1. Company details

Name of entity:	X2M Connect Limited
ACN:	637 951 154
Reporting period:	For the period ended 30 June 2026
Previous period:	For the period ended 30 June 2025

2. Results for announcement to the market

				$
Revenues from continuing operations	up	38%	to	8,943,467
Loss after income tax expense from continuing operations	down	58%	to	(5,118,725)
Loss after income tax expense from discontinued operations	down	83%	to	(142,463)
Loss from ordinary activities after tax attributable to the owners of X2M Connect Limited	down	59%	to	(5,261,188)
Loss for the period attributable to the owners of X2M Connect Limited	down	59%	to	(5,261,188)
Adjusted EBITDA* loss	down	24%	to	(2,716,631)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, share based payments and net fair value gain/loss on derivative financial instruments. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

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

Financial statements and Explanation of results
The audited financial statements for the full year, including information required under Appendix 4E, are included in the Annual Report for the year ended 30 June 2026, released with this Appendix 4E.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.24)	(1.97)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion with a material uncertainly relating to going concern has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of X2M Connect Limited for the year ended 30 June 2026 is attached.

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12. Signed

Signed ____________________ Date: 31 August 2026

Hon. Alan Stockdale AO
Non-Executive Chairman
Melbourne

ANNUAL REPORT

2026

X2M Connect Limited ACN 637 951 154

Mohan Jesudason
Chief Executive Officer
and Managing Director

"2026 was a year of solid performances which has set the foundations for building a strategic footprint in the data centre sector."

Report **Contents**

Corporate **Directory**

Directors
Hon. Alan Stockdale AO (Non-Executive Chairman)
Mr Mohan Jesudason (Managing Director and Chief Executive Officer)
Mr Damien Johnston (Non-Executive Director)
Mr John Stewart (Non-Executive Director)
Ms Kate O'Sullivan (Non-Executive Director (appointed 1 July 2026)

Company Secretary
Mr Oliver Carton

Registered Office and Principal Place of Business
Suite 1.01b, Building B,
18-24 Ricketts Road, Mount Waverley, VIC 3149
Telephone: 1800 926 926 (1800 X2M X2M)

Share Register
Automic Pty Ltd
Level 5, 126 Phillip Street, Sydney, NSW 2000
Telephone: +61 2 9698 5414

Auditor
William Buck
Level 20, 181 William Street, Melbourne, VIC 3000

Stock Exchange Listing
X2M Connect Limited securities are listed on the Australian Securities Exchange (ASX codes: X2M and X2MOA)

Website
www.x2mconnect.com

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

End of Year Reporting Calendar

Reporting Requirement	Date
FY26 Annual Report	31 August 2026
Deadline for Nomination as Director	13 October 2026
Notice of Annual General Meeting	26 October 2026
ASX Appendix 4C – September 2026 Quarter	30 October 2026
Annual General Meeting	24 November 2026

FY26 **Snapshot**

revenue

$8.9m

up

38%

*on pcp

gross profit

$3.9m

up

28%

*on pcp

FY26 **Snapshot**

Adjusted
EBITDA
loss $2.7m

improved
24%
*on pcp

Enterprise and Government
customers
91

up
12%
*on pcp

Letter to **Shareholders**

Dear Shareholders,

We are pleased to present the X2M Connect Limited Annual Report for the financial year ended 30 June 2026 (FY26).

The FY26 year saw significant improvement in the company's financial performance, organic growth in our business focused on utilities, commencement of sales of new products extending the use of our technology and laid the foundations for an exciting new business in the development of data centres. Over the period, revenue from our smart city and large-scale data aggregation and control business grew 38% year on year, gross profit grew 28% while operating costs reduced 1%, and the Company is progressing toward becoming cash flow positive with the Adjusted EBITDA loss improving 24%.

Our existing business continues to hold significant room for growth, with an addressable market of approximately $750 million across the customers we already serve. The opportunity for future growth is shown by the fact that, despite our success in winning repeat contracts, on average, municipalities have adopted our technology for only 6.7% of their households.

We continued to grow our enterprise and government customer base in FY26, by 12% to 91 clients.

South Korea

In South Korea, which continues to dominate as our main revenue source, X2M is an established provider of AI-enabled smart city solutions to government, serving 58 municipal and local government authority customers.

A significant opportunity ahead of us there is the market for our integrated smart water meter. This new product is expected to reduce customer hardware and installation costs by approximately 30% and solves issues with flooding and freezing that have long been a major problem in South Korea. X2M holds a manufacturing licence for the meter and has a right to two years' of private contract access allowing authorities to order directly with no tender process required.

With 8.7 million meters operating under a mandated eight-year replacement cycle, approximately one million units enter the replacement market every year, and we expect orders for this new product to begin flowing in FY27.

Alan Stockdale AO
Chairman

Mohan Jesudason
Chief Executive Officer and Managing Director

Letter to **Shareholders**

New Products

X2M delivered several other new products to the market in FY26, including a successful delivery of 100,000 HelpMe public safety devices in Seoul, South Korea, bi-directional streetlight controllers in South Korea and additions to our '*Hive.AI by X2M*' suite of products. X2M has also been driving forward its Smart Communities initiatives in Australia with signed agreements for delivery in Echuca and Yarrawonga and an innovative integrated smart community offer for land lease and single title estates.

Looking Ahead

We have already kicked off the FY27 year with approximately $3 million in contracted revenue.

We have been making large infrastructure assets run more efficiently for years, delivering a 19% leak detection uplift in water, 20% logistics cost savings in gas trials and a forecast saving of approximately $1,000 each year in the cost of electricity for each household in smart communities using our solutions.

Importantly, that performance underpins X2M's position in AI-enabled, GPU-ready data centres, and it has been pleasing to see the market respond to the strategy following the first deal secured on 27 August 2026. A data centre precinct faces similar issues but at a more intensive level. They have large energy consumption, generators, battery storage, solar inverters, EV chargers, HVAC systems, grid meters and environmental sensors from many different manufacturers that can be managed from one place using X2M's proven technology.

Our patent-supported, AI-enabled platform can bring all of these elements into a single real-time management layer using the same technology already connected to more than 500,000 devices for utility and government customers across five geographies.

X2M is targeting significant reductions in data centre precinct energy costs, addressing one of the biggest challenges facing the market. X2M's ability to lift usable compute per megawatt potentially delivers greater efficiency to Australian data centres generally. This is a very substantial opportunity for our company as the Australian data centre build-out is forecast to require up to $190 billion of investment by 2030. Data centres are a natural extension of what X2M already does.

Overall, we believe that data centres, underpinned by our existing business, present a strong outlook. The results of this strategy are already visible, and we look forward to delivering further value in FY27 and beyond.

X2M's Board and management sincerely thank our shareholders, customers, partners, and employees for their continued support through this last year.

Alan Stockdale AO
Chairman

Mohan Jesudason
Chief Executive Officer and Managing Director

Directors' **Report**

Hon. Alan Stockdale AO
(Non-Executive Chairman)

Mr Mohan Jesudason
(MD and CEO)

Mr Damien Johnston
(Non-Executive Director)

Mr John Stewart
(Non-Executive Director)

Ms Kate O'Sullivan
(Non-Executive Director)

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'X2M') consisting of X2M Connect Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2026.

Directors

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

Hon. Alan Stockdale AO (Non-Executive Chairman)
Mr Mohan Jesudason (Managing Director and Chief Executive Officer)
Mr Damien Johnston (Non-Executive Director)
Mr John Stewart (Non-Executive Director)
Ms Kate O'Sullivan (Non-Executive Director) (Appointed 1 July 2026)

Principal activities

X2M operates in the utility and smart city sector across the Asia Pacific Region with offices in Australia, Japan, South Korea and Taiwan. The Company employed 53 people at the end of the year.

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

- Gas monitoring and control
- Water monitoring and control
- Energy monitoring, control and optimisation
- Data collection and delivery for artificial intelligence and data analytics applications
- Public safety applications including the launch and sale of "HelpMe" devices

The Company is a leading Australian smart city technology company delivering patent supported solutions that enhance productivity, reduce operational costs and improve public safety for utility and government customers. Smart cities involve the collection, aggregation and processing of data from a wide range of sensors to automate controls that improve the speed, effectiveness and accuracy of outcomes for cities and their residents. X2M's AI-powered platforms enable real-time data exchange, remote control and predictive insights by connecting water, gas and electricity resource devices as well as other critical sensors to edge and cloud-based software. During the financial year, X2M commenced designing solutions aimed at the expanding market of data centres in Australia. X2M entered into the first partnering agreement for regional data centre development using its existing platform as the foundation for innovative data centre precinct monitoring and control.

As of 30 June 2026, X2M has connected more than half a million devices to its smart city platform and distributed intelligence solution. It generates real-time information and control to more than 90 enterprise and government customers across Asia Pacific and the Middle East.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to $5,261,188 (30 June 2025: $12,974,364).

FY26 results reflect strong growth as X2M progressed its position as a leader in data aggregation for utilities, smart communities and next generation infrastructure. Importantly, X2M's strategic elimination of low margin hardware, a focus on delivery of SaaS, smart or safer communities and entry into data centre development is building momentum.

Key operational metrics for the year were as follows:

- Revenues from continuing operations were $8.9 million, up 38% on the prior comparative period (pcp)
- Gross profit was $3.9 million, up 28% on the pcp
- Operating expenditure, excluding cost of sales and share based payments, was $6.9 million, a decrease of 1% on the pcp
- Adjusted EBITDA loss was $2.7 million, an improvement of 24% on the pcp
- Enterprise/government customers increased to 91, up 12% on the pcp
- New contracts with revenue of $3 million scheduled for delivery in 1HFY27

The loss for the Group after income tax expense amounted to $5.3 million (2025: $13 million). This included:

- Depreciation and amortisation of $1.5 million (2025: $1.5 million), and
- Discontinued operations: a loss from discontinued operations of $0.1 million (2025: $0.8 million).

Revenue for the period was $8.9 million, up 38% on the pcp, primarily reflecting a stronger market and an increase in the Company's water monitoring market share in South Korea, deliveries of the Seoul HelpMe devices and first revenue from water digitisation in Japan. Gross profit was $3.9 million, up 28% on the pcp.

Operating expenses reduced by 1% on pcp to $6.9 million (2025: $6.9 million). This was driven by the cost reduction programme initiated earlier in the financial year and demonstrating the Company's capacity to grow revenue within a context of reducing costs.

Adjusted EBITDA loss improved by 24% on pcp to $2.7 million (2025: $3.6 million).

Non-cash share based payments were $0.7 million (2025: $0.7 million), including options issued to Directors and key management personnel as part of cash outflow reduction initiatives.

Finance costs were $0.9 million (2025: $1.5 million).

Discontinued operations
In the prior year, the Company reviewed the China operations and determined to exit this market. The Company is in the process of dissolving all China entities, which is expected to take 2 to 3 years. A loss from discontinued operations of $0.1 million has been recorded for the year (2025: $0.8 million).

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

	Consolidated 2026 $	Consolidated 2025 $
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited	(5,261,188)	(12,974,364)
Add: Loss after income tax expense from discontinued operations	142,463	826,986
Loss after income tax expense from continuing operations	(5,118,725)	(12,147,378)
Add: Income tax expense	628	745
Add: Finance costs	875,877	1,466,134
Add: Depreciation and amortisation	1,498,361	1,505,507
Add: Impairment of capitalised development costs	-	4,882,970
Add: Net fair value (gain)/loss on derivative financial instruments	(658,321)	60,873
EBITDA	(3,402,180)	(4,231,149)
Add: Share based payments expense**	685,549	654,291
Adjusted EBITDA*	(2,716,631)	(3,576,858)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, share based payments and net fair value gain/loss on derivative financial instruments. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items. The Adjusted EBITDA and Adjusted EBIT are unaudited.

** Share-based payments expense relates to non-cash shares, options and performance rights issued to key management personnel and employees.

South Korea
South Korean operations performed strongly, driven by continued deployments for remote water reading solutions across existing and new municipalities. In addition, the Company delivered 100,000 personal safety devices to Seoul, generating $2.6 million in revenues. A further 50,000 devices order has been received post year end with Seoul publishing an intent to scale their deployments of this technology to one million devices. South Korea revenue was $7.8 million, up 44% on the pcp and adjusted EBITDA profit was $0.1 million, a significant improvement from the pcp (loss of $0.6 million).

Taiwan
Taiwan operations achieved revenue of $0.4 million, up 11% on the pcp. In Taiwan, where the Company released 'Hive.AI by X2M', a data aggregation and AI enablement platform for renewable energy operators, a good prospect pipeline has been developed with first sales now secured. Taiwan adjusted EBITDA loss was $0.5 million (2025: $0.7 million).

Other
The Other segment consists of Japan, Australia and the United Arab Emirates. Australia continued to be the cost centre for corporate costs including head office expenses and R&D software development costs. This segment reported revenue of $0.7 million, up 3% on the pcp, and adjusted EBITDA loss of $2.3 million (2025: $2.3 million). Improved revenue performance was mainly driven by entering the Japanese water digitisation market through a new software development agreement with Azbil Kimmon, extending an established six-year gas monitoring partnership into the water sector. The initial contract is valued at $0.2 million and supports the deployment of X2M's smart city platform across 5,000 water meters, with scope to expand the current project to cover up to 50,000 meters. During the year, X2M completed platform development and integration activities to support Azbil Kimmon's smart water metering service, marking a strategic entry point into a large and under-digitised industry. The total addressable SaaS market for water meter monitoring in Japan is estimated at $100 million per annum based on the 60 million existing water connections.

Enterprise & government customers

X2M's enterprise and government customer base grew 12% year-on-year, reaching 91 clients by 30 June 2026. These relationships are typically long-term and deepen over time as customers purchase additional X2M solutions.

This growth demonstrates the increasing trust utilities, municipalities, and enterprise customers place in X2M to manage critical infrastructure, enhance operational efficiency, and deliver innovative technology solutions.

Outlook

X2M enters FY27 with significant momentum:

- $3 million of revenue in new contracts already secured for delivery in 1HFY27 including a mandate from the City of Seoul for the delivery of additional 55,000 "HelpMe" devices
- "*Hive.AI by X2M*" expansion across renewable energy markets
- Roll out of South Korea's first integrated smart water meter
- New streetlight platform with newly certificated AI-enabled bidirectional streetlight controller
- Australian smart community pipeline of up to 5,800 lots
- $2 million raised in July 2026 to accelerate Data Centre and AI Strategy
- Partnerships in data centre and infrastructure precinct development are expected to generate opportunities for growth

The Company remains focused on driving higher-margin recurring revenues, expanding into new sectors and geographies, and leveraging its technology platform to deliver smarter, AI-driven outcomes for its customers.

Significant changes in the state of affairs

During the 2026 financial year, the Group raised approximately $8.6 million before costs through Placements and an Entitlement Offer. In addition, approximately $2.1 million of borrowings at 30 June 2025 were converted to equity. The application of these strengthened X2M's balance sheet and allowed the reduction of debt, including convertible notes and convertible loans.

As part of a renaming initiative, the company's wholly owned Taiwan and Japan subsidiaries changed names to X2M Co. Ltd. and X2M KK respectively.

On 30 June 2026, X2M announced the appointment of Ms Kate O'Sullivan as Non-Executive Director effective 1 July 2026.

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

Matters subsequent to the end of the financial period

Subsequent to year end, the Company completed a Placement and raised approximately $2 million before costs at $0.004 per share from sophisticated and professional investors. In addition, the Company is currently undertaking a fully underwritten Securities Purchase Plan to raise approximately $1 million on similar terms, giving existing shareholders the opportunity to participate on an equal footing.

The Placement has strengthened the Company's balance sheet and facilitates investment in data centre sensor integration, platform enhancement and battery energy management systems that support data centres and smart communities.

On 25 August 2026, X2M announced it had established a wholly owned subsidiary, X2MDC Pty Ltd, to hold and execute the Company's data centre objectives.

No other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

X2M will continue to focus on growing its customer base, providing smart city, utility monitoring and control services in the APAC and Middle East regions. The Group will continue to build scale in the automated metering interface (AMI) and renewable energy verticals, leveraging strategic partnerships and building human resource capabilities. As industries worldwide accelerate adoption of artificial intelligence, machine learning, and automation, the demand for high-quality, real-time data has never been greater. As such, we believe that X2M is uniquely positioned to capitalise on this shift and become a leader in data-driven intelligence. The Company has also entered the data centre and energy infrastructure development space where it will work with partners to deliver precincts in regional Australia.

The Company's FY27 growth strategy is premised on:

- Capitalising on X2M's market position in APAC: Utilities and governments in this region are migrating to sophisticated Internet-based technology solutions in search of productivity improvements and environmental sustainability. To meet demand, hardware and sensor manufacturers supplying the sector are seeking access to leading-edge technology platforms to enhance their product offerings, which X2M can provide.

- Middle East expansion: Having entered this market through the initial entry point of Dubai, X2M will consolidate its position in Dubai and look to expand across the United Arab Emirates and into the wider Middle East where it is deemed appropriate.

- X2M's product portfolio: X2M's core platform underpins three product families, '*Vision by X2M*', '*Hive.AI by X2M*' and the '*HelpMe*' safety device, supporting more than 90 customers across five key geographies.

- Deeper penetration of the existing customer base: X2M's existing customer base represents a large addressable market in excess of $750 million in total revenues[1] and $40 million in annual recurring revenues[2].

- Australian energy management sector: There are scalable opportunities in the Australian energy management sector as organisations work towards net zero emissions and consumers seek to reduce energy costs and support environmental sustainability. X2M has introduced smart communities in the Australian residential market with agreements signed for two customers and an integrated smart community offering for land lease and single title estate markets.

- Data Centre Development: Leveraging the X2M base platform, there is an opportunity to deliver innovative data centre environmental and energy management solutions for data centre precincts along with addressing the demand from land developers seeking partners to develop total data centres in regional Australia.

(1) South Korea total addressable market (TAM) is based on Year 1 bundled revenues of A$150 per all-in-one meter device

(2) Assumes customer installs X2M SaaS services to all its households at various annual rates

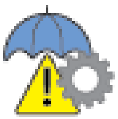
Risk Statement

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

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

Product quality risk

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

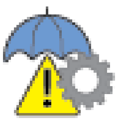


Mitigation Strategies: The Company continues to use outsourced professional partners to manufacture hardware devices deployed. There are warranty terms with the contracted manufacturer. The Company uses tier-one cloud providers such as AWS and KT GCloud to host services supplied to its customers. The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

Disruption of key business processes risk

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

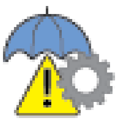
Any systemic failure could cause significant damage to the Company's reputation and its ability to process transactions for customers. Such systemic failure could also impact the Company's ability to retain existing, and generate new customers, any of which could have a material adverse impact on the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



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

Loss of key personnel risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.



Mitigation Strategies: The Company has developed remuneration framework with short and long term incentives to enhance senior management and its key personnels' interests by rewarding capability and experience, reflecting competitive reward for contribution to growth in shareholder wealth and providing a clear structure for earning rewards.

Price risks

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

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

Supplier and manufacturing risks

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

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

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

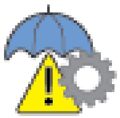
Cybersecurity and data protections

Given the nature of the Company's Software as a Service business, the Company collects and holds some personal information about its customers and their end customers in Japan, South Korea, Taiwan and the UAE. Notwithstanding that the Company has currently adopted a number of policies and procedures regarding information security protection, the Company's systems, or those of its third-party providers, may fail, or be subject to disruption as a result of external threats or system errors. Cyber-attacks could also compromise or breach the safeguards implemented by the Company to maintain confidentiality in such information.

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

Competition risk

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

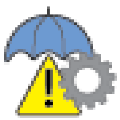


Mitigation strategies: The Company reviews competitor pricing and solution capabilities and adjusts pricing accordingly. The Company attempts to mitigate the need for a reduction in price by producing products perceived to be superior so that customers may be prepared to pay more than for competitive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

Liquidity and additional requirements for capital

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

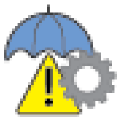
Whilst the Company is targeting to grow revenue at a greater rate than expenses, market variables or elements outside the control of the Company may come into effect. Based on the current assumptions, it is the view of the Directors that the Group is sufficiently capitalised to continue as a going concern.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



Mitigation Strategies: The Company continuously monitors its cash requirements and capital funding prospects. During the 2026 financial year, the Group successfully raised $8.6 million before costs. In addition, approximately $2.1 million of borrowings were converted to equity. Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet budgeted plans and commitments over the next twelve months. However, further cash may be required if the Company decides to accelerate its growth plans, invest in new verticals, pursue entry into a new market or if the planned income and expenses vary significantly from the forecasts.

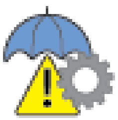
Regulatory risk
The Company is subject to continuing regulation, including quality regulations applicable to the manufacture and operation of its devices and privacy regulations concerning personal identifying data. Whilst the Company currently meets the regulations applicable to its products and services,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

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



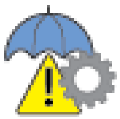
Mitigation Strategies: The Company understands the importance of complying with all regulations across the jurisdictions in which it operates. Internal process is in place to review compliance with regulations.

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



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

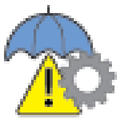
Legal proceedings
Legal proceedings may arise from time to time in the course of the business of the Company including enforcing or defending its intellectual property rights against infringement and unauthorised use by the competitors or in relation to a contract dispute.



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

Ukraine and Middle East Conflict

The existing conflict between Ukraine and Russia (**Ukraine Conflict**) and military activities involving Israel and its neighbours (**Israel Conflict**) are impacting global economic markets. The nature and extent of the effect of the Ukraine Conflict and the Israel Conflict 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 the Ukraine Conflict and the Israel Conflict.



Mitigation strategies: The Directors are continuing to closely monitor the potential secondary and tertiary macroeconomic impacts of the unfolding events, including the changing pricing of commodity and energy markets and the potential of cyber activity impacting governments and businesses. Further, any governmental or industry measures taken in response to the Ukraine Conflict and Israel Conflict, including limitations on travel and changes to import/export restrictions and arrangements involving Russia, may adversely impact the Company's operations and are likely to be beyond the control of the Company. The Company is monitoring the situation closely and considers the impact of the Ukraine Conflict and the Israel Conflict on the Company's business and financial performance to, at this stage, be limited. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain.

Environmental regulation

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

Information on directors

Name:	Hon. Alan Stockdale AO
Title:	Non-Executive Chairman (appointed on 8 February 2021)
Experience and expertise:	Mr Stockdale has significant legal, Government, investment banking and other business experience. He was Victorian Treasurer (1992-1999) and was the Minister for IT and Multimedia from 1996 to 1999. He was a successful barrister, law firm Partner and Consultant and worked as an investment banker for Macquarie Bank. Mr Stockdale is Non-Executive Director of Knosys Limited and was previously Chairman of ASX-listed companies Senetas, Axon Instruments and Symex (now Pental) and Chairman of the Medical Research Commercialisation Fund. He has been Chairman or a Director of several other listed companies, unlisted companies and voluntary organisations.
Other current directorships:	Non-Executive Director of Knosys Limited (ASX: KNO)
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Board
Interests in shares:	2,480,177 fully paid ordinary shares* as at the date of this report
Interests in options:	12,021,119 unlisted options* as at the date of this report

* Shares and options are held indirectly by a nominee

Name:	Damien Johnston
Title:	Non-Executive Director (appointed on 8 February 2021)
Experience and expertise:	Mr Johnston is an ASX-experienced Finance Executive. Mr Johnston was previously the CFO at Tabcorp Holdings Limited. He previously 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.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair, Audit and Risk Committee
Interests in shares:	3,089,851 fully paid ordinary shares* as at the date of this report
Interests in options:	7,633,136 unlisted options* as at the date of this report

* Shares and options are held indirectly by a nominee

Name:	Mohan Jesudason
Title:	Managing Director and Chief Executive Officer (appointed to the Board on 17 March 2023)
Experience and expertise:	Mr Jesudason has over 30 years' business and executive experience. He was previously the Managing Director of Gaming and Group Marketing at Tabcorp Holdings Limited for 10 years. He also worked 9 years at Telecom New Zealand (now Spark New Zealand Limited) which included the position of Managing Director at Telecom Mobile. Mr Jesudason also worked at National Mutual/AXA (now AMP Limited) for 16 years where he served in a variety of roles from Graduate trainee to senior executive. Mr Jesudason was past director of the Advisory Board of Enterprise Victoria, the Melbourne Football Club and Racing Victoria Limited where he was also a Member of the Racing Integrity Council.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	21,762,200 fully paid ordinary shares* as at the date of this report
Interests in options:	90,140,559, unlisted options* as at the date of this report

* Shares and options are held indirectly by a nominee

Name:	John Stewart
Title:	Non-Executive Director (appointed on 8 February 2021)
Experience and expertise:	Mr Stewart has more than 25 years' experience in merger, acquisition and corporate strategy. Mr Stewart has held senior roles at Gresham Partners, Lazard, JPMorgan and Thomas Weisel Partners, giving him broad perspective across global capital markets. He has also built and led businesses from the ground up as CEO of a 50-person venture. Mr Stewart brings both institutional advisory experience and hands-on business-building to the X2M Board.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member, Audit and Risk Committee
Interests in shares:	1,550,812 fully paid ordinary shares as at the date of this report
Interests in options:	5,953,346 unlisted options as at the date of this report

Name:	Kate O'Sullivan
Title:	Non-Executive Director (Appointed on 1 July 2026)
Qualifications:	Ms O'Sullivan has held State and National roles at Tabcorp Holdings Limited in the gambling and wagering industry. Kate also has a background in agriculture, has an Associate Diploma in Farm Management and Graduate Diploma in Business Administration. She is the Managing Director of a consulting organisation (Portishead Pty Ltd) specialising in executive coaching for women in the corporate sector. Ms O'Sullivan is the Chairperson at the Prahan Market Pty Ltd, Vice President of the Royal Agricultural Society of Victoria (Melbourne Royal) and Board Director at the Moonee Valley Racing Club, Essendon Football Club, Marcus Oldham Agriculture College, Pancare Foundation and Melbourne Girls Grammar Foundation Trust.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member, Audit and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil

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

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

Company secretary

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

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 30 June 2026, and the number of meetings attended by each Director were:

	Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Alan Stockdale[1]	11	11	3	3
Mohan Jesudason	11	11	3	3
Damien Johnston[2]	10	11	3	3
John Stewart	11	11	3	3
Kate O'Sullivan[3]	-	-	-	-

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

(1) Chair of the Board
(2) Chair of Audit and Risk Committee
(3) Ms O'Sullivan was appointed as Non-Executive Director on 1 July 2026.

Remuneration report (audited)

The Board of Directors are pleased to present the Remuneration Report for X2M Connect Limited for the financial year ended the 30th of June 2026.

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

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

Gender diversity remains a challenge across the technology industry. Given the current size of the team and the limited opportunity for change, we will only be able to address gender diversity as we add to or replace team members. However, the Company is an equal opportunity employer and will seek to improve gender diversity as the business grows. Details of the Company's diversity targets can be found in the Corporate Governance Plan on the X2M company website at www.x2mconnect.com and on page 101 of this report.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

Strategic Priorities

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

Remuneration Principles

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

Remuneration Governance

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

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

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

Remuneration Framework

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

Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Attract and retain the best talent.	Rewards current year performance.	Reward long-term sustainable performance.
Base salary and superannuation (where applicable).	Annual cash payment and/or premium priced options and performance rights.	Options or performance rights.
TFR is set in relation to the external market and considers size and complexity of role along, with individual responsibilities, experience, and skills.	STI provides appropriate differentiation of pay for performance and is based on business and individual performance outcomes.	LTI supports alignment to long-term overall Company performance and aligns with shareholder value.
TFR preferred positioning is 50^{th} to 75^{th} percentile of the market comparator group.	2026 objectives based on achieving Company and Personal KPI's.	Hurdles set to align with strategic business drivers and long-term shareholder value.

Non-executive directors remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' remuneration is appropriate and in line with the market. No such advice was sought for the financial year ended 30 June 2026. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and superannuation
- short-term performance incentives
- share-based payments
- other remuneration such as long service leave

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

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

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

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

Consolidated entity performance and link to remuneration

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

	FY22*	FY23*	FY24*	FY25*	FY26*
Short term measures					
Revenue $m	$10.4	$16.2	$11.3	$6.5	$8.9
OPEX $m(2)	$8.4	$9.1	$8.1	$6.9	$6.9
Adjusted EBITDA $m(3)	($6.1)	($4.6)	($3.0)	($3.6)	($2.7)
Long term measures					
Share price at June 30(1)	$0.093	$0.058	$0.037	$0.016	$0.004
Earnings per Shares cents	(7.70)	(3.54)	(2.58)	(3.51)	(0.50)

*FY24 to FY26 measures have been represented to reflect the classification of the China business as a discontinued operation in accordance with AASB 5. Prior year information (FY22–FY23) has not been represented and therefore includes results of the discontinued operation.

(1) The share price reflects closing price on ASX on last day of trading.
(2) OPEX is a non-IFRS measure calculated as total expenditure, less cost of sales, share based payments, depreciation and amortisation, Impairment, finance costs, one-off IPO bonus and one-off IPO expenses.
(3) Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, Impairment, finance costs, share based payments and one-off IPO expenses.

In order to incentivise executives and align with shareholder objectives, the 2026 LTI plan provided for the potential to be awarded shares, performance rights and options. The Company has two employee incentive plans used to award LTI. A summary of the key plan terms and conditions are noted in the following tables:

Share Plan Terms and Conditions

Feature	Description
Eligibility	Directors, employees, and contractors are eligible to participate.
Administration of Plan	The Board is responsible for the operation of the Share Plan and has broad discretion to administer the plan.
Issue Price	Determined by the Board.
Vesting Condition	Except in the case of Directors, the KMP and other employees must meet plan conditions including current employment, and eligibility. May vest under special conditions including death & disability, retirement, or redundancy.
Resignation	Unvested shares lapse at the time of resignation unless determined otherwise by the Board. Shares will vest pro rata to the proportion of the period from the date of issue to the date of resignation and must be Board approved.
Hedging	Hedging prohibited
Forfeiture	Forfeiture can occur under conditions that include: - Plan vesting conditions not satisfied - Participant no longer an eligible participant - Board discretion to cancel the plan - Change of control or a winding up resolution or order is made, and the Board does not waive the vesting condition.
Good leaver	Subject to the terms of an Offer, where a Participant becomes a Good Leaver: - Options will continue in force and remain exercisable until the Expiry date - Performance rights held will continue in force and remain exercisable. The Board has discretion to allow some or all of unvested awards to be held with the remainder lapsing.
Bad leaver	Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.

Malus & Claw Back	Forfeiture due to fraud, dishonesty, or other improper behaviour.
Restriction on Transfer	Transfers not permitted unless the sale, transfer or disposal requires the preparation of a disclosure document.
Quotation on ASX	Plan shares quoted on ASX and subject to the Listing Rules, as well as any holding lock applying to that applies to the shares.
Rights Attaching to Plan Shares	Same terms and conditions as the Company's issued shares (other than plan transfer restrictions). Shares will have equal rank with all other issued Shares from the issue date (except for entitlements which have a record date before the issue date).
Appointment of Trustee	The Board retains discretion for Shares to be held by a Trustee on trust, and the Board maintains power to approve or deny application to withdraw Shares held by the Trustee on their behalf.
Maximum Number of Shares	100,341,710 Shares (being 5% of the issued capital of the Company on a fully diluted basis at the date of the 2025 AGM).

Performance Rights and Options Plan Terms and Conditions

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

Feature	Description
Bad Leaver	Unless determined by the Board otherwise, if Bad Leaver determined, all vested Awards not yet exercised will remain in force and exercisable until 1 month after termination date thereafter automatic lapse will occur.
Change in Exercise price or no. underlying securities	No right to a change in exercise price or in the number of underlying Shares over which the Award can be exercised.
Re-organisation	Rights consistent with the Corporations Act and the Listing Rules at the time of the reorganisation.
Cashless exercise	In lieu of paying the aggregate Exercise Price, the Board may, permit holder to receive, without payment of cash or other consideration, (upon surrender) a number of Shares determined in accordance with the following formula: A = [B x (C – D)]/ C where: A = the number of Shares (rounded down to the nearest whole number) to be issued to the Participant. B = the number of Shares otherwise issuable upon the exercise of the Option or portion of the Options being exercised. C = the market value of one Share; and D = the Exercise Price.
Amendments	The Board may make amendments subject to plan rules, the Corporations Act, Listing Rules, and any other applicable law.
Maximum Number of Securities	301,025,129 Securities (being 15% of the issued capital on a fully diluted basis at the date of the 2025 AGM).

FY26 Long Term Incentive Arrangements	
Performance period	1 July 2025 - 30 June 2028
Vehicle	Premium priced options
Measurement	Share price target measured using 1 calendar month VWAP share price from the date audited 2028 accounts are released
Exercise price	$0.0291
Option value	$0.007 and $0.004
Targets and Vesting Schedule	**30 day VWAP Share price performance at the end of the Performance Period** — **% of Vesting** < 0.039 — Nil = 0.039 — 50% ≥ $0.039 to $0.085 and above — Straight line pro-rata vesting between 50% and 100%
LTI Rights awarded	48,325,484 to KMPs
Expiry date	8 October 2030 and 10 December 2030
Issue VWAP	Subsequent to the issue of options, the issue VWAP was determined to be $0.039

FY25 Short Term Incentive Plan Terms and Conditions

In FY25, a STI plan was implemented to align executives with the short-term goals of the Company and reward them for delivery of key financial and strategic imperatives. Details of the plan and outcomes follows:

Hurdle	1. No material regulatory breaches 2. No material governance breaches 3. 90% of team to complete governance training by year end 4. Achievement of 90% of group revenue target

Weightings	Corporate KPI's - 80% Personal KPI's - 20%
Corporate KPIs	1. ≥ Total Group Budgeted Revenue (50% weighting) 2. ≥ Group Budgeted EBITDA (10% weighting) 3. ≤ Group Budgeted OPEX (10% weighting) 4. ≥ Total number of connected devices budgeted (10% weighting) Margin floor - delivery of less than budgeted gross margin % (excluding China) results in the eligible corporate STI payment being reduced by 20%
Personal KPI's	Two personal KPI's set for each executive based on individual responsibilities. Each personal KPI is weighted at 10%.
STI Outcome	The Board may use its discretion in awarding STI against the above rules for CEO and COO and may make the award in equity rather than in cash.
Payment	29,001,452 premium priced options were issued on 11 December 2025, following shareholder approval at the 2025 Annual General Meeting.

FY26 Premium priced options

Performance period	1 July 2025 to 30 June 2026
Vehicle	Premium priced options
Grant date	25 November 2025
Vesting date	One twelfth vested each month from July 2025 to 30 June 2026
Vesting condition	None, other than remained employed by the Company
Exercise price	$0.0291
Option value	$0.0069
Expiry date	10 December 2030
Number of options issued	16,125,871 to Non-Executive Directors

Voting and comments made at the Company's 2025 Annual General Meeting ('AGM')
At the 2025 AGM, 98.84% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2025. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The key management personnel of the Group consisted of the following directors of X2M Connect Limited:

- Alan Stockdale (Non-Executive Chairman)
- Mohan Jesudason (Chief Executive Officer and Managing Director)
- Damien Johnston (Non-Executive Director)
- John Stewart (Non-Executive Director)
- Kate O'Sullivan (Non-Executive Director) (Appointed 1 July 2026)

Other key management personnel:

- Keith Jelley (Chief Operating Officer)

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

2026	Short-term benefits: Cash salary and fees $	Short-term benefits: Non-monetary $	Short-term benefits: Annual leave $	Long-term benefits: Long service leave $	Post-employment benefits: Super-annuation $	Share-based payments: Equity-settled[(1)] $	Total $
Non-Executive Directors:							
Alan Stockdale[(2)]	50,000	-	-	-	12,000	55,645	117,645
Damien Johnston[(2)]	27,253	-	-	-	6,541	30,330	64,124
John Stewart[(2)]	22,728	-	-	-	5,455	25,294	53,477
Executive Director:							
Mohan Jesudason[(2)(3)]	476,581	-	8,387	9,349	30,000	238,278	762,595
Other Key Management Personnel:							
Keith Jelley[(2)(3)]	276,581	-	(10,557)	5,426	30,000	119,011	420,461
	853,143	-	(2,170)	14,775	83,996	468,558	1,418,302

(1) Reflects equity issued to the KMP or their nominee.

(2) Non-Executive Directors collectively agreed to a cash outflow reduction initiative, with premium priced options issued as approved at the 2025 Annual General Meeting. CEO and COO base remunerations returned to what had been formalised in their respective service agreement.

(3) FY25 STI was awarded to the CEO and COO following performance review conducted in August 2025. The amounts awarded were $130,000 and $49,809 respectively. Options were issued in December 2025, following shareholder approval at 2025 Annual General Meeting. The fair value of the options was higher than the value initially awarded. This resulted in share based payments expense of $144,677 and $55,433 in current year for the CEO and COO respectively.

2025	Short-term benefits: Cash salary and fees $	Short-term benefits: Non-monetary $	Short-term benefits: Annual leave[(4)] $	Long-term benefits: Long service leave $	Post-employment benefits: Super-annuation $	Share-based payments: Equity-settled[(1)] $	Total $
Non-Executive Directors:							
Alan Stockdale[(2)]	50,000	-	-	-	11,500	33,568	95,068
Damien Johnston[(2)]	27,253	-	-	-	6,268	18,296	51,817
John Stewart[(2)]	22,728	-	-	-	5,227	15,259	43,214
Executive Director:							
Mohan Jesudason[(2)(3)]	381,265	-	11,139	9,801	29,932	112,803	544,940
Other Key Management Personnel:							
Keith Jelley[(2)(3)]	221,265	-	(11,089)	5,671	29,932	65,520	311,299
	702,511	-	50	15,472	82,859	245,446	1,046,338

(1) Reflects equity awarded to the KMP or their nominee.
(2) The CEO, COO and Non-Executive Directors collectively agreed to a cash outflow reduction initiative, with premium priced options issued as approved at the 2024 Annual General Meeting.
(3) FY24 STI was accrued as at 30 June 2024. The amounts accrued for the CEO and COO were $150,000 and $74,714 respectively. Options were issued in December 2024, following shareholder approval at 2024 Annual General Meeting. The fair value of the options was lower than the value initially accrued. This resulted in an adjustment of $49,296 and $24,554 in current year share based payment for the CEO and COO respectively.
(4) Prior year remuneration table is adjusted to include the annual leave movement that was previously omitted.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2026	2025	2026	2025	2026	2025
Non-Executive Directors:						
Alan Stockdale[1]	53%	65%	-	-	47%	35%
Damien Johnston[1]	53%	65%	-	-	47%	35%
John Stewart[1]	53%	65%	-	-	47%	35%
Executive Director:						
Mohan Jesudason[1]	69%	79%	19%	-	12%	21%
Other Key Management Personnel:						
Keith Jelley[1]	72%	79%	13%	-	15%	21%

(1) Fixed cash outflow reduction portions issued as premium priced options are regarded as at risk remuneration since the options may expire worthless.

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

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2026	2025	2026	2025
Executive Directors:				
Mohan Jesudason[1]	64%	-	36%	-
Other Key Management Personnel:				
Keith Jelley[1]	49%	-	51%	-

(1) Cash bonuses indicated were not actually paid in cash but were paid in premium priced options.

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

Name:	Mohan Jesudason
Title:	Chief Executive Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jesudason will receive a base remuneration of $476,581 per annum plus statutory superannuation. The Company may issue shares and options to Mr Jesudason under incentive plans as part of Mr Jesudason's ongoing remuneration as deemed appropriate by the Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act. The Company has agreed to pay Mr Jesudason a combined cash and premium options based Short Term Incentive (STI) of 40% of base remuneration per annum for on target performance as and when deemed appropriate by the Board under the STI Plan developed by the Company and such STI to be based on Mr Jesudason's achievement of KPIs (as determined by the Board in its sole discretion, acting reasonably) agreed between the Board and Mr Jesudason for the year concerned. Either party may terminate the employment in writing at any time by giving at least 12 months' notice.

Name:	Keith Jelley
Title:	Chief Operating Officer
Agreement commenced:	1 February 2020
Term of agreement:	Ongoing
Details:	Mr Jelley will receive a base remuneration of $276,581 per annum plus statutory superannuation. The Company may issue Shares and Options to Mr Jelley under incentive plans as part of the Mr Jelley's ongoing remuneration as deemed appropriate by the Chief Executive Officer and Board, subject to all required Shareholder approvals under the Listing Rules and Corporations Act. The Company has agreed to pay Mr Jelley a combined cash and premium options based Short Term Incentive (STI) of 33% of the base remuneration per annum for on target performance as deemed appropriate by the CEO and the Board under the Short Term Incentive Plan. Either party may terminate the employment in writing at any time by giving at least 6 months' notice.

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

Share-based compensation
Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the period ended 30 June 2026.

Options

STI and LTI options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Mohan Jesudason	32,258,065	25 November 2025	30 September 2028	10 December 2030	$0.029	$0.0040
Keith Jelley	16,067,419	9 October 2025	30 September 2028	8 October 2030	$0.029	$0.0070
Mohan Jesudason*	20,967,742	25 November 2025	11 December 2025	10 December 2030	$0.029	$0.0069
Keith Jelley*	8,033,710	25 November 2025	11 December 2025	10 December 2030	$0.029	$0.0069

* FY25 STI Options were issued on 11 December 2025, following shareholders' approval at FY25 Annual General Meeting. Share-based payment expenses of $144,677 and $55,433 were recognised for the CEO and COO in the statement of profit or loss and other comprehensive income for the year ended 30 June 2026.

Premium priced options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Alan Stockdale*	8,064,513	25 November 2025	30 June 2026	10 December 2030	$0.029	$0.0069
Damien Johnston*	4,395,590	25 November 2025	30 June 2026	10 December 2030	$0.029	$0.0069
John Stewart*	3,665,768	25 November 2025	30 June 2026	10 December 2030	$0.029	$0.0069

* Options were issued on 11 December 2025 and one twelfth vested each month from July 2025 to 30 June 2026.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel during the period ended 30 June 2026 are set out below:

Name	Number of options granted during the period 2026	Number of options granted during the period 2025	Number of options vested during the period 2026	Number of options vested during the period 2025
Alan Stockdale	8,064,513	2,347,417	8,064,513	2,347,417
Mohan Jesudason	53,225,807	20,906,869	20,967,742	11,517,198
Damien Johnston	4,395,590	1,279,468	4,395,590	1,279,468
John Stewart	3,665,768	1,067,031	3,665,768	1,067,031
Keith Jelley	24,101,129	10,781,587	8,033,710	6,104,686

Values of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel during the period ended 30 June 2026 are set out below:

Name	Value of options granted during the period $	Value of options exercised during the period $	Value of options lapsed during the period $	Remuneration consisting of options for the period %
Alan Stockdale	55,645	-	17,616	47%
Damien Johnston	30,330	-	8,808	47%
John Stewart	25,294	-	8,808	47%
Mohan Jesudason	273,709	-	1,523,771	32%
Keith Jelley	167,905	-	564,136	28%

Performance rights
There were no performance rights issued to directors and other key management personnel as part of compensation during the period ended 30 June 2026.

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

Ordinary shares	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Alan Stockdale	896,844	-	1,583,333	-	2,480,177
Damien Johnston	1,016,560	-	2,073,291	-	3,089,851
John Stewart	512,485	-	1,038,327	-	1,550,812
Mohan Jesudason	12,659,637	-	9,102,563	-	21,762,200
Keith Jelley	3,985,737	-	-	-	3,985,737
	19,071,263	-	13,797,514	-	32,868,777

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

Options over ordinary shares	Balance at the start of the period	Granted	Other issuance*	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Alan Stockdale	3,809,075	8,064,513	291,666	-	(144,135)	12,021,119
Damien Johnston	2,069,657	4,395,590	1,239,957	-	(72,068)	7,633,136
John Stewart	1,737,986	3,665,768	621,660	-	(72,068)	5,953,346
Mohan Jesudason	56,848,278	53,225,807	4,935,896	-	(24,869,422)	90,140,559
Keith Jelley	26,525,657	24,101,129	-	-	(10,043,028)	40,583,758
	90,990,653	93,452,807	7,089,179	-	(35,200,721)	156,331,918

* Free attaching options issued as part of Rights Issue

Loans to key management personnel and their related parties
No loans were provided from the Company to any key management person or their related parties in 2026 (2025: Nil).

Other transactions with key management personnel and their related parties
During the 2026 financial year, X2M paid $24,000 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2025: $24,500). The transactions were made on normal commercial terms.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
17 March 2023	17 March 2028	$0.340	961,180
26 October 2023	26 October 2026	$0.025	11,000,000
23 January 2024	23 January 2029	$0.025	19,268,041
25 October 2024	25 October 2029	$0.067	11,796,243
26 November 2024	25 October 2029	$0.067	9,389,671
26 November 2024	10 December 2029	$0.067	11,765,869
26 November 2024	10 December 2029	$0.067	11,314,016
21 December 2024	20 December 2026	$0.050	15,280,000
31 July 2025	5 August 2028	$0.060	80,560,930
8 August 2025	31 December 2027	$0.016	23,761,594
25 August 2025	31 December 2027	$0.016	390,850,005
4 September 2025	31 December 2027	$0.016	49,846,154
9 October 2025	8 October 2030	$0.029	43,881,935
25 November 2025	10 December 2030	$0.029	32,258,065
25 November 2025	10 December 2030	$0.029	16,125,871
25 November 2025	10 December 2030	$0.029	30,856,291
			758,915,865

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

Shares issued on the exercise of options

There were no ordinary shares of X2M Connect Limited issued on the exercise of options during the period ended 30 June 2026 and up to the date of this report.

Shares under performance rights

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

Grant date	Expiry date	Performance rights exercise price	Number under performance rights
5 September 2023	31 December 2026	-	6,301,786
25 October 2024	31 December 2027	-	8,253,086
24 December 2025	31 December 2028	-	21,896,549
			36,451,421

Shares issued on the conversion of performance rights

On 8 October 2025, the Company issued 630,000 fully paid ordinary shares for nil consideration on conversion of vested performance rights.

Except for the above, there were no ordinary shares of X2M Connect Limited issued on the conversion of performance rights during the period ended 30 June 2026 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

There were no non-audit services provided during the financial period by the current auditor, William Buck.

Officers of the Company who are former partners of William Buck

There are no officers of the Company who are former partners of William Buck.

Auditor's independence declaration

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

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Hon. Alan Stockdale AO
Non-Executive Chairman

31 August 2026

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of X2M Connect Limited

As lead auditor for the audit of the financial report of X2M Connect Limited for the year ended 30 June 2026, I declare that, to the best of my knowledge and belief, there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of X2M Connect Limited and the entities it controlled during the year.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
Director
Melbourne, 31 August 2026

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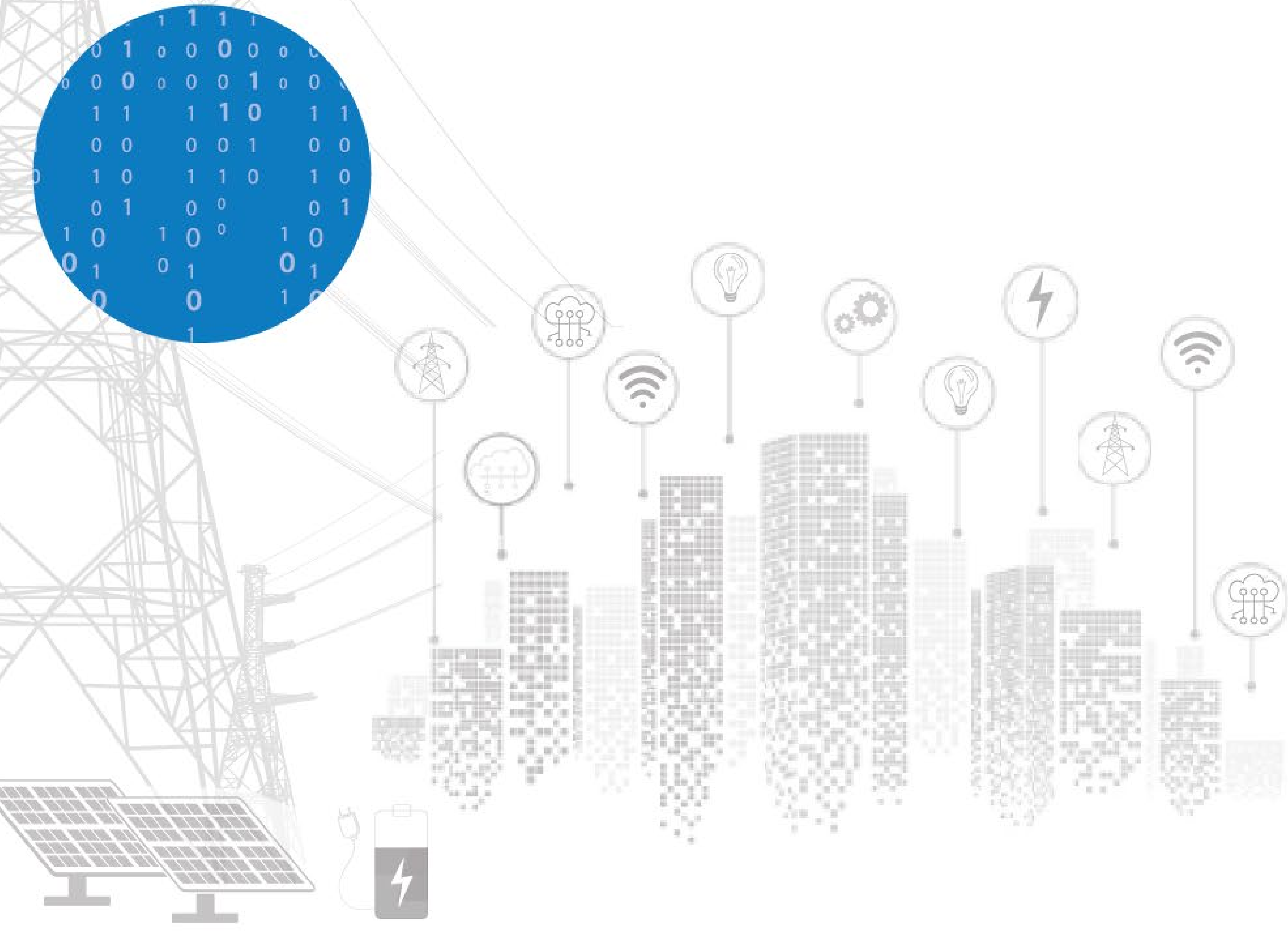
Financial
Report



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2026

	Note	Consolidated 2026 $	Consolidated 2025 $
Revenue from continuing operations	4	8,943,467	6,472,894
Cost of sales		(5,073,536)	(3,453,877)
Gross profit		3,869,931	3,019,017
Other income	5	324,838	351,003
Expenses			
Employee benefits expense	6	(4,053,922)	(3,952,498)
Share based payments expense	33	(685,549)	(654,291)
Depreciation and amortisation expense	6	(1,498,361)	(1,505,507)
Impairment of capitalised development costs		-	(4,882,970)
Finance costs	6	(875,877)	(1,466,134)
Short-term lease expenses		(84,399)	(89,261)
Other expenses	6	(2,140,362)	(1,904,411)
Professional fees		(632,717)	(1,000,708)
Net fair value gain/(loss) on derivative financial instruments		658,321	(60,873)
Total expenses		(9,312,866)	(15,516,653)
Loss before income tax expense from continuing operations		(5,118,097)	(12,146,633)
Income tax expense		(628)	(745)
Loss after income tax expense from continuing operations		(5,118,725)	(12,147,378)
Loss after income tax expense from discontinued operations	7	(142,463)	(826,986)
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited		(5,261,188)	(12,974,364)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		390,120	(47,946)
Other comprehensive income for the period, net of tax		390,120	(47,946)
Total comprehensive loss for the period attributable to the owners of X2M Connect Limited		(4,871,068)	(13,022,310)
Total comprehensive loss for the period is attributable to:			
Continuing operations		(4,728,605)	(12,195,324)
Discontinued operations		(142,463)	(826,986)
		(4,871,068)	(13,022,310)

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

	Note	Consolidated 2026 $	2025 $
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of X2M Connect Limited			
Basic earnings per share	34	(0.48)	(3.29)
Diluted earnings per share	34	(0.48)	(3.29)
Earnings per share for loss from discontinued operations attributable to the owners of X2M Connect Limited			
Basic earnings per share	34	(0.01)	(0.22)
Diluted earnings per share	34	(0.01)	(0.22)
Earnings per share for loss attributable to the owners of X2M Connect Limited			
Basic earnings per share	34	(0.49)	(3.51)
Diluted earnings per share	34	(0.49)	(3.51)

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

	Note	Consolidated 2026 $	Consolidated Restated 2025 $
Assets			
Current assets			
Cash and cash equivalents	8	1,299,667	1,691,365
Trade and other receivables	9	419,536	557,126
Contract assets	10	291,538	51,071
Inventories	11	136,242	95,163
Other assets	13	1,868,295	2,040,192
Total current assets		4,015,278	4,434,917
Non-current assets			
Financial assets at fair value through other comprehensive income	12	211,981	-
Property, plant and equipment and right-of-use assets	14	312,585	278,080
Intangible assets	15	844,079	-
Other assets	13	449,221	438,974
Total non-current assets		1,817,866	717,054
Total assets		5,833,144	5,151,971
Liabilities			
Current liabilities			
Trade and other payables	16	3,118,916	3,369,587
Contract liabilities	17	649,141	1,429,022
Borrowings	18	3,182,380	7,173,859
Lease liabilities	20	182,885	199,369
Employee benefits	19	1,198,723	1,108,723
Total current liabilities		8,332,045	13,280,560
Non-current liabilities			
Lease liabilities	20	118,639	64,989
Employee benefits	19	576,103	657,446
Total non-current liabilities		694,742	722,435
Total liabilities		9,026,787	14,002,995
Net liabilities		(3,193,643)	(8,851,024)

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

	Note	Consolidated 2026 $	Restated 2025 $
Equity			
Issued capital	21	41,092,374	31,562,291
Reserves	22	3,040,995	5,077,075
Accumulated losses		(47,327,012)	(45,490,390)
Total deficiency		(3,193,643)	(8,851,024)

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2024	29,046,310	4,404,640	(32,906,051)	544,899
Loss after income tax expense for the period	-	-	(12,974,364)	(12,974,364)
Other comprehensive loss for the period, net of tax	-	(47,946)	-	(47,946)
Total comprehensive loss for the period	-	(47,946)	(12,974,364)	(13,022,310)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	2,218,790	-	-	2,218,790
Transfers	-	(390,025)	390,025	-
Issue of shares on conversion of performance rights	27,038	(27,038)	-	-
Issue of shares on conversion of convertible notes	135,153	-	-	135,153
Issue of shares for services rendered	135,000	-	-	135,000
Options issued as cost of capital raising	-	109,563	-	109,563
Options issued as consideration for convertible notes and loans	-	292,492	-	292,492
Options issued for short term incentive	-	216,098	-	216,098
Share-based payments for options and performance rights granted	-	519,291	-	519,291
Balance at 30 June 2025	31,562,291	5,077,075	(45,490,390)	(8,851,024)

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2025	31,562,291	5,077,075	(45,490,390)	(8,851,024)
Loss after income tax expense for the period	-	-	(5,261,188)	(5,261,188)
Other comprehensive income for the period	-	390,120	-	390,120
Total comprehensive income/(loss) for the period	-	390,120	(5,261,188)	(4,871,068)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	7,595,443	-	-	7,595,443
Share-based payments (note 33)	-	685,549	-	685,549
Transfers for expired options and performance rights	-	(3,004,713)	3,004,713	-
Issue of shares on conversion of performance rights	47,250	(47,250)	-	-
Issue of shares on conversion of convertible loan	868,000	-	-	868,000
Issue of shares for services rendered	102,570	-	-	102,570
Options issued as cost of capital raising	(359,717)	359,717	-	-
Issue of shares on conversion of financial liabilities at fair value through profit or loss	1,276,537	-	-	1,276,537
Transfer of convertible note reserve following extinguishment	-	(419,853)	419,853	-
Cash received for broker options	-	350	-	350
Balance at 30 June 2026	41,092,374	3,040,995	(47,327,012)	(3,193,643)

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

	Note	Consolidated 2026 $	Consolidated 2025 $
Cash flows from operating activities			
Receipts from customers		9,152,114	6,331,031
Receipts from government grants		1,409,969	1,535,491
Interest paid		(318,000)	(352,371)
Payments to suppliers and employees		(12,835,865)	(10,404,558)
Net cash used in operating activities	32	(2,591,782)	(2,890,407)
Cash flows from investing activities			
Proceeds from disposal of investments		-	529,403
Payments for investments		(211,981)	-
Payments for property, plant and equipment		(6,508)	(3,012)
Payments for capitalised development costs		(3,158,111)	(2,701,064)
Proceeds from disposal of property, plant and equipment		1,720	-
Proceeds from/(Payment for) security deposits		(48,656)	13,680
Dividends received		-	2,556
Net cash used in investing activities		(3,423,536)	(2,158,437)
Cash flows from financing activities			
Proceeds from issue of shares		8,284,599	1,693,177
Share issue transaction costs		(645,533)	(148,147)
Advance received from investors		-	100,000
Proceeds from convertible notes		-	700,000
Proceeds from other borrowings		3,034,554	673,033
Proceeds from convertible loan		1,300,000	3,100,000
Repayment of borrowings		(5,974,166)	(1,101,115)
Repayment of lease liabilities (including interest)		(292,609)	(234,524)
Net cash from financing activities		5,706,845	4,782,424
Net decrease in cash and cash equivalents		(308,473)	(266,420)
Cash and cash equivalents at the beginning of the financial period		1,691,365	1,938,882
Effects of exchange rate changes on cash and cash equivalents		(83,225)	18,903
Cash and cash equivalents at the end of the financial period	8	1,299,667	1,691,365

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

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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

The Group recorded a net loss for the year ended 30 June 2026 of $5,261,188 (2025: $12,974,364) and Cash outflows from operating and investing activities were $6,015,318 (2025: $5,048,844). As at 30 June 2026 the Group had net liabilities of $3,193,643 and had a working capital deficiency, being current assets less current liabilities, of $4,316,767. Included in the loss for the year were non-cash charges including:

- Depreciation and amortisation expenditure of $1,498,361 (2025: $1,505,507)
- Share based payments expense of $685,549 (2025: $654,291)

These factors indicate a material uncertainty which may cast a significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding these factors, the Directors believe that the Group will be able to continue as a going concern and accordingly the financial report have been prepared on a going concern basis supported by the following factors:

- Subsequent to year end, the Group raised approximately $2 million before costs through a Placement. In addition, the Group is currently undertaking a fully underwritten Securities Purchase Plan to raise approximately $1 million before costs.
- Cash flow forecasts prepared by management indicate that the Group will have sufficient funds to meet commitments over the next twelve months from the date of this report. These cashflow projections assume the Group's ability to achieve sales growth, prudent control on expenditure and raising additional capital.

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

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

Note 1. Material accounting policy information (continued)

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

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

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

Parent entity information
These financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of X2M as at 30 June 2026 and the results of all subsidiaries for the period then ended.

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

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

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

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

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

Note 1. Material accounting policy information (continued)

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

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

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

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Revenue from contracts with customers
When recognising revenue in relation to hardware sales to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer and accepted by the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access. For hardware sales with bundled SaaS and maintenance services, the transaction price is allocated with reference to a relate stand-alone selling price for the SaaS and maintenance services.

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

R&D Tax Incentives
Under the Research and Development (R&D) Tax Incentive scheme, the Group receives a 18.5% refundable tax offset above the Group’s tax rate, of eligible expenditures if its turnover is less than $20 million per annum provided it is not controlled by income tax exempt entities. A R&D plan is required to be filed with AusIndustry in the following financial year, and based on this filing, the Group would be able to receive the incentive in cash. Management performs a detailed review of the Group’s total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. There is a significant degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This is to avoid the risk that expenses claimed are ineligible and the methodology adopted is not appropriate or not in accordance with the ATO guidelines including inaccurate calculations of the R&D tax incentive refund. For the year ended 30 June 2026 the Group has recorded a R&D tax incentive of $1,433,863 (2025: $1,439,584), in relation to 2026 financial year. This R&D tax refund receivable is subject to the Group completing the R&D tax application process and income tax returns on a timely basis.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

The financial asset investments have been classified by the Group in level 3 (refer note 12). The investment is in an unlisted private company where obtaining quoted price is not readily possible. Input values recognised were based on judgement and most recent transaction values.

Assessment of the conversion features of the convertible notes and convertible loan
During the 2024 financial year, the Group issued convertible notes which were compound instruments. The debt component fair value was determined by discounting the cashflows of the instrument back to present value using the discount rate based on a comparable non-convertible instrument. The conversion option was treated as convertible note reserve in equity as it passes the "fixed for fixed" test as prescribed under AASB 9 *Financial Instruments*. This reserve was transferred to accumulated losses in FY26 upon extinguishment of the convertible notes.

As at 30 June 2026, the Group had convertible notes and convertible loan which were hybrid instruments (refer to note 18). The Group has applied the Binomial valuation methodology in determining the fair value of the embedded derivatives on initial recognition and as at balance date in line with AASB 9 *Financial Instruments*.

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

NOTE 3. **OPERATING SEGMENTS**

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

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

The Other segment comprises Australia, which is a cost centre for corporate costs including head office, R&D and software development; Japan and United Arab Emirates transactions with the Australian entity.

The China business was discontinued in the FY25 financial year. The segment information reported does not include any amounts for these discontinued operations, which are described in more details in Note 7.

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

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

Note 3. Operating segments (continued)

Major customers
During the year ended 30 June 2026, one customer from South Korea contributed $2,601,072, representing 29% of total external revenues (2025: one customer from South Korea contributed $735,573, representing 11% of total external revenues).

Discontinued operations
As outlined in Note 7, the China business has been treated as a discontinued operation. Accordingly, the way in which this business is reviewed by the Chief Operating Decision Makers was revised. The operating segments have been revised accordingly.

Operating segment information

Consolidated - 2026	South Korea $	Taiwan $	Other $	Total $
Revenue				
Sales to external customers	7,832,126	423,160	688,181	8,943,467
Intersegment sales	176,664	-	412,136	588,880
Total sales revenue	8,008,790	423,160	1,100,317	9,532,267
Other income	8,193	358	316,287	324,838
Total segment revenue	8,016,983	423,518	1,416,604	9,857,105
Intersegment eliminations				(588,880)
Total revenue and other income				9,268,305
Adjusted EBITDA*	134,448	(501,626)	(2,349,453)	(2,716,631)
Depreciation and amortisation	(526,511)	(103,360)	(868,490)	(1,498,361)
Adjusted EBIT*	(392,063)	(604,986)	(3,217,943)	(4,214,992)
Unallocated				
Share based payments**				(685,549)
Finance costs				(875,877)
Net fair value gain on derivative financial instruments				658,321
Income tax expense				(628)
Loss after income tax from discontinued operations				(142,463)
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited				(5,261,188)
Assets				
Segment assets	1,037,223	451,670	4,318,028	5,806,921
Assets directly associated with discontinued operations				26,223
Total assets				5,833,144
Liabilities				
Segment liabilities	3,438,600	259,600	4,677,402	8,375,602
Liabilities directly associated with discontinued operations				651,185
Total liabilities				9,026,787

Note 3. Operating segments (continued)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, share based payments and net fair value gain on derivative financial instruments. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

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

Consolidated - 2025	South Korea $	Taiwan $	Other $	Total $
Revenue				
Sales to external customers	5,422,349	380,933	669,612	6,472,894
Intersegment sales	222,120	-	496,863	718,983
Total sales revenue	5,644,469	380,933	1,166,475	7,191,877
Other income	14,131	332	336,540	351,003
Total segment revenue	5,658,600	381,265	1,503,015	7,542,880
Intersegment eliminations				(718,983)
Total revenue and other income				6,823,897
Adjusted EBITDA*	(601,977)	(689,166)	(2,285,715)	(3,576,858)
Depreciation and amortisation	(135,360)	(37,816)	(1,332,331)	(1,505,507)
Adjusted EBIT*	(737,337)	(726,982)	(3,618,046)	(5,082,365)
Unallocated				
Share based payments**				(654,291)
Finance costs				(1,466,134)
Impairment of capitalised development costs				(4,882,970)
Net fair value loss on derivative financial instruments				(60,873)
Income tax expense				(745)
Loss after income tax from discontinued operations				(826,986)
Loss after income tax expense for the period attributable to the owners of X2M Connect Limited				(12,974,364)
Assets				
Segment assets	1,404,841	254,125	3,396,489	5,055,455
Assets directly associated with discontinued operations				96,516
Total assets				5,151,971
Liabilities				
Segment liabilities	3,737,175	239,807	9,439,395	13,416,377
Liabilities directly associated with discontinued operations				586,618
Total liabilities				14,002,995

Note 3. Operating segments (continued)

* Adjusted EBITDA is a non-IFRS measure calculated as earnings before income tax, and before depreciation and amortisation, finance costs, impairment, share based payments and net fair value loss on derivative financial instruments. The Board assesses the underlying performance of the business based on measures of Adjusted EBITDA and Adjusted EBIT which excludes the effect of non-operating and non-recurring items.

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

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

NOTE 4. **REVENUE**

	Consolidated	
	2026	2025
	$	$
From continuing operations		
SaaS and maintenance revenue	1,215,123	1,458,825
Hardware sales	7,286,664	4,816,515
Professional service fees	441,680	197,554
Revenue from continuing operations	8,943,467	6,472,894

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

	Consolidated	
	2026	2025
	$	$
Timing of revenue recognition		
Goods transferred at a point in time	7,286,664	4,816,515
Services transferred over time	1,656,803	1,656,379
	8,943,467	6,472,894

Note 4. Revenue (continued)

Accounting policy for revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration the Group is entitled to, excluding sales taxes, rebates, and trade discounts. The Group enters into sales transactions involving an outright sale to the client, on a subscription basis or for the rendering of services.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction.

To determine whether to recognise revenue, the Group follows a five-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

When the Group enters into transactions involving its products and services, the total transaction price for a contract is allocated amongst the various performance obligations based on either individual selling price or cost plus model as prescribed under para. 79 of AASB 15 *Revenue from Contracts with Customers*.

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

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

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

Note 4. Revenue (continued)

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

NOTE 5. **OTHER INCOME**

	Consolidated	
	2026	2025
	$	$
Research and development tax credits	309,858	317,684
Interest income	7,039	6,104
Other income	7,941	27,215
Other income	324,838	351,003

Accounting policy for research and development tax credits and government assistance
Research and development tax credits and government assistance are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Research and development tax credits are recognised as income once the Group is satisfied that the Group has complied with the conditions attached to the tax credits and that the tax credits will be received. Research and development tax credits that are associated with capitalised development costs are offset against intangibles where applicable.

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

NOTE 6. **EXPENSES**

	Consolidated	
	2026	2025
	$	$
Loss before income tax from continuing operations includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	81,580	148,979
Interest on convertible notes	124,069	564,933
Interest on convertible loan	649,779	735,199
Interest on lease liabilities	20,449	17,023
Finance costs expensed	875,877	1,466,134
Employee benefits expense		
Salaries and wages expense	3,112,345	3,121,964
Superannuation expense	580,958	564,087
Short term incentives	20,424	-
Other employee benefits	340,195	266,447
Total employee benefits expense	4,053,922	3,952,498
Other expenses		
Advertising and marketing	155,389	194,399
Patent expenses	15,862	106,119
Product remediation and upgrade	532,508	33,990
Bad and doubtful debts expense	10,043	209,760
Subscriptions	264,929	297,780
Telephone expenses	191,940	229,499
Travel costs	562,359	488,580
Other administrative expenses	407,332	344,284
Total other expenses	2,140,362	1,904,411
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	19,786	28,482
Deprecation of right-of-use assets	256,225	212,884
Amortisation of intangible assets	1,222,350	1,264,141
Total depreciation and amortisation expense	1,498,361	1,505,507

NOTE 7. DISCONTINUED OPERATIONS

Description

During the year ended 30 June 2025, the Group discontinued its operations in China. This decision followed a strategic review which identified that the China business was primarily focused on lower-margin hardware sales with unfavourable payment terms and other challenges. These characteristics were inconsistent with the Group's revised strategic focus on higher-margin, recurring revenue streams and scalable platform services.

Accordingly, the China operations have been treated as a discontinued operation in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The results of the discontinued operation are presented separately in the consolidated statement of profit or loss and other comprehensive income for the current and comparative periods. Comparative information has been re-presented where necessary to conform with this presentation.

Financial performance information

	Consolidated	
	2026	2025
	$	$
Revenue from discontinued operations	-	(2,431,172)
Cost of sales	-	2,229,734
Gross profit	-	(201,438)
Other income	51	111
Employee benefits expenses	(48,579)	(86,460)
Short-term lease expenses	(2,131)	(31,055)
Other expenses	(927)	(17,980)
Professional fees	(90,877)	(25,097)
Provision for doubtful debts	-	(465,067)
Total expenses	(142,514)	(625,659)
Loss before income tax expense	(142,463)	(826,986)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(142,463)	(826,986)

Cash flow information

	Consolidated	
	2026	2025
	$	$
Net cash used in operating activities	(70,421)	(103,427)

Note 7. Discontinued operations (continued)

Carrying amounts of assets and liabilities of discontinued operation

	Consolidated 2026 $	Consolidated 2025 $
Cash and cash equivalents	1,657	72,078
Other current assets	24,566	24,438
Total assets	26,223	96,516
Trade and other payables	651,185	586,618
Total liabilities	651,185	586,618
Net liabilities	(624,962)	(490,102)

Accounting policy for discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated 2026 $	Consolidated 2025 $
Current assets		
Cash on hand	26	40
Cash at bank	1,299,641	1,691,325
	1,299,667	1,691,365

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated 2026 $	Consolidated 2025 $
Current assets		
Trade receivables	367,233	507,124
Other receivables	52,303	50,002
	419,536	557,126

Allowance for expected credit losses
The Group has written off bad debt of $10,043 (30 June 2025: $209,760) in statement of profit or loss and other comprehensive income for the year ended 30 June 2026.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2026	2025	2026	2025	2026	2025
Consolidated	%	%	$	$	$	$
0 to 3 months overdue	-	-	205,578	230,806	-	-
Over 6 months overdue	-	-	213,958	326,320	-	-
			419,536	557,126	-	-

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTE 10. CONTRACT ASSETS

	Consolidated	
	2026	2025
	$	$
Current assets		
Contract assets	291,538	51,071

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

Opening balance	51,071	61,979
Additions	1,510,229	794,297
Transfer to trade receivables	(1,223,406)	(810,068)
Exchange differences	(46,356)	4,863
Closing balance	291,538	51,071

Accounting policy for contract assets
Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets at amortised cost for impairment purposes.

NOTE 11. INVENTORIES

	Consolidated	
	2026	2025
	$	$
Current assets		
Finished goods - at cost	136,242	95,163

Accounting policy for inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Consolidated	
	2026	2025
	$	$
Non-current assets		
Shares in an unlisted entity	211,981	-

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

Opening fair value	-	520,000
Additions	211,981	-
Disposals	-	(520,000)
Closing fair value	211,981	-

Refer to note 23 for further information on financial instruments.

In March 2026, the Company made a strategic investment of $211,981 in Dicode Smart Connect Limited, a company incorporated in the United Arab Emirates. In February 2025, the Group entered into agreements to sell its shareholding in GreenRock Energy Co., Limited, a Taiwanese company, for NTD 11 million (AUD$520,000). This shareholding was no longer regarded as a core asset.

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

NOTE 13. OTHER ASSETS

	Consolidated	
	2026	2025
	$	$
Current assets		
Research and development tax credit receivables	1,433,863	1,439,584
Prepayments	409,866	576,170
Other assets	24,566	24,438
	1,868,295	2,040,192
Non-current assets		
Deposits	449,221	438,974
	2,317,516	2,479,166

NOTE 14. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Consolidated 2026 $	Consolidated 2025 $
Non-current assets		
Office equipment - at cost	88,600	113,449
Less: Accumulated depreciation	(58,396)	(61,723)
	30,204	51,726
Right-of-use assets (land & buildings) - at cost	757,561	726,431
Less: Accumulated depreciation	(475,180)	(500,077)
	282,381	226,354
	312,585	278,080

Reconciliations

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

Consolidated	Office equipment $	Right-of-use assets (land & buildings) $	Total $
Balance at 1 July 2024	69,970	429,231	499,201
Additions (net of exchange differences)	3,012	-	3,012
Exchange differences	7,226	10,007	17,233
Depreciation expense	(28,482)	(212,884)	(241,366)
Balance at 30 June 2025	51,726	226,354	278,080
Additions (net of exchange differences)	6,508	351,030	357,538
Exchange differences	(8,244)	(38,778)	(47,022)
Depreciation expense	(19,786)	(256,225)	(276,011)
Balance at 30 June 2026	30,204	282,381	312,585

Accounting policy for property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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
Right-of-use assets	2-5 years

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

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

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets of $84,399 (2025: $89,261) are expensed to profit or loss on a straight line basis.

NOTE 15. **INTANGIBLE ASSETS**

	Consolidated	
	2026 $	2025 $
Non-current assets		
Intellectual property, patents and copyright - at cost	10,796,409	8,756,721
Less: Accumulated amortisation	(5,086,009)	(3,873,751)
Less: Accumulated impairment	(4,866,321)	(4,882,970)
	844,079	-

Note 15. Intangible assets (continued)

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

Consolidated	Intellectual property, patents and copyright $	Intellectual property in progress $	Total $
Balance at 1 July 2024	4,228,983	249,708	4,478,691
Capitalisation of expenses (net of exchange differences and tax credits)	84,502	1,579,165	1,663,667
Exchange differences	4,753	-	4,753
Impairment of assets	(4,882,970)	-	(4,882,970)
Transfers in/(out)	1,819,029	(1,819,029)	-
Amortisation expense	(1,254,297)	(9,844)	(1,264,141)
Balance at 30 June 2025	-	-	-
Capitalisation of expenses (net of exchange differences and tax credits)	542,711	1,530,256	2,072,967
Exchange differences	(6,538)	-	(6,538)
Transfers in/(out)	1,530,256	(1,530,256)	-
Amortisation expense	(1,222,350)	-	(1,222,350)
Balance at 30 June 2026	844,079	-	844,079

Impairment Testing of Intangible balances

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

The Group assessed indicators of impairment for these intangible assets. As at 30 June 2026, the carrying value of capitalised intellectual properties was $844,079 (2025: $nil). Management assessed both internal and external information as described in paragraph 12 of AASB 136 *Impairment of Assets*. No indicators of impairment were identified.

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

Note 15. Intangible assets (continued)

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

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

Research costs are expensed in the period in which they are incurred. X2M incurred research and development expense of $680,838 (2025: $608,321) which are included in the statement of profit or loss and other comprehensive income.

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

NOTE 16. **TRADE AND OTHER PAYABLES**

	Consolidated	
	2026	2025
	$	$
Current liabilities		
Trade payables	2,107,868	2,283,777
Accrued expenses	1,011,048	935,810
Other payables	-	150,000
	3,118,916	3,369,587

Refer to note 23 for further information on financial instruments.

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

NOTE 17. CONTRACT LIABILITIES

	Consolidated	
	2026	2025
	$	$
Current liabilities		
Advanced payments received from customers	649,141	1,429,022

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

Opening balance	1,429,022	1,734,347
Payments received in advance	5,394,880	2,401,191
Transfer to revenue	(5,777,787)	(2,706,516)
Exchange differences	(396,974)	-
Closing balance	649,141	1,429,022

Accounting policy for contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

NOTE 18. BORROWINGS

	Consolidated	
		Restated
	2026	2025
	$	$
Current liabilities		
Insurance premium funding	10,407	15,530
Other borrowings*	1,546,017	452,545
Convertible loans - host liability**	959,894	3,102,378
Convertible loans - embedded derivative**	40,106	23,573
Financial liability at fair value through profit or loss	-	1,892,073
Convertible notes - host liability	622,247	1,659,179
Convertible notes - embedded derivative	3,709	28,581
	3,182,380	7,173,859

Refer to note 23 for further information on financial instruments.

*The balance as at 30 June 2026 consists of $940,300 unsecured interest free loan from an employee in X2M's South Korea subsidiary and $600,000 R&D loan from Kashcade RD1 Pty Ltd secured against X2M's FY26 R&D Tax Incentive (RDTI). The interest rate for the R&D loan is 16.56% per annum, repayment is timed to coincided with receipt of X2M's FY26 RDTI refund.

Note 18. Borrowings (continued)

Convertible notes

In April and June 2025, X2M completed a capital raising of $0.6 million through entering into convertible note agreements (Convertible Notes) with three existing shareholders. The key terms of the Convertible Notes are as follows:

Lender	PD Crutchfield Pty Ltd	Lisafield Pty Ltd ATF Double Happiness Trust	Vanew Pty Ltd ATF GM Tauber Family Trust
Face value	$202,032	$100,000	$300,000
Expiry date	30 March 2028	30 March 2028	30 March 2028
Interest rate	13%	13%	15%
Rejection interest rate	20%	20%	20%
Conversion price	Conversion price: The lesser of: a) $0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion with either value subject to a minimum value of $0.02 per Share	Conversion price: The lesser of: a) $0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion with either value subject to a minimum value of $0.02 per Share	Conversion price: The lesser of: a) $0.03 per Share; or b) the 30 day volume weighted average price (VWAP) of the underlying security at the date of conversion with either value subject to a minimum value of $0.02 per Share

Management assessed the recognition of the convertible notes in accordance with AASB 9 *Financial Instruments* and determined that these notes were a hybrid instrument with the embedded derivatives valued at $3,709 as at 30 June 2026, using Binomial valuation methodology. The valuation model inputs used to determine the fair value at the balance date, are as follows:

Lender	Valuation date	Expiry date	Share price at value date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at value date
PD Crutchfield Pty Ltd	30/06/2026	30/03/2028	$0.004	$0.02	100%	-	4.35%	$1,340
Lisafield Pty Ltd	30/06/2026	30/03/2028	$0.004	$0.02	100%	-	4.35%	$589
Vanew Pty Ltd	30/06/2026	30/03/2028	$0.004	$0.02	100%	-	4.35%	$1,780

Classification of convertible note liabilities on the statement of financial position

AASB 2020-1 (as amended by AASB 2020-6), Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, became mandatory for the financial year ended 30 June 2025. As the amendments were not adopted by the Group at that time, a prior period error was identified and a correcting adjustment has been made. The impact of the change related to X2M's convertible notes and the conversion options classified as financial liability, which included conversion entitlements entitling the investor to convert the notes to equity within 12 months of the reporting date, irrespective of the note's cash redemption date. Previously the entity classified such liabilities as non-current liabilities.

The impact as at 1 July 2024 was the reclassification of convertible loans and convertible notes totalling $2,787,185 from

Note 18. Borrowings (continued)

non-current liabilities to current liabilities. Consequentially the balance as at 30 June 2025 of convertible note liabilities have been restated from non-current to current in the consolidated statement of financial position, as follows:

		Consolidated	
	30 June 2025 $ Reported	$ Adjustment	30 June 2025 $ Restated
Extract			
Liabilities			
Current liabilities			
Convertible notes - host liabilities	1,139,214	519,965	1,659,179
Convertible notes - embedded derivatives	-	28,581	28,581
Total current liabilities	12,732,014	548,546	13,280,560
Non-current liabilities			
Convertible notes - host liabilities	519,965	(519,965)	-
Convertible notes - embedded derivatives	28,581	(28,581)	-
Total non-current liabilities	1,270,981	(548,546)	722,435
Total liabilities	14,002,995	-	14,002,995
Net liabilities	(8,851,024)	-	(8,851,024)

**Convertible loans

	Barkers Hawthorn ATF Barkers Hawthorn Property Trust
Loan facility	$2,500,000. Amount drawn as of 30 June 2026 was $1,000,000.
Repayment date	31 December 2026
Conversion terms	Lender may elect to convert any advance loan amount to Shares at the following conversion pricing per share: - at a discount of 15% to the 30 day volume weighted average price leading to a request for conversion; provided no more than 100,000,000 Shares in total can be issued. Once this ceiling is reached further conversions cannot occur; Conversion was subject to shareholder approval and if not received, the higher interest rate below applies. Shareholder approval was obtained for 100,000,000 Shares
Interest rate and payment term	Interest is payable monthly in cash at a rate of 15% per annum
Higher rate	20%

Management assessed the recognition of the converting loan in accordance with AASB 9 *Financial Instruments* and determined that the loan was a hybrid financial instrument with the embedded derivatives valued at $40,106 as at 30 June 2026, using Binomial valuation methodology. The valuation model inputs used to determine the fair value at the balance date, are as follows:

Note 18. Borrowings (continued)

Lender	Value date	Expiry date	Share price on value date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at value date
Barkers Hawthorn	30/06/2026	31/12/2026	$0.004	$0.003	100%	-	4.41%	$40,106

Subsequent to year ended 30 June 2026, the outstanding loan balance of $1,000,000 plus interest was fully repaid in July 2026.

Note 18. Borrowings (continued)

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

			Convertible loans			Convertible notes		
Consolidated	Insurance premium funding $	Other borrowings $	Host liabilities $	Embedded derivative $	Financial liability at fair value through profit or loss $	Host liabilities $	Embedded derivative $	Total $
Balance at 1 July 2024	22,611	201,895	538,702	470,588	-	1,777,895	-	3,011,691
Additions	74,170	773,033	3,000,000	-	-	800,000	-	4,647,203
Repayments	(84,792)	(601,115)	(957,494)	-	-	-	-	(1,643,401)
Converted to issued capital	-	-	-	-	-	(135,153)	-	(135,153)
Finance costs	3,541	116,151	584,133	-	-	566,240	-	1,270,065
Net fair value (gain)/loss on derivative financial instruments	-	-	-	(509,978)	-	-	570,851	60,873
Exchange differences	-	(37,419)	-	-	-	-	-	(37,419)
Transfer	-	-	(62,963)	62,963	1,892,073	(1,349,803)	(542,270)	-
Balance at 30 June 2025	15,530	452,545	3,102,378	23,573	1,892,073	1,659,179	28,581	7,173,859
Additions	49,628	1,989,970	1,300,000	-	-	-	-	3,339,598
Repayments	(57,218)	(854,542)	(3,207,729)	-	-	(1,148,067)	-	(5,267,556)
Converted to issued capital	-	-	(868,000)	-	(1,270,012)	(6,525)	-	(2,144,537)
Finance costs	2,467	5,717	649,777	-	11,389	117,660	-	787,010
Net fair value (gain)/loss on derivative financial instruments	-	-	(16,532)	16,533	(633,450)	-	(24,872)	(658,321)
Exchange differences	-	(47,673)	-	-	-	-	-	(47,673)
Balance at 30 June 2026	10,407	1,546,017	959,894	40,106	-	622,247	3,709	3,182,380

Note 18. Borrowings (continued)

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

Accounting policy for financial liability at fair value through profit or loss
The financial liability has been classified as a derivative and measured at Fair Value Through Profit or Loss (FVTPL) as there is a contractual obligation to delivery cash or exchange the financial liability with another entity under conditions that are potentially unfavourable to the Group, otherwise there is a contractual obligation to repay the exit value. The combined instruments are considered a single financial instrument (as required by the IFRIC Agenda Decisions - 16 January 2021) and are required to be measured and presented as a single instrument at FVTPL.

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

On the issue of the convertible notes the fair value of the embedded derivative is valued first with the residual balance assigned to the host liability; and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to the statement of profit or loss and other comprehensive income.

Accounting policy for convertible loan
Convertible loan exhibits the characteristics of a liability which is recognised as a liability in the statement of financial position, net of transaction costs. On the drawdown of the convertible loan, the fair value of the embedded derivative is valued first with the residual balance assigned to the host liability; and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or repayment. The increase in the liability due to the passage of time is recognised as a finance cost. The embedded derivatives are fairly valued using Binomial valuation methodology on balance date.

NOTE 19. **EMPLOYEE BENEFITS**

	Consolidated	
	2026	2025
	$	$
Current liabilities		
Employee benefits	1,198,723	1,108,723
Non-current liabilities		
Employee benefits	576,103	657,446
	1,774,826	1,766,169

Note 19. Employee benefits (continued)

Accounting policy for employee benefits

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

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

NOTE 20. **LEASE LIABILITIES**

	Consolidated	
	2026	2025
	$	$
Current liabilities		
Lease liability	182,885	199,369
Non-current liabilities		
Lease liability	118,639	64,989
	301,524	264,358

Refer to note 23 for further information on financial instruments.

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

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

NOTE 21. **ISSUED CAPITAL**

	Consolidated			
	2026 Shares	2025 Shares	2026 $	2025 $
Ordinary shares - fully paid	1,565,798,184	435,056,842	41,092,374	31,562,291

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2024	326,520,782		29,046,310
Issue of Placement shares	10 July 2024	20,750,000	$0.040	830,000
Issue of shares on conversion of performance rights	10 July 2024	360,500	$0.075	27,038
Issue of Placement shares	17 July 2024	2,500,000	$0.040	100,000
Issue of shares under Entitlement Offer	17 September 2024	11,529,413	$0.040	461,177
Issue of Placement shares	21 December 2024	13,280,000	$0.025	332,000
Issue of shares as consideration for services	21 December 2024	2,000,000	$0.025	50,000
Issue of shares as consideration for services	10 February 2025	1,400,560	$0.018	25,000
Issue of shares as consideration for services	29 April 2025	2,727,272	$0.022	60,000
Issue of shares on conversion of convertible notes	29 April 2025	7,113,315	$0.019	135,153
Issue of Placement shares	26 June 2025	46,875,000	$0.016	750,000
Share issue transaction costs - settled in cash		-	-	(144,824)
Share issue transaction costs - settled in options		-	-	(109,563)
Balance	30 June 2025	435,056,842		31,562,291
Issue of Placement shares	5 August 2025	9,375,000	$0.016	150,000
Issue of shares on conversion of financial liabilities	5 August 2025	79,783,587	$0.016	1,276,537
Issue of make up shares	5 August 2025	6,453,778	$0.013	-
Issue of Placement shares	8 August 2025	23,761,594	$0.013	308,901
Issue of shares under Entitlement Offer	8 August 2025	126,954,945	$0.013	1,650,414
Issue of shares under Entitlement Offer	25 August 2025	263,895,060	$0.013	3,430,636
Issue of Placement shares	4 September 2025	3,846,154	$0.013	50,000
Issue of shares on conversion of convertible loan	1 October 2025	59,833,333	$0.012	718,000
Issue of shares on conversion of vested performance rights*	8 October 2025	630,000	-	47,250
Issue of shares as consideration for services	16 October 2025	3,547,500	$0.012	42,570
Issue of Placement shares	5 March 2025	247,653,624	$0.006	1,485,922
Issue of Placement shares	10 March 2026	4,166,667	$0.006	25,000
Issue of Placement shares	20 April 2026	117,672,833	$0.006	706,037
Issue of Placement shares	24 April 2026	58,333,333	$0.006	350,000
Issue of shares on conversion of convertible loan	1 May 2026	39,164,490	$0.004	150,000
Issue of Placement shares	26 May 2026	72,173,204	$0.006	433,039
Issue of shares as consideration for services	27 May 2026	8,779,592	$0.003	30,000
Issue of shares as consideration for services	27 May 2026	4,716,648	$0.006	30,000
Cost of capital raising - settled in cash		-	-	(895,807)
Cost of capital raising - settled in shares		-	-	(98,700)
Cost of capital raising - paid in options		-	-	(359,716)
Balance	30 June 2026	1,565,798,184		41,092,374

Note 21. Issued capital (continued)

* This reflects the fair value of performance rights on grant date.

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

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

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

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

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

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

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

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

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

NOTE 22. RESERVES

	Consolidated	
	2026	2025
	$	$
Foreign currency reserve	290,241	(99,879)
Share-based payments reserve	2,750,754	4,757,101
Convertible note reserve	-	419,853
	3,040,995	5,077,075

Note 22. Reserves (continued)

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

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

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

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

Consolidated	Foreign currency reserve $	Share-based payments reserve $	Convertible note reserve $	Total $
Balance at 1 July 2024	(51,932)	4,036,719	419,853	4,404,640
Transfers for expired options	-	(390,025)	-	(390,025)
Issue of shares on conversion of performance rights	-	(27,037)	-	(27,037)
Options issued as cost of capital raising	-	109,563	-	109,563
Foreign currency translation	(47,947)	-	-	(47,947)
Share based payments	-	519,291	-	519,291
Options issued as consideration for convertible notes and loans	-	292,492	-	292,492
Options issued for short term incentive	-	216,098	-	216,098
Balance at 30 June 2025	(99,879)	4,757,101	419,853	5,077,075
Transfers for expired options and performance rights	-	(3,004,713)	-	(3,004,713)
Issue of shares on conversion of performance rights	-	(47,250)	-	(47,250)
Options issued as cost of capital raising	-	359,717	-	359,717
Foreign currency translation	390,120	-	-	390,120
Share based payments	-	685,549	-	685,549
Transfer of convertible note reserve following extinguishment	-	-	(419,853)	(419,853)
Cash received for broker options	-	350	-	350
Balance at 30 June 2026	290,241	2,750,754	-	3,040,995

NOTE 23. **FINANCIAL INSTRUMENTS**

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

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

	Assets		Liabilities	
	2026	2025	2026	2025
Consolidated	$	$	$	$
Korean Won (KRW)	168,112	613,863	(1,414,296)	(1,448,984)
Japanese Yen (JPY)	92,421	42,204	(10,800)	(115,540)
Taiwan Dollars (TWD)	95,860	114,729	(216,797)	(122,022)
Chinese Renminbi (CNY)	88	70,383	(649,730)	(586,618)
United States Dollars (USD)	1,569	1,695	(7,886)	-
	358,050	842,874	(2,299,509)	(2,273,164)

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

Note 23. Financial instruments (continued)

Consolidated - 2026	AUD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
Net KRW denominated financial liabilities	10%	124,618	(124,618)	10%	(124,618)	124,618
Net JPY denominated financial liabilities	10%	(8,162)	8,162	10%	8,162	(8,162)
Net TWD denominated financial liabilities	10%	12,094	(12,094)	10%	(12,094)	12,094
Net CNY denominated financial liabilities	10%	64,964	(64,964)	10%	(64,964)	64,964
Net USD denominated financial assets	10%	632	(632)	10%	(632)	632
		194,146	(194,146)		(194,146)	194,146

Consolidated - 2025	AUD strengthened % change	AUD strengthened Effect on profit before tax	AUD strengthened Effect on equity	AUD weakened % change	AUD weakened Effect on profit before tax	AUD weakened Effect on equity
Net KRW denominated financial liabilities	10%	83,512	(83,512)	10%	(83,512)	83,512
Net JPY denominated financial liabilities	10%	7,334	(7,334)	10%	(7,334)	7,334
Net TWD denominated financial liabilities	10%	729	(729)	10%	(729)	729
Net CNY denominated financial liabilities	10%	51,624	(51,624)	10%	(51,624)	51,624
Net USD denominated financial assets	10%	(170)	170	10%	170	(170)
		143,029	(143,029)		(143,029)	143,029

Price risk

The Group was exposed to price risk on its investment in an unlisted entity (refer to note 12). The investment was classified on the statement of financial position as financial assets at fair value through other comprehensive income. The assets and liabilities within the investment indirectly exposed the Group to equity price risks. It was not considered practicable to 'look through' the investments to analyse these risks in detail. The investment was made in March 2026.

If the fair value of the investment increased by 10% this would have increased other comprehensive income by $21,198. A decrease of 10% would have reduced other comprehensive income by the same amount.

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

Note 23. Financial instruments (continued)

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

30 June 2026	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Shares in an unlisted entity	-	-	211,981	211,981
Liabilities				
Embedded derivatives of convertible notes	-	-	3,709	3,709
Embedded derivatives of convertible loans	-	-	40,106	40,106
	-	-	43,815	43,815

30 June 2025	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Embedded derivatives of convertible notes	-	-	28,581	28,581
Embedded derivatives of convertible loans	-	-	23,573	23,573
	-	-	52,154	52,154

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

	Level 1 30 June 2026 $	Level 1 30 June 2025 $	Level 2 30 June 2026 $	Level 2 30 June 2025 $	Level 3 30 June 2026 $	Level 3 30 June 2025 $
Opening fair value	-	-	-	520,000	52,154	470,588
Acquisition of investment	-	-	-	-	211,981	-
Addition of embedded derivatives of convertible loan	-	-	-	-	40,106	-
Movement in fair value	-	-	-	-	(24,872)	(447,015)
Disposal of embedded derivatives on settlement of convertible loans	-	-	-	-	(23,573)	-
Deposit of investments	-	-	-	(520,000)	-	-
Addition of embedded derivatives of convertible notes	-	-	-	-	-	28,581
	-	-	-	-	255,796	52,154

Note 23. Financial instruments (continued)

Valuation techniques for fair value measurements categorised within level 3
The investments in shares in unlisted entities are Level 3, with the derivation of their value from the most recent transaction values at arms-length terms.

Unobservable inputs used in calculating the embedded derivative classified as level 3 were expected future volatility and the risk-free rate. The expected future volatility was calculated at 100% and the risk-free rate used was 4.35%.

Embedded derivatives of convertible notes and convertible loan
Derivative liability relates to convertible notes and convertible loan issued from prior year (refer note 18 for further details). The conversion feature on these arrangements has a capped conversion price, the variable price also contains a floor. The existence of these caps and floors, means that this conversion feature is not considered to be an equity instrument in accordance with AASB 132, as it will not result in a fixed number of shares for fixed consideration. This conversion feature is a derivative and as a result changes in fair value are recognised through the profit and loss (FVTPL) in accordance with AASB 9. At initial recognition and subsequent reporting close, the derivative is required to be fair valued. The Company adopted Binomial valuation methodology to fair value the instruments as at the balance date.

Sensitivity analysis
The sensitivity analysis undertaken on the unobservable inputs identified no material impact to the valuation at 30 June 2026.

There were no transfers between levels during the financial year.

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

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

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

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

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

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

Note 23. Financial instruments (continued)

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

Consolidated - 2026	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	3,118,916	-	-	-	3,118,916
Interest-bearing - fixed rate						
Insurance premium funding	4.85%	10,407	-	-	-	10,407
Other borrowings	6.82%	1,598,374	-	-	-	1,598,374
Convertible notes payable	14.01%	-	873,321	-	-	873,321
Convertible loan payable	15.00%	1,008,285	-	-	-	1,008,285
Lease liabilities	10.66%	182,885	113,048	-	-	295,933
Total non-derivatives		5,918,867	986,369	-	-	6,905,236

Consolidated - 2025	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	3,369,587	-	-	-	3,369,587
Interest-bearing - fixed rate						
Insurance premium funding	4.69%	15,530	-	-	-	15,530
Other borrowings	-	452,545	-	-	-	452,545
Other financial liabilities	15.47%	1,258,623	-	-	-	1,258,623
Convertible notes payable	16.27%	1,139,214	873,321	-	-	2,012,535
Convertible loan payable	15.00%	3,765,885	-	-	-	3,765,885
Lease liabilities	7.37%	199,368	53,863	-	-	253,231
Total non-derivatives		10,200,752	927,184	-	-	11,127,936

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

NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

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

Other key management personnel

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

Keith Jelley	Chief Operating Officer

Compensation

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

	Consolidated	
	2026	2025
	$	$
Short-term employee benefits	850,973	702,561
Post-employment benefits	83,996	82,859
Long-term benefits	14,775	15,472
Share-based payments	468,558	245,446
	1,418,302	1,046,338

NOTE 25. **REMUNERATION OF AUDITORS**

During the financial period the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated	
	2026	2025
	$	$
Audit services - William Buck Audit (Vic) Pty Ltd		
Audit or review of the financial statements	53,517	-

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

	2026	2025
Audit services - Grant Thornton Audit Pty Ltd (former auditor)		
Audit or review of the financial statements	71,065	128,625
Other services - network firms of former auditor		
Tax compliance*	5,475	15,000
	76,540	143,625

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

NOTE 26. **CONTINGENT LIABILITIES**

The Directors are not aware any contingent assets or contingent liabilities as at 30 June 2026 (2025: Nil).

NOTE 27. **COMMITMENTS**

The Group had no material commitments not accounted for in the statement of financial position as at 30 June 2026 (2025: Nil).

NOTE 28. **RELATED PARTY TRANSACTIONS**

Parent entity
X2M Connect Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Note 28. Related party transactions (continued)

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

Transactions with related parties
During the 2026 financial year, X2M paid $24,000 for social media management, graphic design and supporting services to Azimbo Consulting Pty Ltd (an entity associated with Keith Jelley, X2M Chief Operating Officer) (2025: $24,500). The transactions were made on normal commercial terms.

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

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

NOTE 29. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2026 $	2025 $
Loss after income tax	(3,622,801)	(9,770,660)
Total comprehensive loss	(3,622,801)	(9,770,660)

Note 29. Parent entity information (continued)

Statement of financial position

	Parent	
	2026	2025
	$	$
Total current assets	2,955,610	2,964,086
Total assets	4,225,607	3,353,711
Total current liabilities	4,586,851	9,220,813
Total liabilities	4,684,173	9,343,109
Equity		
Issued capital	41,092,114	31,562,031
Share-based payments reserve	2,750,754	4,757,101
Convertible note reserve	-	419,853
Accumulated losses	(44,301,434)	(42,728,383)
Total deficiency	(458,566)	(5,989,398)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2025 and 30 June 2026.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2025 and 30 June 2026.

Material accounting policy information
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 30. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2026 %	Ownership interest 2025 %
Freestyle Energy Two Pty Ltd	Australia	100%	100%
X2M Co. Ltd	Taiwan	100%	100%
Freestyle Technology Co., Ltd	South Korea	100%	100%
X2M KK	Japan	100%	100%
Golden Sino Hong Kong Limited[(1)]	Hong Kong	100%	100%
Freestyle Technology (Shanghai) Co., Ltd[(1)]	China	100%	100%
Beijing Freestyle Technology Co., Ltd[(1)]	China	100%	100%

(1) Discontinued operations

NOTE 31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the Company completed a Placement and raised approximately $2 million before costs at $0.004 per share from sophisticated and professional investors. In addition, the Company is currently undertaking a fully underwritten Securities Purchase Plan to raise approximately $1 million on similar terms, giving existing shareholders the opportunity to participate on an equal footing.

The Placement has strengthened the Company's balance sheet and facilitates investment in data centre sensor integration, platform enhancement and battery energy management systems that support data centres and smart communities.

On 25 August 2026, X2M announced it had established a wholly owned subsidiary, X2MDC Pty Ltd, to hold and execute the Company's data centre objectives.

No other matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 32. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated 2026 $	Consolidated 2025 $
Loss after income tax expense for the period	(5,261,188)	(12,974,364)
Adjustments for:		
Depreciation and amortisation	1,498,361	1,505,507
Impairment of capitalised development costs	-	4,882,970
Net fair value loss/(gain) on derivative financial instruments	(658,321)	60,873
Share-based payments	685,549	654,291
Foreign exchange differences	786,162	-
Bad and doubtful debts expense	10,043	674,827
Interest and other finance costs	557,877	1,113,763
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	137,590	(315,918)
Increase in inventories	(41,079)	(23,492)
Decrease in other assets	820,726	298,784
Decrease in assets directly associated with discontinued operations	70,293	311,164
Decrease in contract assets	(240,467)	10,908
Increase/(decrease) in trade and other payables	(250,671)	454,766
Decrease in contract liabilities	(779,881)	(305,325)
Increase in employee benefits	8,657	270,737
Increase in liabilities associated with discontinued operations	64,567	490,102
Net cash used in operating activities	(2,591,782)	(2,890,407)

NOTE 33. SHARE-BASED PAYMENTS

Unlisted options issued to key management personnel and employees

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

The options were independently valued using either Black-Scholes or Binominal option pricing model. $580,559 share based payments expense was recognised for the year ending 30 June 2026 (2025: $382,139).

Class	Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Pre-IPO options	16/07/2021	15/07/2025	$0.250	9,411,283	-	-	(9,411,283)	-
IPO options*	14/09/2021	13/09/2025	$0.358	9,559,588	-	-	(9,559,588)	-

Note 33. Share-based payments (continued)

Class	Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
IPO options*	14/09/2021	13/09/2025	$0.358	5,188,029	-	-	(5,188,029)	-
FY22 LTI options	14/04/2022	14/04/2027	$0.500	2,058,286	-	-	(2,058,286)	-
FY22 LTI options	27/06/2022	27/06/2027	$0.500	1,359,264	-	-	(1,359,264)	-
FY23 LTI options	29/08/2022	29/08/2027	$0.140	986,822	-	-	(986,822)	-
FY23 LTI options	02/09/2022	02/09/2027	$0.138	5,785,510	-	-	(5,785,510)	-
FY23 LTI options	17/03/2023	17/03/2028	$0.141	1,518,028	-	-	(1,518,028)	-
FY24 LTI options	05/09/2023	04/09/2028	$0.098	6,790,812	-	-	(6,790,812)	-
FY24 LTI options	28/11/2023	04/09/2028	$0.098	5,405,405	-	-	(5,405,405)	-
FY24 Premium priced options	28/11/2023	23/01/2029	$0.067	6,603,770	-	-	-	6,603,770
FY23 STI options	28/11/2023	23/01/2029	$0.067	12,664,271	-	-	-	12,664,271
FY25 LTI options	25/10/2024	25/10/2029	$0.067	11,796,243	-	-	-	11,796,243
FY25 LTI options	26/11/2024	25/10/2029	$0.067	9,389,672	-	-	-	9,389,672
FY25 Premium priced options	11/12/2024	10/12/2029	$0.067	11,765,869	-	-	-	11,765,869
FY24 STI options	11/12/2024	10/12/2029	$0.067	11,314,016	-	-	-	11,314,016
FY26 LTI options****	09/10/2025	08/10/2030	$0.029	-	43,881,935	-	-	43,881,935
FY26 LTI options****	25/11/2025	10/12/2030	$0.029	-	32,258,065	-	-	32,258,065
FY26 Premium priced options**	25/11/2025	10/12/2030	$0.029	-	16,125,871	-	-	16,125,871
FY25 STI options***	25/11/2025	10/12/2030	$0.029	-	30,856,291	-	-	30,856,291
				111,596,868	123,122,162	-	(48,063,027)	186,656,003
Weighted average exercise price				$0.143	$0.029	-	0.243	$0.042

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

** Premium priced options were issued on 11 December 2025, following shareholders' approval at FY25 Annual General Meeting. These options were issued as part of a cash outflow reduction initiative and vested immediately on issue.

*** FY25 STI options were issued to key management personnels and an employee, and were vested immediately on issue.

**** FY26 LTI options expect to vest on 30 September 2028, subject to price hurdle and staff retention.

Note 33. Share-based payments (continued)

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

Grant date	Expiry date	2026 Number	2025 Number
16/07/2021	15/07/2025	-	9,411,283
14/09/2021	13/09/2025	-	9,559,588
14/09/2021	13/09/2025	-	5,188,029
14/04/2022	14/04/2027	-	2,058,286
27/06/2022	27/06/2027	-	1,359,264
28/11/2023	23/01/2029	6,603,770	6,603,770
28/11/2023	23/01/2029	12,664,271	12,664,271
11/12/2024	10/12/2029	11,765,869	11,765,869
11/12/2024	10/12/2029	11,314,016	11,314,016
25/11/2025	10/12/2030	16,125,871	-
25/11/2025	10/12/2030	30,856,291	-
		89,330,088	69,924,376

The weighted average remaining contractual life of options outstanding at the end of the financial period was 4 years (2025: 3 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/10/2025	08/10/2030	$0.015	$0.029	100%	-	3.73%	$0.0070
25/11/2025	10/12/2030	$0.011	$0.029	100%	-	3.92%	$0.0040
25/11/2025	10/12/2030	$0.011	$0.029	100%	-	3.92%	$0.0069
25/11/2025	10/12/2030	$0.011	$0.029	100%	-	3.92%	$0.0069

Performance rights

On 24 December 2025, X2M issued 21,896,549 performance rights to overseas employees as part of their FY26 LTI arrangement. The performance rights expect to vest on 30 September 2028, subject to price hurdle and staff retention. These performance rights were independently valued using binomial pricing model. $19,878 share based payments expense was recognised for the year ending 30 June 2026.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/12/2025	31/12/2028	$0.01	-	100%	-	4.12%	$0.005

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

Note 33. Share-based payments (continued)

	Consolidated	
	2026	2025
	$	$
Unlisted options to key management personnel and employees	580,559	382,139
Performance rights to overseas employees	104,990	137,152
Issue of shares for advisory fees	-	135,000
	685,549	654,291

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

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

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

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

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

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

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

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

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

Note 33. Share-based payments (continued)

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

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

NOTE 34. EARNINGS PER SHARE

	Consolidated	
	2026	2025
	$	$
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of X2M Connect Limited	(5,118,725)	(12,147,378)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,058,829,462	369,188,767
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,058,829,462	369,188,767
	Cents	Cents
Basic earnings per share	(0.48)	(3.29)
Diluted earnings per share	(0.48)	(3.29)

	Consolidated	
	2026	2025
	$	$
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of X2M Connect Limited	(142,463)	(826,986)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,058,829,462	369,188,767
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,058,829,462	369,188,767

Note 34. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.01)	(0.22)
Diluted earnings per share	(0.01)	(0.22)

	Consolidated	
	2026	2025
	$	$
Earnings per share for loss		
Loss after income tax attributable to the owners of X2M Connect Limited	(5,261,188)	(12,974,364)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,058,829,462	369,188,767
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,058,829,462	369,188,767

	Cents	Cents
Basic earnings per share	(0.49)	(3.51)
Diluted earnings per share	(0.49)	(3.51)

Accounting policy for earnings per share

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

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

Entity name	Entity type	Place formed Country of incorporation	Ownership interest %	Australian resident	Place of foreign residence
X2M Connect Limited	Body corporate	Australia	100%	Yes	N/A
Freestyle Energy Two Pty Ltd(1)	Body corporate	Australia	100%	Yes	N/A
X2M Co. Ltd	Body corporate	Taiwan	100%	No	Taiwan
Freestyle Technology Co., Ltd	Body corporate	South Korea	100%	No	South Korea
X2M KK	Body corporate	Japan	100%	No	Japan
Golden Sino Hong Kong Limited(2)	Body corporate	Hong Kong	100%	No	Hong Kong
Freestyle Technology (Shanghai) Co., Ltd(2)	Body corporate	China	100%	No	China
Beijing Freestyle Technology Co., Ltd(2)	Body corporate	China	100%	No	China

(1) This is a dormant Australian company that is part of Australian tax consolidated group with X2M Connect Limited.
(2) Discontinued operations

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

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

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

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

On behalf of the Directors

Hon. Alan Stockdale AO
Non-Executive Chairman

31 August 2026

Independent auditor's report to the members of X2M Connect Limited

Report on the audit of the financial report

Opinion

In our opinion, the accompanying financial report of X2M Connect Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

— giving a true and fair view of the Group's financial position as at 30 June 2026 and of its financial performance for the year then ended; and

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

What was audited?

We have audited the financial report of the Group, which comprises:

— the consolidated statement of financial position as at 30 June 2026,

— the consolidated statement of profit or loss and other comprehensive income for the year then ended,

— the consolidated statement of changes in equity for the year then ended,

— the consolidated statement of cash flows for the year then ended,

— notes to the financial statements, including material accounting policy information,

— the consolidated entity disclosure statement, and

— the directors' declaration.

Basis for opinion

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

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

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williambuck.com.au

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $5,261,188 and net operating and investing cash outflows of $6,015,318 during the year ended 30 June 2026 and, as of that date, the Group had net liabilities of $3,193,643 and its current liabilities exceeded its current assets by $4,316,767. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The financial report of the Group for the year ended 30 June 2025 was audited by another auditor who expressed an unmodified opinion on the financial report on 26 September 2025. The report issued included a paragraph in respect of material uncertainty related to going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

	Area of focus (refer also to notes 2 & 4)	How our audit addressed the key audit matter
Revenue recognition – multiple element arrangements and cut-off	The Group generates revenue from contracts with customers that include the provision of hardware, software and related services with multiple element arrangements, some of which are recognised over time. The application of AASB 15 *Revenue from Contracts with Customers* requires management judgement in identifying performance obligations, allocating transaction price between performance obligations and determining the timing of revenue recognition. This was considered a key audit matter due to the judgement involved in applying AASB 15 to multiple element arrangements and the risk that revenue may not be recognised in the appropriate accounting period.	Our audit procedures included: — Assessing the Group's revenue recognition policies for compliance with AASB 15; — Inspecting a sample of customer contracts to evaluate the identification of performance obligations and the allocation of transaction price between performance obligations; — Testing a sample of revenue transactions by agreeing amounts recognised to customer contracts and supporting documentation; — Performing revenue cut off testing on transactions recorded around year end and assessing contract liabilities recognised at year end; and — Assessing the adequacy of the related disclosures included in the financial report.

Accounting for convertible liabilities	**Area of focus** **(refer also to notes 2, 18 & 23)** As at 30 June 2026, the Group recognised convertible liabilities consisting of notes and loans, with carrying values of approximately $1.6 million. Additionally, during the year, the Group extinguished a number of convertible notes through varying settlement arrangements and on 30 June 2026 drew down $1 million, on a convertible loan facility. This was considered a key audit matter due to the materiality of the balance and the judgement involved in accounting for the initial recognition of the convertible loan, extinguishment of convertible notes, including the recognition of any resulting gain or loss on derecognition of the related liability.	**How our audit addressed the key audit matter** Our audit procedures included: — Inspecting the convertible notes and loan agreements and assessing the accounting treatment adopted by management; — Tracing convertible note extinguishments during the year to supporting documentation, including cash settlements and share issuances; — Reperforming management's calculations relating to the extinguishment of convertible notes during the year and the amortised cost measurement of the remaining liability component at year end; — Agreeing cash proceeds received from the convertible loan drawdown to the bank statement; — Consulting with our technical accounting specialists to assess the appropriateness of management's accounting treatment for the initial recognition, extinguishment and year end measurement of the convertible note liabilities; — Engaging our internal valuation specialists to evaluate the valuation methodology and assess the reasonableness of management's fair value estimate of the embedded derivative components; and — Assessing the adequacy of the disclosures included in the financial report in relation to the convertible liability arrangements.
Share based payments	**Area of focus** **(refer also to notes 2, 22 & 33)** The Group currently has options issued to employees, key management personnel and other contracting parties through share-based payment arrangements in accordance *with AASB 2 Share-based Payment*. These options include both market and non-market vesting criteria, including: — Service (employment) conditions;	**How our audit addressed the key audit matter** Our audit procedures included: — Agreeing the material terms and conditions of any new share-based payment arrangement to plan documentation; — Examining the share-based payment arrangements to determine the appropriateness of identifying each share-based payment arrangement, including assessment of the grant date;

	— Market-based performance conditions; and — Other non-market performance conditions. The valuation of such options requires significant judgement and expertise, particularly in determining the likelihood of achieving the market-based conditions and satisfying all non-market conditions. The Group engages independent specialists to appraise the fair value of its share-based payment arrangements that involve market-based conditions and assessment of satisfying non-market conditions. This matter was considered a Key Audit Matter due to the complexity of arrangements and judgement applied in valuing the share-based payments.	— Examining the appropriateness of the amortisation model for accreting share-based payment expense to the profit or loss over the vesting period; — Assessing support for likely outcome of vesting conditions used to value share-based payments; — Assessing support for the satisfaction of non-market vesting conditions; — Assessing the competence and qualification of management's specialist and evaluating the reasonableness of the key inputs and assumptions applied in the valuation report; and — Evaluating the adequacy of disclosures in relation to the share options in the Remuneration Report and notes to the financial report.
Capitalisation and recoverability of intangible assets	**Area of focus** **(refer also to notes 2, & 15)** As at 30 June 2026, the Group recognised intangible assets of approximately $0.84 million, primarily relating to internally developed intellectual property. The capitalisation of development expenditure relating to intangible assets requires judgement in determining whether the recognition criteria of AASB 138 *Intangible Assets* have been met. Judgement is also required in assessing the recoverability of the intangible assets and whether indicators of impairment exist. This matter was considered a Key Audit Matter due to the materiality of the balance and the significant judgement involved in assessing the capitalisation and recoverability of the Group's intangible assets.	**How our audit addressed the key audit matter** Our audit procedures included: — Assessing the Group's capitalisation of development expenditure against the recognition criteria of AASB 138, including the requirements to demonstrate identifiability, control and future economic benefits; — Testing a sample of capitalised development expenditure to supporting documentation, including payroll records, employee agreements, role descriptions and, where applicable, third-party invoices, and assessing whether the expenditure, labour rates and overhead allocations capitalised during the year were directly attributable to the development of the underlying intangible asset; — Assessing the amortisation charge recorded during the year; — Evaluating management's assessment of impairment indicators and the recoverability of the intangible assets; and — Assessing the adequacy of the related disclosures included in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2026, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

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

- the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

In our opinion, the Remuneration Report of X2M Connect Limited, for the year ended 30 June 2026, complies with section 300A of the *Corporations Act 2001*.

What was audited?

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2026.

Responsibilities

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
Director
Melbourne, 31 August 2026

Corporate Governance **Statement**

AS AT 31 August 2026

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

This Corporate Governance Statement reports against the ASX Corporate Governance Principles and Recommendations (4th Edition) (ASX Principles). The practices detailed in the Corporate Governance Plan are current as of 31 August 2026 and have been approved by the Board. A full copy of the Corporate Governance Plan can be found on the company website at www.x2mconnect.com. Key details of the plan are detailed below.

Principle 1: The Board lays solid foundations for management oversight

Board Responsibilities and Delegations

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

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

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

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

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

The Board's responsibilities include:

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

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

The Board Charter delegates responsibility for day-to-day management and administration of X2M to the CEO and members of the Executive Team. The CEO is responsible for providing effective leadership, direction and supervision of the

Executive Team to achieve the strategies, business plans and budgets adopted by the Board and in accordance with the values and culture set by the Board. The Board has procedures in place to regularly assess the performance of the CEO and members of the Executive Team.

Board Committees

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

Board Meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to X2M to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the period, the Board met 11 times.

For full details of Directors' attendance at Board and Committee Meetings for 2026, refer to "Board and Committee Meeting Attendance" on page 23.

Access to Information and Independent Professional Advice.

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

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

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

Background Checks Before Appointing Directors and Senior Executives

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

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

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

Diversity

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

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

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

Diversity Status

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

X2M has a diverse workforce and is represented by a broad range of ages and nationalities. Gender diversity remains a challenge across the technology industry and in the geographies in which X2M operates and is represented in the table below. However, X2M is an equal opportunity employer and is committed to improving diversity as far as possible as the business scales. The workforce diversity as at the 30th of June 2026 follows:

	FEMALE		MALE	
	NUMBER	%	NUMBER	%
Board	0	0	4	100
Senior Management*	6	26%	17	74%
Total Employees	9	17%	44	83%

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

On 1 July 2026 Ms Kate O'Sullivan was appointed as Non-Executive Director.

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

Diversity Targets

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

The long term gender diversity targets are:

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

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

Performance Review of the Board

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

Performance Review of the CEO and Executive Team

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

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

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

Principle 2: **The Board is structured to be effective and to add value**

Nomination Committee

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

Composition of the Board and Details of Directors

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

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

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

DIRECTOR	STATUS	APPOINTMENT DATE
Alan Stockdale	Independent	8 February 2021
Mohan Jesudason	Not independent	17 March 2025
Damien Johnston	Independent	8 February 2021
John Stewart	Independent	8 February 2021
Kate O'Sullivan	Independent	1 July 2026

Status of Director Independence

For details of the current Directors, their qualifications, skills, and experience refer to page 20 of Directors' Report.

Board Skills Matrix

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

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

KEY BOARD SKILLS AND EXPERIENCE	NUMBER
Asia Pacific Market Experience Experience working in/leading an organisation with global operations, or an understanding of different political, cultural, regulatory, and business environments	5
Strategy Experience defining strategic objectives, assessing business plans and driving execution.	5
Digital, Data and Technology Expertise in adopting new digital technologies or implementing technology projects, and experience with managing digital disruption, leveraging digital technologies or understanding the use of data and data analytics.	5
Governance and Compliance Experience in the design and application of corporate governance and compliance programs with a commitment to high standards of governance.	5
Financial and Risk Management Understand financial drivers of the business and experience implementing or overseeing financial accounting, reporting, internal controls, and risk management frameworks.	5
Mergers and Acquisitions Experience in undertaking or overseeing corporate mergers and acquisitions with ability to evaluate transactions and govern the transition phase.	5
Capital Management Experience in capital management strategies including debt financing and capital raisings.	5
People and Culture Experience monitoring a company's culture, OHS program, people management, succession planning, and remuneration frameworks.	5
Legal and Regulatory Experience in a capacity requiring skills and knowledge in relation to the law, especially with reference to company law and other relevant legal disciplines.	5
Government, Regulatory Agencies and Politics Experience in dealing with Governments and Government agencies and a broad knowledge of the workings of governments and politics.	5
Experience with Infrastructure Industries Experience in dealing with and/or marketing and selling to infrastructure industries, especially electricity, gas water and other utilities.	2

Board Skills Assessment

Director Selection, Appointment and Induction

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

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

Code of Conduct

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

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

The Code of Conduct was approved by the Board in September 2021 and a copy can be found on the Company's website at www.x2mconnect.com.

Trading Policy

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

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

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

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

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

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

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

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

Whistleblower Policy and Anti-Bribery and Corruption Policy

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

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

Principle 4: **The Board safeguards the integrity of corporate reports**

Audit and Risk Committee (ARC)

The ARC has four members, Damien Johnston (Chair), Alan Stockdale, John Stewart and Kate O'Sullivan.

The ASX Principles recommend that an audit committee have at least three members, all of whom are non-executive Directors and a majority of whom are independent and that the chair of the audit committee be an independent Director who is not the chair of the board. The ARC met these requirements in 2026.

For full details of Committee members' attendance at Committee Meetings for 2026, refer to "Board and Committee Meeting attendance" which is contained in the Directors' Report on page 23.

The ARC Charter requires that all members of the ARC can read and understand financial statements and that at least one member is a qualified accountant or other financial professional with appropriate experience of financial and accounting matters. The ARC met these requirements in 2026. For details of the qualifications, skills and experience of the ARC, refer to page 20 for further details.

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

The objectives of the ARC are to:

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

Independent Audit

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

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

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

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

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

CEO and CFO Declaration

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

For the half-financial year ended 31 December 2025 and for the financial year ended 30 June 2026, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

Auditor at the AGM

At X2M's 2026 AGM, William Buck, as the independent external auditor, will be present and available to answer shareholder questions on the:

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

Principle 5: **The Board makes timely and balanced disclosure**

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

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

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

In addition, at each Board meeting, consideration is given to any information that must be disclosed to the ASX in accordance with X2M continuous disclosure obligations.
The Company Secretary has primary responsibility for all communication with the ASX in relation to ASX Listing Rule matters. The Company Secretary is also responsible for ensuring that the Directors receive copies of all material market announcements promptly after they have been made.

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

Principle 6: **The Board respects the right of security holders**

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

The Company Website

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

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

Investor Relations

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

Shareholder Communications

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

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

Shareholder Engagement and Participation

To encourage shareholder engagement and participation at the AGM, when possible, shareholders have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and the Executive Team. In the event the AGM is held electronically, the Company will ensure that appropriate technology is used to facilitate the participation of shareholders at such meetings. Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting, or online through the share registry's website. For the 2026 AGM, all questions will be decided by a poll rather than a show of hands.

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

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

Principle 7: The Board recognises and manages risk

Risk Committee

The ARC is charged with the responsibility to assist the Board in the oversight of risk. Please refer to page 20 for details of the members of the Committee, qualifications and experience of members and individual attendances at Committee meetings.

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

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

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

Review of Risk Management Framework

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

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

The ARC oversees the establishment and implementation of, the Group's Risk Management Framework and makes recommendations to the Board on the soundness of risk management across X2M. In 2023, management in conjunction with the ARC developed the Risk Appetite Statement and Risk Register. In 2026, the risk management processes of the Company will develop further as the Company matures.

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

Internal Audit Function

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

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

Material Exposure to Environmental or Social Risks

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

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

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

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

Principle 6: **The Board remunerates fairly and responsibly**

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

The Board is responsible for:

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

Remuneration Policies and Practices

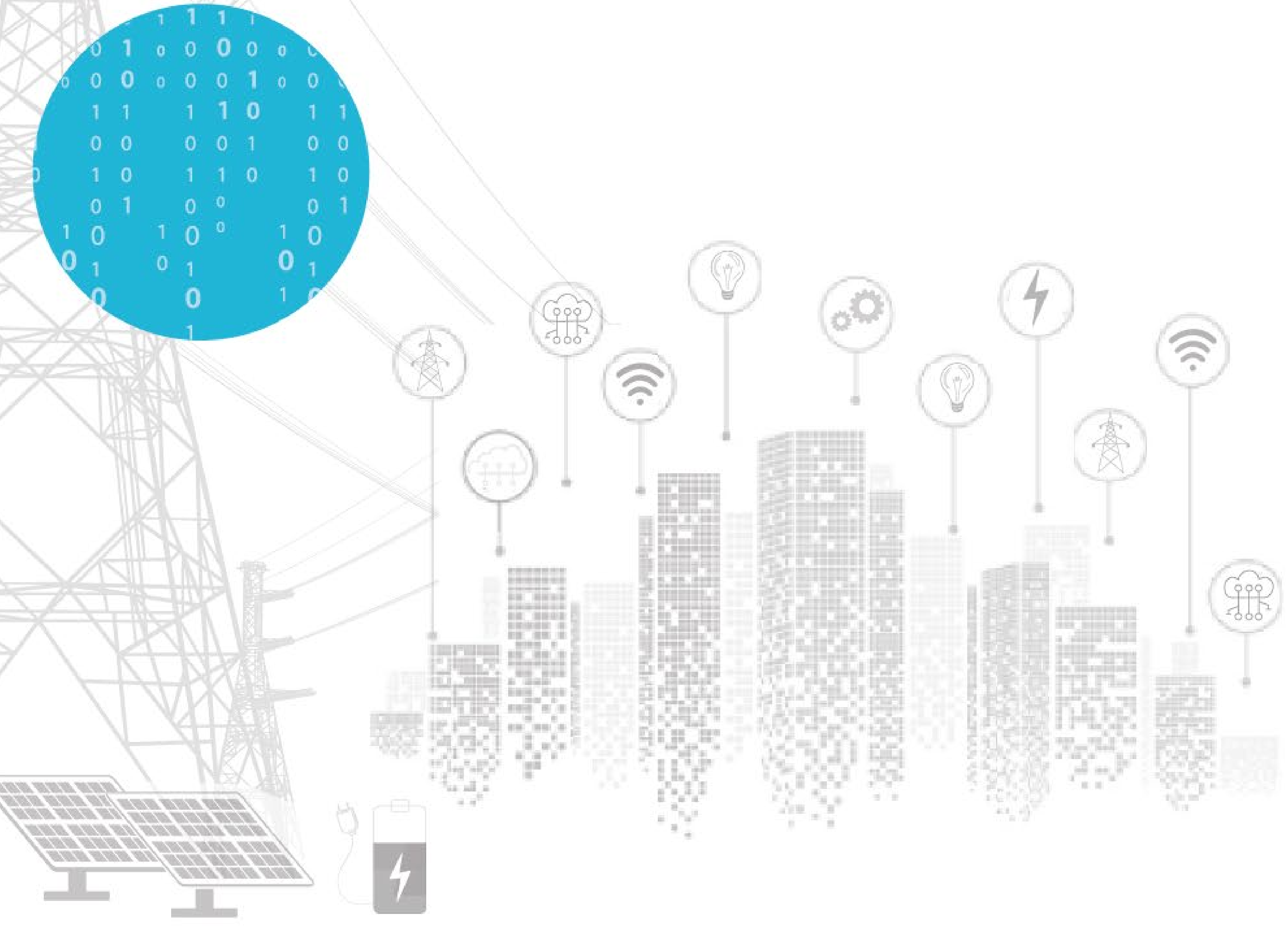
Details about X2M's remuneration strategy, framework, policies, and practices are set out in the Company's Remuneration Report on page 23.

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

Policy on Hedging Equity-based Incentive Schemes

X2M offers an equity-based remuneration scheme through its STI and LTI plans. The STI Plan Rules, LTI Plan Rules and the X2M Trading Policy prohibits employees from hedging the value of restricted shares and unvested securities. Breaches of this prohibition will result in awards being forfeited by the relevant employee. The Company's Trading Policy is located on the X2M website at www.x2mconnect.com.

Shareholder
Information



The shareholder information set out below was applicable as at 18 August 2026.

Distribution of equitable securities

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

	Ordinary shares		Unlisted options over ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total options issued	Number of holders	% of total performance rights issued
1 to 1,000	18	-	7	-	-	-
1,001 to 5,000	77	0.01	6	-	-	-
5,001 to 10,000	66	0.03	2	-	-	-
10,001 to 100,000	207	0.48	26	0.13	-	-
100,001 and over	586	99.48	100	99.87	14	100.00
	954	100.00	141	100.00	14	100.00
Holding less than a marketable parcel	486	1.51	-	-	-	-

	Convertible notes	Convertible notes	Listed options	Listed options
	Number of holders	% of total shares to be issued	Number of holders	% of total shares to be issued
1 to 1,000	-	-	-	-
1,000 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	1	16.61	1	0.02
100,001 and over	2	83.39	90	99.98
	3	100.00	91	100.00

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
1. Staple Elements Associates	160,256,410	8.23
2. Fairwinds Associates	134,792,704	6.93
3. Andrew Greig Associates	96,516,994	4.96
4. Allowside Pty Ltd	38,124,485	1.96
5. GreenRock Energy Co Ltd	36,111,111	1.86
6. Logical Assets Pty Ltd	35,000,000	1.80
7. Lavya Pty Ltd (Lavya Family A/C)	34,599,728	1.78
8. 10 Bolivianos Pty Ltd	33,810,565	1.74
9. Shayne Smyth Associates	29,056,621	1.49
10. ABN Amro Clearing Australia Nominees Pty Ltd (Custodian A/C)	26,950,001	1.38
11. Braunthal Associates	26,668,619	1.37
12. X2M Quantum Pty Ltd	25,641,026	1.32
13. Buttonwood Nominees Pty Ltd	25,000,000	1.28
14. Noble Investments Superannuation Fund Pty Ltd (Noble Investments S/F A/C))	23,535,321	1.21
15. Surf Coast Capital Pty Ltd (Minnie P/F A/C)	22,555,166	1.16
16. M & M Jesudason Associates	21,762,200	1.12
17. Dominet Digital Investments Pty Ltd (Dominet Digital Inv Fam A/C)	21,500,000	1.10
18. BNP Paribas Nominees Pty Ltd	21,250,683	1.09
19. Chandler Bridge Pty Ltd (Chandler Bridge A/C)	20,000,000	1.03
20. Sangwill Pty Ltd (MC Vay Family S/F A/C)	18,923,751	0.97
	852,055,385	43.78

	Listed options over ordinary shares	
	Number held	% of total options issued
1. Staple Elements Associates	41,666,666	11.74
2. Fairwinds Associates	29,166,666	8.22
3. Logical Assets Pty Ltd	25,000,000	7.04
4. K-Sum Capital Pty Ltd	18,181,818	5.12
5. Plaucs Pty Ltd	16,950,000	4.78
6. Mr. Richard Frederick Simon & Mrs Narawadee Simon (Simon Family Superfund A/C)	16,000,000	4.51
7. Mawson Group Holdings Pty Ltd (Mawson Group Hldg Unit A/C)	14,000,000	3.94
8. Neave Trading Pty Ltd	11,999,877	3.38
9. Citicorp Nominees Pty Limited	11,000,000	3.10
10. JL and RA Roberts Pty Ltd	10,000,000	2.82
10. Mr Thomas Roberts	10,000,000	2.82
11. Andrew Greig Associates	8,333,333	2.35
11. Sangwill Pty Ltd (MC Vay Family S/F A/C)	8,333,333	2.35
12. Ms Meixia Chen	6,909,872	1.95
13. X2M Quantum Pty Ltd	6,666,666	1.88
14. Noble Investments Superannuation Fund Pty Ltd (Noble Investments S/F A/C)	6,250,000	1.76
15. Mr Marshall Constantino Coutinho	6,000,000	1.69
15. Euthenia Tyche Pty Ltd	6,000,000	1.69
16. Mr Warwick James Burke	5,000,000	1.41
16. Mr Samuel Lewis Roberts	5,000,000	1.41
	262,458,231	73.96

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	758,915,865	141
Performance rights to be converted into ordinary shares	36,451,421	14

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

Name	Class	Number held
Yongsun Kim	Performance rights to be converted into ordinary shares	10,089,211
Chengyu Fang	Performance rights to be converted into ordinary shares	10,089,211

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Staple Elements Associates	160,256,410	8.23
Fairwinds Associates	134,792,704	6.93

	Listed options over ordinary shares	
	Number held	% of total options issued
1. Staple Elements Associates	41,666,666	11.74
2. Fairwinds Associates	29,166,666	8.22
3. Logical Assets Pty Ltd	25,000,000	7.04
4. K-Sum Capital Pty Ltd	18,181,818	5.12

Voting rights

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

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

Listed options
Listed options do not have voting rights.

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

There are no other classes of equity securities.

Restricted securities

There are no restricted securities on issue as at 18 August 2026.

Annual General Meeting and Director Nominations Closing date

X2M Connect Limited advises that its Annual General Meeting will be held on Tuesday 24 November 2026 at 10:00am. The details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nominations for the position of Director is Tuesday 13 October 2026. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Tuesday 13 October 2026 at the Company's Registered Office.

Suite 1.01B Building B, 18-24 Ricketts Road,
Mount Waverley, VIC, Australia 3149