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| **Indemnity** | To the maximum extent permitted by law, the Company has agreed to indemnify on demand, and to cause its subsidiaries to indemnify on demand, Mr Jesudason against any and all liability suffered or incurred by Mr Jesudason, whether or not the liability was in relation to a matter which arose prior to the date of the Jesudason Employment Agreement, including:<br>a. any liability arising from or in connection with the Beam Bay Proceedings;<br>b. any liability arising from or in connection with the Freestyle Proceedings;<br>c. any liability arising from a claim or demand by a shareholder or financier of the Company;<br>d. any liability arising from a claim or demand by Beam Bay Pty Ltd, Freestyle Energy Limited, Michael Gawler, Andrew Donaghey or their associates, against Freestyle or Mr Jesudason, whether the claim was made before or after the date of the Jesudason Executive Agreement and whether or not known at the time of the Jesudason Executive Agreement;<br>e. any liability arising from a claim or demand by Beam Bay Pty Ltd Freestyle Energy Limited, Andrew Donaghey or their associates, against the Company or Mr Jesudason, whether the claim was made before or after the date of the Jesudason Executive Agreement and whether or not known at the time of the Jesudason Executive Agreement; or<br>f. any liability arising from or in connection with Freestyle.<br>This indemnity does not apply to limit the Company's ability to claim against the Executive for fraud, breach of this agreement or breach of duty, provided that none of the parties referred to above (or their representatives) control or are on the board of the Company. |

The Jesudason Employment Agreement contains such other terms and conditions considered standard for an agreement of its nature (including warranties and confidentiality and indemnity provisions).

It is also noted that the Board believes the Sale Bonus to be paid to Mr Jesudason in addition to the Jesudason Base Remuneration is an appropriate short-term incentive and reflects the efforts of Mr Jesudason in the period from his appointment until listing (assuming the Company is successfully admitted to the Official List) and is comparable to bonuses paid to executives in similar positions and with similar roles and responsibilities to that of Mr Jesudason. Mr Jesudason will not receive the bonus if the Company is not admitted to the Official List.

### 10.4.2 Executive Services Agreement – Keith Jelley

The Company has entered into an executive employment agreement on 12 May 2021 with Keith Jelley pursuant to which Mr Jelley has been appointed as 'Chief Operating Officer' of the Company (**Jelley Employment Agreement**). The material terms and conditions of the Jelley Employment Agreement are as follows:

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| **Term** | a. The Jelley Employment Agreement commenced on 1 February 2020 and will continue until validly terminated in accordance with its terms.<br>b. Mr Jelley's years of service with Freestyle prior to the commencement date of the Jelley Employment Agreement will count as years of service under the Jelley Employment Agreement (including, for the purposes of determining entitlements). |
| **Duties** | Mr Jelley will perform the following duties:<br>a. **Planning administration:** providing leadership and vision to the organisation by developing annual plans, aligning company products to business strategy, developing governance processes, developing and executing operating policies, defining and communicating company values, managing and monitoring staff;<br>b. **HR management:** recruiting and contracting staff, developing and documenting policy, and overseeing employee relations, performance management, improvement systems compliance and reporting; |

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| **Duties** *continued* | c. **Project management:** allocating staff project tasks, liaising with and managing customers, allocating resources and assets, prioritising for the customer, and identifying and mitigating risks for customers; and<br>d. **Technical vision and leadership:** developing and executing technology strategy for platforms, partnerships and external relationships, relaying customer feedback on technical requirements to the products area, establishing delivery standards and quality assurance, interpreting technology and market trends, monitoring technical performance, keeping up to date with technology standards, industry trends and best practices, managing customer expectations and providing input into product strategy. |
| **Remuneration and Bonus** | a. The Company will pay Mr Jelley base remuneration of $301,874 per annum inclusive of superannuation (**Jelley Base Remuneration**).<br>b. In addition, Mr Jelley received will be paid a sign on bonus of $172,000. |
| **Incentives** | a. 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.<br>b. The Company has agreed to pay Mr Jelley a cash based Short Term Incentive (**STI**) of 33% of the Jelley Base Remuneration per annum for on target performance as deemed appropriate by the CEO and the Board under the Short Term Incentive Plan to be developed by the Company and such STI to be based on the KPIs determined by the Board for the year concerned. |
| **Intellectual Property** | a. All intellectual property rights created by Mr Jelley in the course of his employment automatically vests in the Company, subject to any written agreement to the contrary.<br>b. Mr Jelley must disclose any discovery, invention, design, development, technique, idea, method, secret process, system or improvement made or discovered by Mr Jelley (**Invention**) to the Company. Mr Jelley agrees that all rights in such Invention will belong to the Company. Mr Jelley must not disclose or make use of any Invention with external parties without the Company's prior written consent. |
| **Restraint** | Mr Jelley is subject to a restraint period of up to 6 months following termination of his employment during which time Mr Jelley must not anywhere in Australia:<br>a. be engaged, concerned or interested in any person which is engaged, concerned or otherwise interested in or carrying on any business the same as or substantially similar to or in competition (whether partly or wholly) with any business conducted by the Company Group at the date of termination in which Mr Jelley was involved at any time during the 12 month period prior to the termination date;<br>b. on his own account or for any person solicit, approach or entice away any customer of the Company Group (or entity in which the Company has made an investment) with whom Mr Jelley has had dealings with at any time during the 12 months period prior to the termination date;<br>c. on his own account or for any person solicit, approach or entice away any supplier to the Company Group with whom Mr Jelley has had dealings with at any time during the 12 months period prior to the termination date; or<br>d. on his own account or for any person solicit, approach or entice away any director or managerial level employee of the Company Group known personally to him. |

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| **Termination** | a. The Jelley Employment Agreement may be terminated in writing at any time by the Company or Mr Jelley by giving at least 6 months' notice.<br>b. Upon such termination, with the exception of termination following a change of control of the Company where the Company is listed on the ASX, all options held by Mr Jelley that are subject to vesting conditions which have not vested will immediately vest and become exercisable as at the termination date. The Company will reasonably seek to obtain Shareholder approval to facilitate the termination payment to Mr Jelley if it would cause the Company to breach the Listing Rules or Corporations Act.<br>c. The Company may immediately terminate Mr Jelley's employment by making a payment to Mr Jelley equal to the Base Remuneration payable for the 6 month period of notice.<br>d. The total payments made to Mr Jelley as a result of termination of employment (including acceleration of vesting of incentive securities) may not exceed the maximum amount permitted under the Corporations Act.<br>e. The Company may terminate the Jelley Employment Agreement immediately without notice if Mr Jelley:<br>i. commits any act which may significantly or detrimentally affect the Company;<br>ii. willfully, persistently or materially breaches any provisions of the Jelley Employment Agreement after receiving 3 warnings to correct the behaviour;<br>iii. fails to comply with policies or procedures after receiving 3 warnings to correct the behaviour;<br>iv. is charged with or convicted of any criminal offence which may embarrass Mr Jelley or bring the Company into disrepute;<br>v. is prohibited by law from taking part in the management of the Company; or<br>vi. is made bankrupt or enters into any arrangement for the benefit of the creditors of Mr Jelley. |
| **Indemnity** | To the maximum extent permitted by law, the Company has agreed to indemnify on demand, and to cause its subsidiaries to indemnify on demand, Mr Jelley against any and all liability suffered or incurred by Mr Jelley, whether or not the liability was in relation to a matter which arose prior to the date of the Jelley Employment Agreement, including:<br>a. any liability arising from or in connection with the Beam Bay Proceedings;<br>b. any liability arising from or in connection with the Freestyle Proceedings;<br>c. any liability arising from a claim or demand by a shareholder or financier of the Company;<br>d. any liability arising from a claim or demand by Beam Bay Pty Ltd, Freestyle Energy Limited, Michael Gawler, Andrew Donaghey or their associates, against Freestyle or Mr Jelley, whether the claim was made before or after the date of the Jelley Executive Agreement and whether or not known at the time of the Jelley Executive Agreement;<br>e. any liability arising from a claim or demand by Beam Bay Pty Ltd Freestyle Energy Limited, Andrew Donaghey or their associates, against the Company or Mr Jelley, whether the claim was made before or after the date of the Jelley Executive Agreement and whether or not known at the time of the Jelley Executive Agreement; or<br>f. any liability arising from or in connection with Freestyle.<br>This indemnity does not apply to limit the Company's ability to claim against the Executive for fraud, breach of this agreement or breach of duty, provided that none of the parties referred to above (or their representatives) control or are on the board of the Company. |

The Jelley Employment Agreement contains such other terms and conditions considered standard for an agreement of its nature (including warranties and confidentiality and indemnity provisions).

### 10.4.3 Employment Agreement – YongSun Kim

The Company, through its fully owned subsidiary Freestyle Technology Co., Ltd (previously known as Freestyle Technology Korea Limited), has entered into an employment agreement with YongSun Kim on the following terms and conditions:

| | |
|---|---|
| **Term** | a. Mr Kim's service commenced on 11 February 2019 (**Commencement Date**).<br>b. Either party may terminate this agreement upon four weeks' notice. |
| **Work title and location** | a. Mr Kim's work title is Managing Director – Korea.<br>b. Mr Kim is based in Korea.<br>c. Mr Kim's title and location of work may be changed by the Company pursuant to the Company's work requirements. |
| **Consideration** | The Company shall provide Mr Kim with a fixed annual base remuneration of 180,000,000 KRW (approximately AUD$216,000 based on 834.39 KRW:1 AUD) inclusive of all applicable income or business taxes. |
| **Short-term incentive plan** | a. Mr Kim is eligible to receive up to 80,000,000 KRW (approximately AUD$96,000 based on 834.39 KRW:1 AUD) in annual short-term performance-based bonuses at the discretion of the Company.<br>b. The Company will agree with Mr Kim on short term incentive (**STI**) key deliverables within 90 days of the Commencement Date.<br>c. The STI will be paid once per year if key deliverables are met. |
| **Long term incentive plan** | Mr Kim will be offered several tranches of the Company's employee Options which are contained in the agreement. |
| **Termination** | a. The Company may terminate this agreement by giving 30 days' advance notice or payment of 30 days' ordinary wage in lieu thereof.<br>b. If Mr Kim commits substantial breaches of this agreement and/or any other Company regulations, the Company may terminate this agreement without notice or payment in lieu thereof. |

The employment agreement contains such other terms and conditions considered standard for an agreement of its nature (including representations and warranties).

### 10.4.4 Employment Agreement – Steve Fang

The Company, through its fully owned subsidiary Freestyle Technology (Taiwan) Limited (a company incorporated and organised under the law of Taiwan, the Republic of China), has entered into an employment agreement with Steve Fang on the following terms and conditions:

| | |
|---|---|
| **Term of employment** | Mr Fang's employment continues until 31 October 2023 (unless terminated earlier in accordance with the terms of the agreement). |
| **Work title and location** | a. Mr Fang serves as the Country Manager for Taiwan and The People's Republic of China and such additional or different position as the Company may determine in its sole discretion.<br>b. Mr Fang shall initially perform services for the Company at the principal location of Taiwan. |

| | |
|---|---|
| **Consideration** | a. Mr Fang's consideration is a base salary of USD$200,000 per annum (**Base Consideration**) (approximately AUD$260,000 based on 1 USD:1.3 AUD), payable monthly during the term of the employment agreement.<br>b. Mr Fang is eligible to participate in Company's incentive schemes. |
| **Termination** | a. The Company may terminate Mr Fang's agreement for any of the following reasons:<br>i. conviction of a felony or misdemeanour;<br>ii. commission of theft or fraud involving any Company records;<br>iii. improper disclosure of the Company's confidential information;<br>iv. any action by Mr Fang that has a detrimental effect on the Company's reputation or business;<br>v. during the probationary period without notice;<br>vi. Mr Fang's failure or inability to perform any duties after written notice from the Company and reasonable opportunity to cure such failure or inability;<br>vii. any breach of this agreement not rectified within 10 days from written notice of such breach;<br>viii. conduct amounting to gross incompetence;<br>ix. chronic and unexcused absenteeism;<br>x. unlawful appropriation of a corporate opportunity; or<br>xi. misconduct in connection with the performance of Mr Fang's duties.<br>The Company shall be under no further obligation to Mr Fang, except to all accrued Base Consideration and vacation to the date of termination following termination with cause.<br>b. Mr Fang or the Company may terminate the agreement without cause by giving one month prior notice or payment in lieu of notice.<br>c. The Company may terminate this agreement without liability if Mr Fang is permanently prevented from properly performing his essential duties by reason of illness or physical or mental incapacity for a period of more than 60 consecutive days. |

The employment agreement contains such other terms and conditions considered standard for an agreement of its nature (including representations and warranties).

### 10.4.5 Non-executive Director Appointments

Jodie Leonard, John Stewart and Damien Johnston have each accepted an appointment letter from the Company to act in the capacity of Non-Executive Director. Alan Stockdale has accepted an appointment letter from the Company to act in the capacity of Non-Executive Chairman. These Directors will receive the remuneration set out in Section 9.3.

### 10.4.6 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.

Section 11

# ADDITIONAL INFORMATION

# SECTION 11.

## 11.1. LITIGATION

Other than as set out below, as at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

The Directors advise Shareholders that legal proceedings have been commenced against Freestyle (the vendor who sold the Company its assets through a liquidation sale) (refer to the summary of the Asset Sale Agreement set out in Section 10.2 for further detail). Freestyle was joined to legal proceedings in May 2019. The plaintiffs in those proceedings are shareholders of Freestyle.

The plaintiffs in those proceedings previously sought the Court's leave in July 2020 to join the Company to the proceedings. The Company is not currently a defendant to any proceedings, but it may be in the future if the Court grants leave. The Court dispute was deferred in August 2020 given the COVID-19 restrictions that were then in place in Victoria.

The Court heard the security for costs applications of the existing defendants on 25 June 2021 and ordered the plaintiffs to pay security for the defendants' costs in an amount of $1,890,000 (payable in two tranches). The first tranche was payable by the plaintiffs into Court by 23 July 2021. This amount was not paid as required by the Court orders. As such, the proceedings are now temporarily stayed. If the stay is not lifted and the security for costs not paid by 23 September 2021, the proceedings are dismissed with costs. Any application to consider leave of the Court to join the Company to the proceedings will only proceed if the stay is lifted and the security for costs is provided.

On the assumption that the stay is lifted and the security for costs is provided, there would then need to be a contested hearing as the Company would oppose any application to join it to the proceedings. If leave is given and the plaintiffs decide to continue with their alleged claim, then the Company will be a defendant in the proceeding. The plaintiffs allege that the Company, along with certain of its Shareholders were involved in a wrongful voluntary administration of Freestyle back in December 2019. As the Company did not exist until the voluntary administrators were appointed, it is illogical to suggest it was involved in events that occurred before its creation. The insolvency of Freestyle was also confirmed by two sets of external administrators and ultimately by the Court. The Court's appointed Liquidators conducted a public sale campaign for Freestyle's assets and the Company was the chosen bidder. Further, the Court made orders that the Liquidators were justified in entering into the sale of Freestyle's assets to the Company.

The plaintiffs further allege that this conduct was an abuse of the voluntary administration procedure in the Corporations Act and was conduct of the affairs of Freestyle which was contrary to the interests of the members of Freestyle as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, the members of Freestyle, including the plaintiffs. Declarations to that effect are sought, as well as share buy out orders against the defendants, including the Company (if joined) and an account of profits for the abovementioned conduct. Much of the alleged relief in connection with this aspect is being claimed only against the shareholders of Freestyle. The Company has never been a shareholder of Freestyle.

The Company denies the allegations and should it be joined, will vigorously defend the claim. Furthermore, if the plaintiff's claims are ultimately successful (which the Company considers is very unlikely), the Company considers that the appropriate assessment of quantum is nil, and therefore the risk to the Company and Shareholders is immaterial.

## 11.2. RIGHTS ATTACHING TO SHARES

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

## a. General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. General meetings may also be held at two or more venues simultaneously using technology.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

## b. Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

i. each Shareholder entitled to vote may vote in person or by proxy, attorney or representative. If a Shareholder is entitled to one vote, one proxy may be appointed. If a Shareholder is entitled to more than one vote, one or two proxies may be appointed. No more than two proxies may be appointed;

ii. on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote, except where the Shareholder appoints two proxies in which case neither proxy may vote on a show of hands; and

iii. on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited on the Share).

## c. Dividend rights

Despite any other provision of the Constitution, the Directors may declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares and shall not exceed the proportion of the dividend to be paid to the Shareholder that the amount paid on the Share (not credited as paid) bears to the total issue price of the Share (excluding amounts credited as paid up).

The Directors may pay to the Shareholders any interim dividends as they believe to be justified subject to the requirements of the Corporations Act. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Directors may, by resolution of the Company in general meeting:

i. establish a plan under which Shareholders or any class of Shareholders may elect to reinvest cash dividends paid by the Company by subscribing for Shares; and

ii. resolve, in respect of any dividend proposed to be paid on any Shares, that the holders of those Shares may elect to forego their right to share in the proposed dividend and instead receive an issue of Shares credited as fully paid.

The Company may, by resolution of Directors, capitalise profits.

## d. Winding-up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the Company's assets and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders, but may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

The liquidator may, with the sanction of a special resolution of the Company, vest the whole or any part of the Company's assets in a trustee upon such trusts for the benefit of the contributories as determined by the liquidator.

### e. Shareholder liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

### f. Transfer of Shares

A Shareholder may transfer Shares, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

The Directors may in their absolute discretion refuse to register any transfer of Shares or other securities (including, without limitation, in any circumstances permitted by the ASX Listing Rules).

### g. Variation of class rights

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class), whether or not the Company is being wound up, may be varied or cancelled with the consent in writing of the holders of the issued shares of that class who are entitled to at least 75% of the votes that may be cast in respect of shares of that class, or by a special resolution passed at a separate meeting of the holders of the shares of that class.

### h. Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

## 11.3. TERMS AND CONDITIONS OF EXISTING OPTIONS

Set out below are the terms and conditions of the existing Options on issue in the Company:

a. **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

b. **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be $0.25 (the **Exercise Price**).

c. **Expiry Date**

Each Option will expire at 5:00 pm (EST) on or before 15 July 2025 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

d. **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

e. **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

f. **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

g. **Cashless exercise**

In lieu of paying the aggregate Exercise Price, the Board may, in its sole and absolute discretion, permit an Option holder to elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, 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 Option holder;

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.

h. **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

i. issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

ii. if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

iii. if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

i. **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

j. **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

k. **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

l. **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

m. **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## 11.4. TERMS AND CONDITIONS OF EMPLOYEE OPTIONS AND EXECUTIVE OPTIONS

Set out below are the terms and conditions of the Employee Options and the Executive Options to be issued by the Company under the Secondary Offers:

a. **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

b. **Exercise Price**

Subject to paragraph (k), the amount payable upon exercise of each Option will be $0.3575 (the **Exercise Price**).

c. **Expiry Date**

Each Option will expire at 5:00 pm (EST) on the date that is four years from the date of issue of the Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

d. **Exercise Period**

Subject to paragraph (e), the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

e. **Vesting conditions**

i. **Employee Options:** The Employee Options are subject to the following vesting conditions:

A. the Relevant Person continuing service with the Company Group until the date that is two years after the grant date; and

B. the Relevant Person having achieved at least a satisfactory rating in the most recent performance review at the date that is two years after the grant date.

ii. **Executive Options:** The Executive Options are not subject to vesting conditions.

f. **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

g. **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

h. **Cashless exercise**

In lieu of paying the aggregate Exercise Price, the Board may, in its sole and absolute discretion, permit an Option holder to elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula:

$A = [B \times (C - D)]/C$

where:

A = the number of Shares (rounded down to the nearest whole number) to be issued to the Option holder;

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.

i. **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

i. issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

ii. if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

iii. if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (h)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

j. **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

k. **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

l. **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

m. **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

n. **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

o. **Definitions**

For the purpose of the terms and conditions of the Employee Options, **Relevant Person** means:

i. in respect of an employee that is offered Employee Options, that person; and

ii. in respect of a nominee of an employee that is offered Employee Options, that employee.

## 11.5. TERMS AND CONDITIONS OF THE LEAD MANAGER OPTIONS

Set out below are the terms and conditions of the Lead Manager Options to be issued by the Company:

a. **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

b. **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be:

i. **Tranche 1 Options:** $0.25; and

ii. **Tranche 2 Options:** $0.3125,

(each, being an **Exercise Price**).

c. **Expiry Date**

Each Option will expire at 5:00 pm (EST) on the date that is three years from the date of issue of the Options (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

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d. **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

e. **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

f. **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

g. **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

i. issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

ii. if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

iii. if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

h. **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

i. **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

j. **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

k. **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

l. **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## 11.6. EMPLOYEE INCENTIVE PERFORMANCE RIGHTS AND OPTION PLAN

The Company has adopted an Incentive Performance Rights and Option Plan (**Performance Rights and Option Plan**) to allow eligible participants to be granted Performance Rights and Options in the Company. The principle terms of the Performance Rights and Option Plan are summarised below:

a. **Eligibility:** Participants in the Performance Rights and Option Plan may be:

   i. a Director (whether executive or non-executive) of the Company and any Associated Body Corporate of the Company (each, a **Group Company**);

   ii. a full or part time employee of any Group Company;

   iii. a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (**Class Order**); or

   iv. a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,

   who is declared by the Board to be eligible to receive grants of Options or Performance Rights (**Awards**) under the Performance Rights and Option Plan (**Eligible Participant**).

b. **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for Awards, upon the terms set out in the Performance Rights and Option Plan and upon such additional terms and conditions as the Board determines.

c. **Performance Rights and Option Plan limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

d. **Issue price:** Performance Rights granted under the Performance Rights and Option Plan will be issued for nil cash consideration. Unless the Options are quoted on the ASX, Options issued under the Performance Rights and Option Plan will be issued for no more than nominal cash consideration.

e. **Exercise price:** The Board may determine the Option exercise price (if any) for an Option offered under that offer in its absolute discretion. To the extent the Listing Rules specify or require a minimum price, the Option exercise price must not be less than any minimum price specified in the Listing Rules.

f. **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 (**Vesting Conditions**).

g. **Vesting:** The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Awards have been granted under the Performance Rights and Option Plan or their nominee where the Awards have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Awards due to:

   i. special circumstances arising in relation to a Relevant Person in respect of those Awards, being:

      A. a Relevant Person ceasing to be an Eligible Participant due to:

         I. death or total or permanent disability of a Relevant Person; or

         II. retirement or redundancy of a Relevant Person;

      B. a Relevant Person suffering severe financial hardship;

      C. any other circumstance stated to constitute 'special circumstances' in the terms of the relevant offer made to and accepted by the Participant; or

      D. any other circumstances determined by the Board at any time (whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,

## SECTION 11.

(**Special Circumstances**), or

i. a change of control occurring; or

ii. the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

h. **Good Leaver:**

i. Subject to the terms of an Offer, where a Participant becomes a Good Leaver:

A. unless the Board in its sole and absolute discretion determines otherwise:

I. any and all vested Options held by the Participant which have not been exercised will continue in force and remain exercisable until the Expiry Date or such lesser period as determined by the Board; and

II. any and all vested Performance Rights held by the Participant which have not been exercised will continue in force and remain exercisable; and

ii. the Board may determine, in its sole and absolute discretion, the manner in which any unvested Awards held by the Participant will be dealt with, including but not limited to:

A. allowing some or all of those unvested Awards to continue to be held by the Participant, and be subject to existing Vesting Conditions; and

B. requiring that any remaining unvested Awards automatically lapse in accordance with the terms of the Plan.

i. **Bad Leaver:** Subject to the terms of an Offer, where a Participant becomes a Bad Leaver, unless the Board in its sole and absolute discretion determines otherwise, any and all vested Awards held by the Participant which have not been exercised will:

i. continue in force and remain exercisable until 1 month after the Participant's employment or appointment terminates; and

ii. thereafter, will automatically lapse in accordance with the terms of the Plan.

j. **Cashless Exercise of Options:** Where the Award being exercised is a grant of Options, in lieu of paying the aggregate Option exercise price to purchase Shares, the Board may, in its sole and absolute discretion, permit a Participant to elect to receive, without payment of cash or other consideration, upon surrender of the applicable portion of exercisable Options to the Company, a number of Shares determined in accordance with the following formula:

$A = [B \times (C - D)]/C$

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 Option exercise price.

k. **Lapse of an Award:** An Award will lapse upon the earlier to occur of:

i. an unauthorised dealing, or hedging of, the Award occurring;

ii. a Vesting Condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;

iii. in respect of unvested Awards only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Award in the circumstances set out in paragraph (g) or the Board resolves, in its absolute discretion, to allow the unvested Awards to remain unvested after the Relevant Person ceases to be an Eligible Participant;

iv. in respect of vested Awards only, a Relevant Person ceases to be an Eligible Participant and the Award granted in respect of that Relevant Person is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an Eligible Participant;

v. the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;

vi. the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and

vii. the expiry date of the Award.

l. **Not transferrable:** 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.

m. **Shares:** Shares resulting from the exercise of the Awards shall, subject to any Sale Restrictions (refer paragraph (n)) from the date of issue, rank on equal terms with all other Shares on issue.

n. **Sale restrictions:** The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.

o. **Quotation of Shares:** If Shares of the same class as those issued under the Performance Rights and Option Plan are quoted on the ASX, the Company will, subject to the Listing Rules, apply to the ASX for those Shares to be quoted on ASX 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.

p. **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.

q. **Change in exercise price of number of underlying securities:** An Award does not confer the right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.

r. **Reorganisation:** If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.

s. **Amendments:** Subject to express restrictions set out in the Performance Rights and Option Plan and complying with the Corporations Act, Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Performance Rights and Option Plan, or the terms or conditions of any Award granted under the Performance Rights and Option Plan including giving any amendment retrospective effect.

t. **Maximum Number of Securities:** The maximum number of equity securities proposed to be issued under the Performance Rights and Option Plan is 16,790,774 Securities (being, 10% of the issued capital on a fully diluted basis at listing assuming the Maximum Subscription is raised under the Public Offer). It is not envisaged that the maximum number of Securities will be issued immediately.

## 11.7. EMPLOYEE INCENTIVE SHARE PLAN

The Company has adopted an Incentive Share Plan (**Share Plan**) to attract, motivate and retain key employees by providing them with the opportunity to participate in the future growth of the Company.

The principle terms of the Share Plan are summarised below:

a. **Eligibility:** Directors, full-time employees, part-time employees, casual employees or contractors of the Company or any Associated Body Corporate (each being an **Eligible Participant**) are eligible to be made offers of Shares under the Share Plan.

b. **Administration of Plan:** The Board is responsible for the operation of the Share Plan and has a broad discretion to determine which Eligible Participants will be offered Shares under the Share Plan.

## SECTION 11.

c. **Offer:** The Board may issue an offer to an Eligible Participant to participate in the Share Plan (**Participant**). The Offer:

   i. will invite application for the number of Shares specified in the Offer;

   ii. will specify the issue price for the Shares or the manner in which the issue price of the Shares is to be calculated;

   iii. will specify any vesting conditions applying to the Shares;

   iv. will specify an acceptance period; and

   v. specify any other terms and conditions attaching to the Shares.

d. **Issue price:** The Issue Price of the Shares offered under the Share Plan (**Plan Shares**) shall be determined by the Board in its absolute discretion, which may be a nominal or nil amount.

e. **Vesting Conditions:**

   i. Shares may be subject to vesting conditions (such as a period of employment) which must be satisfied before the Shares can be sold, transferred, assigned, charged, or otherwise encumbered.

   ii. If, in the opinion of the Board, the Participant becomes a Good Leaver, the Vesting Conditions of the Participant's Plan Shares (if any) will vest pro rata to the proportion of the period from the date of issue of the Plan Shares to the date that the Vesting Conditions are required to be satisfied that has elapsed as at that date, and all rights, entitlements and interests in any remaining unvested Plan Shares held by the Participant will be forfeited, subject to the Board's discretion to permit some or all of those Plan Shares to vest having regard to the Board's assessment of the circumstances in which the Participant has ceased employment or office with the applicable Group Company.

f. **Forfeiture, Buyback and Cancellation:** Except as otherwise provided by the Share Plan, a Plan Share will be forfeited, and the Company must, subject to the Corporations Act and the ASX Listing Rules, buy back and cancel a Plan Share under Part 2J.1 of the Corporations Act where:

   i. an unauthorised dealing in, or hedging of, the Plan Share occurs;

   ii. a vesting condition in relation to the Plan Share is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the vesting condition or paragraph 11.7(f)(iii)(B) applies;

   iii. a Participant ceases to be an Eligible Participant and, at that time, there is a vesting condition in relation to that Plan Share that is unsatisfied or is incapable of satisfaction in the opinion of the Board, unless the Board:

      A. exercises its discretion to waive that vesting condition; or

      B. in its absolute discretion, resolves to allow the vesting condition to continue to apply to the Plan Share after the Participant ceases to be an Eligible Participant;

   iv. the Board deems that a Plan Share is forfeited due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant); or

   v. the Company undergoes a change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition.

g. **Power of Attorney:** The Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the sale of the Participant's Shares in accordance with the Share Plan.

h. **Plan limit:** The Company must take reasonable steps to ensure that the number of Plan Shares when aggregated with:

   i. the number of Shares issued during the previous 3 years under the Share Plan (or any other employee share plan extended only to Eligible Participants); and

   ii. the number of Shares that would be issued if each outstanding offer for Shares (including options to acquire unissued Shares) under any employee incentive scheme of the Company were to be exercised or accepted,

   does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with relevant ASIC Class Order).

i. **Restriction on transfer:** Once the Plan Shares are quoted pursuant to paragraph (j), there will be no transfer restrictions on Plan Shares unless the sale, transfer or disposal by the Participant of the Plan Shares issued to them would require the preparation of a disclosure document (as that term is defined in the Corporations Act).

j. **Quotation on ASX:** The Company will apply for each Plan Share to be quoted on ASX upon issue of the Plan Share. Quotation will be subject to the Listing Rules and any holding lock applying to the Shares.

k. **Rights attaching to Plan Shares:** Each Plan Share shall be issued on the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Share Plan) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.

l. **Appointment of Trustee:** The Board retains the absolute discretion to require Plan Shares to be held by a Trustee on trust for the benefit of the Participant. The Board maintains the power to approve or deny any application by the Participant to withdraw Shares held by the Trustee on their behalf.

m. **Maximum Number of Shares:** The maximum number of equity securities proposed to be issued under the Share Plan is 8,395,387 Shares (being, 5% of the issued capital of the Company on a fully diluted basis at listing assuming the Maximum Subscription is raised under the Public Offer). It is not envisaged that the maximum number of Securities will be issued immediately.

## 11.8. INTERESTS OF DIRECTORS

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

a. the formation or promotion of the Company;

b. any property acquired or proposed to be acquired by the Company in connection with:

   i. its formation or promotion; or

   ii. the Offers; or

c. the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

d. as an inducement to become, or to qualify as, a Director; or

e. for services provided in connection with:

   i. the formation or promotion of the Company; or

   ii. the Offers.

## 11.9. INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no:

a. person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

b. promoter of the Company; or

c. underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

d. the formation or promotion of the Company;

e. any property acquired or proposed to be acquired by the Company in connection with:

   i. its formation or promotion; or

   ii. the Offers; or

f. the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

g. the formation or promotion of the Company; or

h. the Offers.

Davies Collison Cave has acted as patent attorneys to the Company and has prepared the Intellectual Property Report which is included in Annexure A. The Company estimates it will pay Davies Collison Cave a total of $50,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Davies Collison Cave has received $40,000 in fees from the Company.

Grant Thornton Audit Pty Ltd (**Grant Thornton Audit**) has acted as auditor to the Company and has prepared the audited historical financial information of the Company which is included in Section 7. The Company estimates it will pay Grant Thornton Audit a total of $147,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Grant Thornton Audit has received $100,000 in fees from the Company for audit services.

Grant Thornton Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Annexure B. The Company estimates it will pay Grant Thornton Corporate Finance Pty Ltd a total of $51,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Grant Thornton Corporate Finance has not received fees from the Company for any other services.

Bell Potter Securities Ltd will receive those fees set out in Section 4.12 following the successful completion of the Public Offer for its services as Lead Manager to the Public Offer. Bell Potter Securities Ltd will be responsible for paying all capital raising fees that Bell Potter Securities Ltd and the Company agree with any other financial service licensees. Further details in respect to the Lead Manager Mandate with Bell Potter Securities Ltd are summarised in Section 10.1. During the 24 months preceding lodgement of this Prospectus with the ASIC, Bell Potter Securities Ltd has not received fees from the Company for any other services.

Steinepreis Paganin has acted as the Australian legal advisers to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin approximately $150,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of $129,197.39 from the Company.

## 11.10. CONSENTS

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offer or of the Shares), the Directors, any persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

a. does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;

b. in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and

c. has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Davies Collison Cave has given its written consent to being named as patent attorneys to the Company in this Prospectus and the inclusion of the Intellectual Property Report in Annexure A in the form and context in which the report is included.

Grant Thornton Audit has given its written consent to being named as auditor of the Company in this Prospectus and the inclusion of the audited financial information of the Company contained in Section 7 and the Investigating Accountants Report included in Annexure B to this Prospectus in the form and context in which it appears.

Grant Thornton Corporate Finance Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Annexure B in the form and context in which the information and report is included.

Steinepreis Paganin has given its written consent to being named as the legal advisers to the Company in relation to the Offers in this Prospectus.

Bell Potter Securities Ltd has given its written consent to being named as the Lead Manager to the Company in this Prospectus.

Automic Pty Ltd has given its written consent to being named as the share registry to the Company in this Prospectus.

## 11.11. EXPENSES OF THE PUBLIC OFFER

The total expenses of the Public Offer (excluding GST) are estimated to be approximately $0.734 million for Minimum Subscription under the Public Offer or $0.855 million for Maximum Subscription under the Public Offer.

Section 12

# DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

**Hon. Alan Stockdale AO**
*Non-Executive Chairman*

For and on behalf of
X2M CONNECT LIMITED

Section 13

# GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**$** or **AUD** means an Australian dollar.

**AEST** means Australian Eastern Standard Time as observed in Melbourne, Victoria.

**APAC** means the Asia Pacific Region.

**Application Form** means the application form attached to or accompanying this Prospectus relating to the Public Offer and Secondary Offers.

**ASIC** means Australian Securities and Investments Commission.

**Associated Body Corporate** means

a. a related body corporate (as defined in the Corporations Act) of the Company;

b. a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and

c. a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the official listing rules of ASX.

**Bad Leaver** means, unless otherwise determined by the Board in its sole and absolute discretion, a Participant who ceases employment or office with any Group Company in any of the following circumstances:

a. the Participant resigns from their employment or office;

b. the employment of the Participant is terminated due to poor performance; or

c. the Participant's employment is terminated, or the Participant is dismissed from their office, for any of the following reasons:

   i. the Participant has committed any serious or persistent breach of the provisions of any employment contract entered into by the Participant with any Group Company;

   ii. the Participant has been guilty of fraudulent or dishonest conduct in the performance of the Participant's duties, which in the reasonable opinion of the relevant Group Company, effects the Participant's suitability for employment with that Group Company, or brings the Participant or the Group into disrepute;

   iii. the Participant has been convicted of any criminal offence which involves fraud or dishonesty;

   iv. the Participant has committed any wrongful or negligent act or omission which has caused any Group Company substantial liability;

   v. the Participant has become disqualified from managing corporations in accordance with Part 2D.6 of the Corporations Act or has committed any act that may result in the Participant being banned from managing a corporation under the Corporations Act; or

   vi. the Participant has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice.

**Beam Bay Proceedings** means the Supreme Court of Victoria proceedings against Macquarie Corporate Holdings Pty Ltd (formerly known as Macquarie Capital Group Limited) ACN 096 705 109 and others titled Beam Bay Pty Ltd and ors v Macquarie Corporate Holdings Pty Ltd and ors S ECI 2016 001157.

**B2B Customers** are those customers purchasing products and services from the Company for deployment to their end users and households.

**Board** means the board of Directors as constituted from time to time.

**Business Days** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other eday that ASX declares is not a business day.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement.

# SECTION 13.

**Closing Date** means the closing date of the Offers as set out in the indicative timetable in the Key Offer Information Section (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

**Company** or **X2M** means X2M Connect Limited (ACN 637 951 154).

**Company Group** or **X2M Group** means X2M and its subsidiaries.

**Conditions** has the meaning set out in Section 4.11.

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Employee Options Offer** means the offer of Employee Options to certain employees of the Company, the terms of which are set out in Section 4.6.

**Executive Options Offer** means the offer of Employee Options to certain employees of the Company, the terms of which are set out in Section 4.7.

**Freestyle** means Freestyle Technology Limited (ACN 117 520 528) (under external administration).

**Freestyle Proceedings** means the Supreme Court of Victoria proceedings against Macquarie Corporate Holdings Pty Ltd (formerly known as Macquarie Capital Group Limited) ACN 096 705 109 and others titled In the matter of Freestyle Technology Limited S ECI 2019 02254.

**Good Leaver** means a Participant who ceases employment or office with any Group Company, including from a resignation, and is not a Bad Leaver.

**Group** or **Group Company** means the Company or any associated body corporate.

**IoT** means Internet of Things.

**Lead Manager** means Bell Potter Securities Ltd (ACN 006 390 772) (AFSL No. 243480).

**Lead Manager Mandate** means the agreement with the Lead Manager summarised in Section 10.1.1.

**Maximum Subscription** means the maximum amount to be raised under the Public Offer, being $8,000,000.

**Minimum Subscription** means the minimum amount to be raised under the Public Offer, being $6,000,000.

**Offers** means the Public Offer and Secondary Offers.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share.

**Option holder** means a holder of an Option.

**Participant** means a participant under the Performance Rights and Options Plan and the Share Plan.

**Performance Right** means a right to a Share.

**Performance Rights and Options Plan** means the Incentive Performance Rights and Options Plan, summarised in Section 11.6.

**Original Prospectus** means the original prospectus lodged with the ASIC by the Company on 26 July 2021.

**Prospectus or Replacement Prospectus** means this replacement prospectus.

**Public Offer** means the offer of Shares pursuant to this Prospectus as set out in Section 4.1.

**Recommendations** has the meaning set out in Section 9.5.

**SaaS** means Software as a Service.

**Secondary Offers** means the Employee Options Offer and the Executive Options Offer.

**Section** means a Section of this Prospectus.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Share Plan** means the Incentive Share Plan, summarised in Section 11.7.

**Share Registry** means Automic Pty Ltd.

**Shareholder** means a holder of Shares.

**US** means United States of America.

Annexure A

# INTELLECTUAL PROPERTY REPORT

Davies Collison Cave Pty Ltd
ABN 13 613 954 368

Level 15, 1 Nicholson Street
Melbourne VIC 3000
Australia

T +61 3 9254 2777
F +61 3 9254 2770
E mail@dcc.com

dcc.com

**Via Email Only**
keith.jelley@x2mconnect.com

16 July 2021

Mr Keith Jelley
X2M Connect Limited
Level 3, 549 Blackburn Road
MOUNT WAVERLEY VIC 3149

**DCC Ref:** 12794920/DBW/dl

**Re:** X2M Connect Limited - IP Report

Dear Keith,

Please find ***attached*** an Intellectual Property ("**IP**") Report prepared for X2M Connect Limited ("**X2M**").

This report has been prepared by Davies Collision Cave Pty Ltd ("**DCC**") for inclusion in a prospectus to be issued by X2M and lodged with ASIC for purpose of X2M raising funds through the initial public offering of securities in X2M to facilitate an admission to the official list of the ASX. DCC provides its consent for the issue of the prospectus and inclusion of the report in the prospectus, which consent has not been withdrawn as at the date of lodgement of the prospectus.

Yours sincerely,
**DAVIES COLLISON CAVE PTY LTD**

**David Webber**
Principal
*dwebber@davies.com.au*

AUSTRALIA | NEW ZEALAND | SINGAPORE | ASIA PACIFIC

21741521.1:DCC

# ANNEXURE A.

**IP Report – X2M Connect Limited**

**About Davies Collison Cave**

DCC is one of Australia's leading intellectual property firms. It specialises in providing advice relating to protecting and enforcing intellectual property rights. DCC has over 200 professionals and staff working for the firm and can trace its history back more than 130 years, making it one of Australia's longest established IP firms.

The services provided by DCC cover aspects of IP including patents, registered designs, trade marks, copyright and plant breeders' rights, and is provided by attorneys possessing a diverse range of technical skills in areas including chemistry and materials, clean energy, engineering, physics and electronics, information technology, life sciences, pharmaceuticals, medical devices, nanotechnology and plant innovation.

**Intellectual Property Overview**

Intellectual property is a collective term used to refer to a number of different rights including patents, registered designs, trade marks, copyright and trade secrets.

DCC is currently engaged to manage patent related matters on behalf of X2M and this report will focus on patent rights only.

**Patents**

A patent is a legally enforceable and exclusive right to commercially exploit an invention for a defined period of time in a particular territory.

In Australia, where the invention is a product, exploitation includes making, hiring, selling or otherwise disposing of the product, or offering to make, sell, hire or otherwise dispose of the product, using or importing the product, or keeping the product for the purpose of doing any of those things. For a method or process, exploitation includes using the method or process or exploiting a product resulting from performing the method or process. Other countries have their own laws regarding the rights afforded by a granted patent, and advice should be sought on a country by country basis if further information is required.

A patent is granted for inventions that meet defined criteria. The laws of different countries generally have different criteria, and hence make their own assessment as to the patentability of an invention. In general, the requirements include that the claimed invention is novel, involves an inventive step and meets subject matter eligibility requirements.

**Patent Application Process**

In order to obtain patent protection, it is ultimately necessary for an application to be filed with a Patent Office in each country where protection is to be sought. However, international conventions exist that enable a patent application to be initially filed in a single country, with subsequent applications being filed individually in each country within a defined time limit.

For example, the Paris Convention provides a mechanism that allows patent applications to be filed to cover additional countries within 12 months of the date of lodging a first patent application in Australia. Thus, one or more provisional patent applications can be filed in Australia, and then subsequent applications can be filed covering other countries within 12 months of the earliest provisional patent application, using a process known as claiming priority.

The subsequent applications can be separate applications in each country of interest. Alternatively, a single International Patent Cooperation Treaty ("**PCT**") application can be filed covering a number of contracting states. The PCT application does not ultimately get granted as a patent, but rather allows the filing of national patent applications in individual countries to be deferred up to a set date, typically 30 months from the filing date of the first patent application, such as the first provisional patent application.

Once filed, the PCT application undergoes an assessment process, in which a designated patent office performs a search and issues an International Search Report and associated International Search Opinion, providing a preliminary view on whether the patent application meets novelty, inventive step and industrial applicability requirements. Responses to the International Search Opinion can be optionally filed during a subsequent examination process, before an International Preliminary Report on Patentability issues, providing an opinion of patentability.

It should be noted however that the outcome of this process is not binding and subsequent assessment is typically performed by patent offices in each country, after individual national patent applications have been filed. In this regard, each country will typically perform an independent search, and then assess whether the patent application meets the patentability requirements, additionally taking into account their own local law.

Whilst most countries require a local patent application to be filed, in some cases regional patent applications can be filed covering a group of individual countries. For example, a European patent application can be filed, which can allow subsequent patents to be granted in over 35 countries.

Assuming any objections are overcome, a patent can then be granted on the application allowing this to be subsequently enforced to prevent third parties exploiting the invention.

**Patent Portfolio of X2M**

Details of the patents and patent applications of X2M ("**the Portfolio**") are provided in the Patent Schedule below. The patents and patent applications of the Portfolio were purchased by X2M under an Asset Sale Agreement ("**the ASA**") dated 26 February 2020 with Freestyle Technology Limited, ACN 117 520 528 (under external administration and previously known as Freestyle Technology Pty Ltd).

The Australian and New Zealand patents are in the name of X2M.

The South Korean patents are in the name of Freestyle Technology Co., Ltd, a company incorporated in the Republic of Korea and a wholly owned subsidiary of X2M.

The remaining patents and patent applications are in the name of Freestyle Technology Limited and Freestyle Technology Pty Ltd, and documents need to be submitted at Patent Offices to place these patents and patent applications in the name of X2M. These remaining patents and patent applications were purchased by X2M under the ASA and as such X2M is the beneficial owner but is unable exercise its rights in relation to these patents and patent applications until the title is transferred to X2M.

The information has been prepared based on our records and information supplied by overseas IP firms and Patent Offices in relevant jurisdictions. DCC cannot take responsibility for missing or erroneous data that is provided by other firms and Patent Offices.

In summary, the Portfolio includes five families of related patents and applications, and additional unrelated South Korean patents.

# ANNEXURE A.



***Family 1 - Client processor device***

This family is based on PCT application PCT/AU2005/000922 filed on 24 June 2005 and which in turn claims priority from an Australian provisional patent application AU2004903457 filed on 24 June 2004, United States provisional patent application 60/608379 filed on 10 September 2004, and Australian provisional patent application 2004905262 filed on 13 September 2004.

The abstract of the PCT application states the family relates to a client processor device including a communications receiver for receiving file fragments for the device, a microcontroller system including a microcontroller and a programmable non-volatile memory system, for building and storing application and data files from the fragments, and executing an application of the device by processing at least one application file and associated data identified by configuration instructions included in at least one of the fragments.

***Family 2 - A meter device***

The second family is based on PCT Application PCT/AU2005/000917 filed on 24 June 2005 and which in turn claims priority from Australian provisional patent application 2004903457 filed on 24 June 2004, United States provisional patent application 60/608379 filed on 10 September 2004, and Australian provisional patent application 2004905262 filed on 13 September 2004.

The abstract of the PCT application states the family relates to a utility meter device including a communications receiver for receiving file fragments for the device, a processing means, eg microprocessor, microcontroller, and programmable non-volatile memory means, eg flash, EEPROM, for building and storing application and data files from the fragments, and executing a meter application of the device by processing at least one application file and associated data identified by configuration instructions in at least one of the fragments to provide data for reconfiguring a meter through a control interface.

***Family 3 - An alert device***

The third family is based on PCT Application PCT/AU2005/000923 filed on 24 June 2005 and which in turn claims priority from Australian provisional patent application 2004903457 filed on 24 June 2004, United States provisional patent application 60/608379 filed on 10 September 2004, and Australian provisional patent application 2004905262 filed on 13 September 2004.

The abstract of the PCT application states the family relates to an alert device for a vehicle including a communications receiver for receiving file fragments for the device, a positioning data receiver for providing vehicle location data, a microcontroller system including a microcontroller and a programmable non-volatile memory system, for building and storing application and data files from the fragments, and executing an alert application of the device by processing at least one application file and associated data identified by configuration instructions included in at least one of the fragments to provide alert data for the vehicle corresponding to the location of the vehicle determined by the application on the basis of the vehicle location data.

***Family 4 - A communications process, device and system***

The fourth family is based on PCT Application PCT/AU2010/000367 filed on 31 March 2010 and which in turn claims priority from Australian provisional patent application 2009901397 filed on 31 March 2009.

The abstract of the PCT application states the family relates to a method executed by a concentrator connected between a plurality of remote units and a management server, the method including: (i) receiving and storing properties data associated with a remote unit including a microengine and a meter for measuring usage of a resource at a customer's premises, the properties data representing a profile of the remote unit; (ii) receiving message data representing a request associated with the remote unit from the management server; (iii) generating response data representing a response to the request based on the message data and the stored properties data; and (iv) sending the response data to one of the remote unit and the management server, as determined by the request based on the message data.

***Family 5 - Systems, methods, and/or apparatus for enabling communication between devices using different communication protocols***

The fifth family is based on PCT Application PCT/AU2012/000741 filed on 25 June 2012 and which in turn claims priority from Australian provisional patent application 2011902569 filed on 29 June 2011 and United States provisional patent application 61/577396 filed on 19 December 2011.

The abstract of the PCT application states the family relates to an integration system for enabling communication between service providers and end-devices, comprising at least one memory for storing data about end-devices and an interface for receiving communications from service providers intended for a plurality of end-devices and retransmitting the communication to the plurality of end-devices. The plurality of end-devices being configured to communicate with two or more different service providers and the integration system is configured to translate the incoming communication from the service provider to the protocol corresponding to the end-device.

# ANNEXURE A.

## PATENT PORTFOLIO SCHEDULE
## April 2021

***FAMILY 1 - CLIENT PROCESSOR DEVICE***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| Australia | 2005256159 | 2005256159 | 24/06/2004 | 24/06/2005 | Patent granted |
| Australia | 2011244901 | 2011244901 | 24/06/2004 | 31/10/2011 | Patent granted |
| Australia | 2013203293 | 2013203293 | 24/06/2004 | 10/04/2013 | Patent granted |
| Australia | 2013203246 | 2013203246 | 24/06/2004 | 10/04/2013 | Patent granted |
| Canada | 2,571,335 | 2,571,335 | 24/06/2004 | 24/06/2005 | Patent granted |
| New Zealand | 552196 | 552196 | 24/06/2004 | 24/06/2005 | Patent granted |
| United States | 11/571,198 | 8,041,792 | 24/06/2004 | 24/06/2005 | Patent granted |
| United States | 13/275,978 | 8,606,891 | 24/06/2004 | 18/10/2011 | Patent granted |

***FAMILY 2 - A METER DEVICE***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| Australia | 2005256154 | 2005256154 | 24/06/2004 | 24/06/2005 | Patent granted |
| Australia | 2010246406 | 2010246406 | 24/06/2004 | 24/11/2010 | Patent granted |
| Australia | 2013203294 | 2013203294 | 24/06/2004 | 10/04/2013 | Patent granted |
| Australia | 2016202559 | 2016202559 | 24/06/2004 | 21/04/2016 | Patent granted |
| Australia | 2018214117 | 2018214117 | 24/06/2004 | 10/08/2018 | Patent granted |
| Canada | 2,571,330 | 2,571,330 | 24/06/2004 | 24/06/2005 | Patent granted |
| New Zealand | 552195 | 552195 | 24/06/2004 | 24/06/2005 | Patent granted |
| New Zealand | 588836 | 588836 | 24/06/2004 | 27/10/2010 | Patent granted |
| United States | 11/571,204 | 9,726,515 | 24/06/2004 | 24/06/2005 | Patent granted |
| United States | 15/631,817 | 10,284,925 | 24/06/2004 | 23/06/2017 | Patent granted |

# ANNEXURE A.

***FAMILY 3 - AN ALERT DEVICE***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| Australia | 2005256160 | 2005256160 | 24/06/2004 | 24/06/2005 | Patent granted. |
| Australia | 2011244955 | 2011244955 | 24/06/2004 | 03/11/2011 | Patent granted |
| Canada | 2,571,344 | 2,571,344 | 24/06/2004 | 24/06/2005 | Patent granted |
| Canada | 2,859,422 | 2,859,422 | 24/06/2004 | 15/08/2014 | Patent granted |
| New Zealand | 552197 | 552197 | 24/06/2004 | 24/06/2005 | Patent granted |
| United States | 11/571,172 | 7,705,749 | 24/06/2004 | 24/06/2005 | Patent granted |
| United States | 12/757,524 | 8,669,882 | 24/06/2004 | 09/04/2010 | Patent granted |

***FAMILY 4 - A COMMUNICATIONS PROCESS, DEVICE AND SYSTEM***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| Australia | 2010230845 | 2010230845 | 31/03/2009 | 31/03/2010 | Patent granted |
| Australia | 2013203303 | 2013203303 | 31/03/2009 | 10/04/2013 | Patent granted |
| Australia | 2016219719 | 2016219719 | 31/03/2009 | 26/08/2016 | Patent granted |
| Canada | 2,757,046 | 2,757,046 | 31/03/2009 | 31/03/2010 | Patent granted |
| China | 201910297017.0 | | 31/03/2009 | 12/04/2019 | Application pending |
| China | 201910297018.5 | | 31/03/2009 | 12/04/2019 | Application pending |
| India | 7538/DELNP/2011 | 342836 | 31/03/2009 | 31/03/2010 | Patent granted |
| Indonesia | W-00201103980 | IDP000037093 | 31/03/2009 | 31/03/2010 | Patent granted |
| Japan | 2012-502391 | 5770159 | 31/03/2009 | 31/03/2010 | Patent granted |
| Japan | 2017-091889 | 6353117 | 31/03/2009 | 2/05/2017 | Patent granted |
| Malaysia | PI2011004668 | MY-172902-A | 31/03/2009 | 31/03/2010 | Patent granted |
| New Zealand | 595563 | 595563 | 31/03/2009 | 31/03/2010 | Patent granted |
| Philippines | 1-2011-501959 | 1-2011-501959 | 31/03/2009 | 31/03/2010 | Patent granted |
| Singapore | 10201400816U | 10201400816U | 31/03/2009 | 11/03/2014 | Patent granted |
| South Korea | 10-2011-7024513 | 10-1764748 | 31/03/2009 | 31/03/2010 | Patent granted |

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# ANNEXURE A.

***Family 4 - A Communications Process, Device and System (Continued)***

| | | | | | |
|---|---|---|---|---|---|
| Sri Lanka | 16452 | 16452 | 31/03/2009 | 31/03/2010 | Patent granted |
| United States | 13/260,834 | 10,063,942 | 31/03/2009 | 31/03/2010 | Patent granted |
| Vietnam | 1-2011-02939 | 14717 | 31/03/2009 | 31/03/2010 | Patent granted |

***FAMILY 5 - SYSTEMS, METHODS, AND/OR APPARATUS FOR ENABLING COMMUNICATION BETWEEN DEVICES USING DIFFERENT COMMUNICATION PROTOCOLS***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| Australia | 2012276270 | 2012276270 | 29/06/2011 | 25/06/2012 | Patent granted |
| Australia | 2014271225 | 2014271225 | 29/06/2011 | 01/12/2014 | Patent granted |
| Australia | 2017201952 | 2017201952 | 29/06/2011 | 22/03/2017 | Patent granted |
| Canada | 2840511 | | 29/06/2011 | 25/06/2012 | Application pending |
| China | 201280031869.1 | ZL201280031869.1 | 29/06/2011 | 25/06/2012 | Patent granted |
| India | 11199/DELNP/2013 | | 29/06/2011 | 25/06/2012 | Application pending |
| Indonesia | W-00201306080 | IDP000046518 | 29/06/2011 | 25/06/2012 | Patent granted |
| Japan | 2017-156403 | 6549193 | 29/06/2011 | 14/08/2017 | Patent granted |
| Malaysia | PI2013004725 | MY-159437-A | 29/06/2011 | 25/06/2012 | Patent granted |
| Malaysia | PI2016000483 | | 29/06/2011 | 15/03/2016 | Application pending |
| New Zealand | 619033 | 619033 | 29/06/2011 | 25/06/2012 | Patent granted |
| New Zealand | 712243 | 712243 | 29/06/2011 | 11/09/2015 | Patent granted |
| New Zealand | 730834 | 730834 | 29/06/2011 | 5/04/2017 | Patent granted |
| Philippines | 1-2013-502656 | 1-2013-502656 | 29/06/2011 | 25/06/2012 | Patent granted |
| Singapore | 201309596.3 | 195962 | 29/06/2011 | 25/06/2012 | Patent granted |
| Singapore | 10201506089V | 10201506089V | 29/06/2011 | 4/08/2015 | Patent granted |

***Family 5 - Systems, Methods, and/or Apparatus for Enabling Communication Between Devices Using Different Communication Protocols (Continued)***

| | | | | | |
|---|---|---|---|---|---|
| South Korea | 10-2014-7002097 | 10-1905054 | 29/06/2011 | 25/06/2012 | Patent granted |
| South Korea | 10-2015-7025661 | 10-1906439 | 29/06/2011 | 17/05/2015 | Patent granted |
| South Korea | 10-2018-7028142 | 10-2052515 | 29/06/2011 | 28/09/2018 | Patent granted |
| Taiwan | 101122604 | I524806 | 29/06/2011 | 25/06/2012 | Patent granted |
| Taiwan | 104140295 | I612838 | 29/06/2011 | 2/12/2015 | Patent granted |
| Taiwan | 106136142 | I683593 | 29/06/2011 | 20/10/2017 | Patent granted |
| Vietnam | 1-2014-00315 | 23429 | 29/06/2011 | 25/06/2012 | Patent granted |

***FREESTYLE TECHNOLOGY CO., LTD***

| Country | Application No. | Patent No. | Priority Date | Filing Date | Status |
|---|---|---|---|---|---|
| South Korea | | 10-1364326 | | | Patent granted |
| South Korea | | 10-1304069 | | | Patent granted |
| South Korea | | 10-1271318 | | | Patent granted |
| South Korea | | 10-1212887 | | | Patent granted |
| South Korea | | 10-1249085 | | | Patent granted |

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# ANNEXURE A.



**Limitations**

*Patent Office Information*
The schedule has been prepared based on information supplied by Patent Offices in relevant jurisdictions, either through official communications or through publication on official databases. DCC cannot take responsibility for the accuracy of information that is provided by the Patent Offices and the accuracy of information available in public databases provided by the Patent Offices.

*Scope of Patents*
DCC can provide no assurance that any of the patent applications listed in the Schedule will result in the grant of a patent, or that the scope of protection provided by any patent that is granted will be identical to the scope of the claims in an application as originally filed.

*Validity of Patents*
It is important to understand that granting of a patent is not a guarantee of validity and patents can be held subsequently unenforceable, for example during court proceedings or third party oppositions in some jurisdictions. DCC can provide no assurance as to the validity of the patent applications or any patent granted based thereon.

*Commercial Activities*
DCC can provide no assurance that any patents or patents granted on the patent applications listed in the Schedule, even if valid, will cover the commercial activities of X2M, or that exploitation of the inventions described and claimed in the patent applications listed in the Schedule, or any patents granted thereon, will not infringe any rights held by third parties.

It is important to understand that granting of a patent provides a monopoly right to prevent exploitation of the invention by third parties, but provides no guarantee that the invention can be commercialised without infringing other third party rights. DCC can therefore provide no assurances as to X2M's freedom to operate in respect to their commercial activities.

*Patent Searches*
Searches may be conducted in respect of patents or patent applications to ascertain their validity or to identify other third party patent rights. No search can provide completely comprehensive results and it is not possible to guarantee the accuracy of any such results, conducted by any parties, due to a range of limitations. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records and the search strategy. DCC takes no responsibility for the information available in patent searches and cannot guarantee the accuracy of information from these searches.

*Renewals*
The status of the patents and patent applications of the patent portfolio is dependent on the payment of annual renewal fees. DCC is not responsible for the payment of the renewals fees.

*Qualifications and Independence*
DCC is an incorporated patent attorney under the *Patents Act 1990* (Cth). DCC has no interest in X2M, other than in respect of fees for professional work done. DCC has no involvement in the preparation of the prospectus by X2M, other than the preparation of this report. DCC is therefore considered independent of X2M for the purpose of preparing this report and gives its consent for inclusion of this report in the prospectus.

Annexure B

# INVESTIGATING ACCOUNTANT'S REPORT

# ANNEXURE B.

Grant Thornton
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Board of Directors
X2M Connect Limited
Level 3, 549 Blackburn Road
Mount Waverley
VIC 3149

Collins Square, Tower 5
727 Collins Street
Docklands Victoria 3008

Correspondence to:
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Melbourne Victoria 3001

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**E** info.vic@au.gt.com
**W** www.grantthornton.com.au

19 July 2021

Dear Directors,

## *INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE*

### Introduction

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") has been engaged by X2M Connect Limited ("X2M Group" or "the Company") to prepare this report for inclusion in the prospectus to be issued by the Company on or about 20 July 2021 (the "Prospectus"), in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance holds an appropriate Australian Financial Services Licence (AFS Licence Number 247140) under the Corporations Act 2001 for the issue of this report. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

### Scope

Grant Thornton Corporate Finance has been engaged by the Directors to perform a limited assurance engagement in relation to the following financial information of the Company:

### Pro Forma Historical Financial Information

- Pro-forma statement of profit or loss and other comprehensive income of the X2M Group for the years ended 30 June 2019, 30 June 2020 and for the six months ended 31 December 2020;
- Pro-forma statement of financial position of the X2M Group at 31 December 2020;
- Audited historical statement of profit or loss and other comprehensive income for the Aggregated X2M Subsidiary Group for years ended 30 June 2019 and 30 June 2020;
- Audited historical statement of profit or loss and other comprehensive income for the X2M Group for the year ended 30 June 2020;
- Reviewed historical statement of profit or loss and other comprehensive income for the X2M Group for the half year ended 31 December 2020;
- Pro-forma historical statement of cash flows for the years ended 30 June 2019 and 30 June 2020 for the Aggregated X2M Subsidiary Group;
- Audited historical statement of cash flows for the X2M Group for the year ended 30 June 2020 and half year ended 31 December 2020; and

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- The historical statement of financial position for X2M Group as at 30 June 2020 and 31 December 2020.

(collectively referred to as the "Pro Forma Historical Financial Information").

The Pro forma Historical Financial Information has been prepared for inclusion in the Prospectus and has been derived from the audited financial statements of the Company for the years ended 30 June 2019 and 30 June 2020, and reviewed financial statement for the 6 months ended 31 December 2020. The financial statements were audited / reviewed by Grant Thornton Audit Pty Ltd. The audit opinions issued to the Directors of the Company in respect of all years were unmodified.

As described in Section 7 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Pro forma Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to the general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

**Directors' Responsibility**
The Directors are responsible for:

- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information; and

- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information that are free from material misstatement, whether due to fraud or error.

**Our Responsibility**
Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450: "*Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*".

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

# ANNEXURE B.

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Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Pro Forma Historical Financial Information from audited financial statements of the Company covering the years ended 30 June 2019 and 30 June 2020 and reviewed financial statements of the Company covering the 6 months ended 31 December 2020;
- consideration of the appropriateness of the pro forma adjustments described in Section 7 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Pro Forma Historical Financial Information;
- analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Pro Forma Historical Financial Information.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### Conclusions

#### Pro forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation and the pro forma adjustments as described in Section 7 of the Prospectus.

### Restrictions on Use

Without modifying our conclusion, we draw attention to Section 7 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Investigating Accountant's Report may not be suitable for use for another purpose.

### Consent

Grant Thornton Corporate Finance consents to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

### Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

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## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 19 July 2021.

### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by X2M Connect Limited Ltd ("X2M Group" or "the Company") to provide a report in the form of an Independent Limited Assurance for inclusion in a Prospectus dated on or about 20 July 2021 ("the Prospectus") in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange. You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

### 2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

### 4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### 5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us.

# ANNEXURE B.

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**Independence or Disclosure of Interest**

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Peter Thornely
Partner

#3786633v1

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Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

## 6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

## 7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

## 8 Independence

Grant Thornton Corporate Finance is required to be independent of the Company in order to provide this report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with the Company (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the initial public offering.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the initial public offering, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the initial public offering.*

*Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

## 9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

# ANNEXURE B.

**Australian Financial Complaints Authority**
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287
Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## 10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

## 11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

**Head of Corporate Finance**
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000

Annexure C

# SIGNIFICANT ACCOUNTING POLICIES

# ANNEXURE C.

## BASIS OF PREPARATION

The historical financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial information has been prepared on an accruals basis and is based on historical cost.

## BUSINESS COMBINATIONS

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

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

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

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

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

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

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

## REVENUE RECOGNITION

### Revenue from contracts with customers

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration the Group is entitled to, excluding sales taxes, rebates, and trade discounts. The Group enters into sales transactions involving an outright sale to the client, on a subscription basis or for the rendering of services.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

To determine whether to recognise revenue, the Group follows a five-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

When the Group enters into transactions involving its products and services, the total transaction price for a contract is allocated amongst the various performance obligations.

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

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

| TYPE OF PRODUCT/SERVICE | NATURE AND TIMING OF SATISFACTION OF PERFORMANCE OBLIGATIONS |
|---|---|
| **Platform subscription revenue** | The nature and timing of revenue recognition can differ between customers based on the deliverables and pricing of each customer's contract.<br>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. |
| **Proof of concepts and development service revenue** | Where a contract requires the completion of milestones related to proof of concept and development service revenue, revenue is recognised when the objectives of the milestones are achieved. |

## Interest

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

# ANNEXURE C.

## OTHER INCOME

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

## RESEARCH AND DEVELOPMENT TAX CREDITS AND GOVERNMENT ASSISTANCE

Research and development tax credits and government assistance are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and development tax credits are recognised as income once the Group is satisfied that the Group has complied will the conditions attached to the tax credits and that the tax credits will be received.

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

## 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.

### Share-based compensation

The Group issues equity-settled share-based payments to employees and/or others providing similar services. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

## 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.

## 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.

## IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised. 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.

# ANNEXURE C.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

## 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.

## 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.

## 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.

## 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.

## PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives commencing from the time each asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Office equipment | 5–20 years |
| Deployed infrastructure | 5 years |

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

## INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

## INTELLECTUAL PROPERTY, PATENTS AND COPYRIGHT

Costs associated 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.

## RIGHT-OF-USE ASSETS

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

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

# ANNEXURE C.

## 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.

## 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.

## BORROWINGS

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

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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

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

## LEASE LIABILITIES

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

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

## PROVISIONS

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

## ONEROUS CONTRACTS

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

## 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.

## FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars.

### Foreign currency translation

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

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

## CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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.

# ANNEXURE C.

## 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.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical accounting estimates and assumptions used and areas involving a higher degree of judgement are described below.

### Coronavirus (COVID-19) pandemic

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

### Allowance for expected credit losses

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

### Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

### Recovery of deferred tax assets

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

### Employee benefits provision

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

### Onerous contracts

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

### Financial instruments measured at fair value through profit or loss

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

### Functional currency

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

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X2M CONNECT

X2M CONNECT LIMITED | ACN 637 951 154

# PUBLIC OFFER APPLICATION FORM

Your Application Form must be received by no later than:
**3 SEPTEMBER 2021**
**(unless extended or closed earlier)**

## Application Options:

### Option A: Apply Online and Pay Electronically **(Recommended)**

**Apply and pay online at:** https://investor.automic.com.au/#/ipo/x2mconnect

- ✓ **Pay electronically:** Applying online allows you to pay electronically, via **BPAY®** or **EFT** (Electronic Funds Transfer).
- ✓ **Get in first, it's fast and simple:** Applying online is very easy to do, it eliminates any postal delays and removes the risk of it being potentially lost in transit.
- ✓ **It's secure and confirmed:** Applying online provides you with greater privacy over your instructions and is the only method which provides you with confirmation that your Application has been successfully processed.

**To apply online, simply scan the barcode to the right with your tablet or mobile device or you can enter the URL above into your browser.**

### Option B: Standard Application and Pay by Cheque

Enter your details below (clearly in capital letters using pen), attach cheque and return in accordance with the instructions on page 2 of the form.

**1. Number of Shares applied for** ___ , ___ , ___

**Application payment (multiply box 1 by $0.25 per Share** A$ ___ , ___ , ___ . 0 0

Applications for Shares under the Public Offer must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter in multiples of $500 (2,000 Shares) and payment for the Shares must be made in full at the Public Offer Price ($0.25 per Share).

**2. Applicant name(s) and postal address (Refer to Naming Standards overleaf)**

Post Code:

**3. Contact details**

Telephone Number ( )

Contact Name (PLEASE PRINT)

Email Address

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible).

**4. CHESS Holders Only – Holder Identification Number (HIN)**

X

Note: if the name and address details in section 2 does not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.

**5. TFN/ABN/Exemption Code**

Applicant #1 Applicant #2 Applicant #3

If NOT an individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

AUTOMIC GROUP

**YOUR PRIVACY**

Automic Pty Ltd (ACN 152 260 814) trading as Automic Group advises that Chapter 2C of the Corporation Act 2001 requires information about you as a securityholder (including your name, address and details of the Shares you hold) to be included in the public register of the entity in which you hold Shares. Primarily, your personal information is used in order to provide a service to you. We may also disclose the information that is related to the primary purpose and it is reasonable for you to expect the information to be disclosed. You have a right to access your personal information, subject to certain exceptions allowed by law and we ask that you provide your request for access in writing (for security reasons). Our privacy policy is available on our website – www.automic.com.au

## CORRECT FORMS OF REGISTRABLE TITLE

| Type of Investor | Correct Form of Registration | Incorrect Form of Registration |
|---|---|---|
| Individual | Mr John Richard Sample | J R Sample |
| Joint Holdings | Mr John Richard Sample & Mrs Anne Sample | John Richard & Anne Sample |
| Company | ABC Pty Ltd | ABC P/L or ABC Co |
| Trusts | Mr John Richard Sample <Sample Family A/C> | John Sample Family Company |
| Superannuation Funds | Mr John Sample & Mrs Anne Sample <Sample Family Super A/C> | John & Anne Superannuation Fund |
| Partnerships | Mr John Sample & Mr Richard Sample <Sample & Son A/C> | John Sample & Son |
| Clubs/Unincorporated Bodies | Mr John Sample <Health Club A/C> | Health Club |
| Deceased Estates | Mr John Sample <Estate Late Anne Sample A/C> | Anne Sample (Deceased) |

## INSTRUCTIONS FOR COMPLETING THE FORM

**YOU SHOULD READ THE REPLACEMENT PROSPECTUS CAREFULLY BEFORE COMPLETING THIS PUBLIC OFFER APPLICATION FORM.**

This is an Application Form for fully paid ordinary shares in X2M Connect Limited (ACN 637 951 154) (the "**Company**") made under the terms set out in the Replacement Prospectus (**Prospectus**) dated 24 August 2021. This Prospectus replaces the original prospectus dated 26 July 2021 (**Original Prospectus**).

Capitalised terms not otherwise defined in this document have the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

1. **Shares Applied For & Payment Amount** - Enter the number of Shares you wish to apply for. Your Application for Shares must be for a minimum of $2,000 worth of Shares (8,000 Shares) and thereafter in multiples of $500 (2,000 Shares) and payment for the Shares must be made in full at the Public Offer Price ($0.25 per Share).
2. **Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
3. **Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEST) should we need to speak to you about your Application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at https://investor.automic.com.au/#/home
4. **CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ('SRN') will be allocated to you.
5. **TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
6. **Payment** - Payments for Applications made using a paper Application Form can only be made by cheque. Your cheque must be made payable to "X2M Connect Limited - Application Account" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Completed Application Forms and accompanying cheques must be received before 5:00pm (AEST) on the Closing Date by being delivered or mailed to the address set out in the instructions below.

   Applicants wishing to pay by BPAY® or EFT should complete the online Application, which can be accessed by following the web address provided on the front of the Application Form. Please ensure that payments are received by 5:00pm (AEST) on the Closing Date. Do not forward cash with this Application Form as it will not be accepted.

## DECLARATIONS

**BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:**

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my Application may be delayed, or my Application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of age;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

## LODGEMENT INSTRUCTIONS

The Offer opens on 25 August 2021 and is expected to close on 3 September 2021. The Directors reserve the right to close the Offer at any time once sufficient funds are received or to extend the Offer period. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and payments must be submitted as follows:

### Paper Application and Cheques

**By Post:**
X2M Connect Limited
C/- Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001

or

**By Hand Delivery:**
X2M Connect Limited
C/- Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

### Online Applications and BPAY® or EFT Payments

**Online:**
https://investor.automic.com.au/#/ipo/x2mconnect

## ASSISTANCE

Need help with your Application, no problem. Please contact Automic on:

**PHONE:**
1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia

**LIVE WEBCHAT:**
Go to www.automicgroup.com.au

**EMAIL:**
Corporate.actions@automicgroup.com.au

# CORPORATE DIRECTORY

## DIRECTORS

Hon. Alan Stockdale AO
*Non-Executive Chairman*

Jodie Leonard
*Non-Executive Director*

Damien Johnston
*Non-Executive Director*

John Stewart
*Non-Executive Director*

## COMPANY SECRETARIES

Brett Tucker
*Joint Company Secretary*

Keith Jelley
*Joint Company Secretary*

## KEY MANAGEMENT

Mohan Jesudason
*Chief Executive Officer*

Keith Jelley
*Chief Operating Officer*

Yongsun Kim
*Managing Director (South Korea)*

Steve Fang
*Managing Director (Taiwan and the People's Republic of China)*

## PROPOSED ASX CODE

X2M

## REGISTERED OFFICE

Level 3, 549 Blackburn Road
MOUNT WAVERLEY VIC 3149

Telephone: 1800 926 926

Email: enquiry@x2mconnect.com

Website: www.x2mconnect.com

## LEAD MANAGER

Bell Potter Securities Ltd
Level 29, 101 Collins Street
MELBOURNE VIC 3000

## SHARE REGISTRY*

Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Telephone: +61 2 9698 5414

## INVESTIGATING ACCOUNTANT

Grant Thornton Corporate Finance Pty Ltd
Collins Square, Tower
5/727 Collins Street
MELBOURNE VIC 3008

## AUDITOR*

Grant Thornton Audit Pty Ltd
Collins Square, Tower
5/727 Collins Street
MELBOURNE VIC 3008

## SOLICITORS TO THE OFFERS

Steinepreis Paganin
Level 4, 50 Market Street
MELBOURNE VIC 3000

## PATENT ATTORNEYS

Davies Collison Cave Pty Ltd
1 Nicholson Street
MELBOURNE VIC 3000

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

X2M CONNECT

www.x2mconnect.com