ASX Announcement | 31 July 2026

X2M pursues AI and Data Centre Strategy in 4Q FY26

Quarterly Activity Report and Appendix 4C

4Q FY26 Highlights[1]

- Q4 revenue of $1.7 million, up 1% on prior corresponding period (pcp) impacted by exchange rate movements against the Korean Won
- Gross profit of $0.8 million, up 1% on pcp
- Operating expenses of $1.7 million, down 24% on pcp
- EBITDA loss of $0.7 million, an improvement of 41% on pcp
- Enterprise/government customers increased to 91, up 12% on the pcp
- Net cash burn from operating activities for the quarter was $1 million, down 70% on the previous quarter
- Total cash as of 30 June 2026 was $1.3 million, prior to the recent capital raise thar resulted in a $2m placement.

X2M Connect Limited (ASX:X2M) ("X2M" or "the Company") provides its quarterly activity report and Appendix 4C for the period ended 30 June 2026 (4Q FY26).

A number of strategic announcements have been made this quarter including X2M's preparation for entry into the data centre market, two smart community announcements for Echuca and Yarrawonga and new product releases into the smart city sector.

For the data centre market, X2M's platform would integrate and manage energy generation, storage, distribution and data centre environmental conditions for circular economy precincts through a single unified interface, connecting generators, battery storage, solar inverters, EV chargers, HVAC systems, grid meters and building environment sensors regardless of manufacturer or communications standard.

Bringing those devices into one real-time AI system will allow operators to optimise performance, predict faults and respond dynamically to changing environmental and grid supply conditions, with X2M targeting a 10 to 20 per cent reduction in data centre precinct energy costs as a result.

The Company intends directing significant effort to building out the platform capability behind the data centre market.

X2M CEO and Managing Director Mohan Jesudason said: *"Data centres and energy management are our focus areas for the Australian market. We have spent more than a decade proving we can connect, process and act on real-world data at industrial scale, and that is precisely the problem every megawatt of data centre capacity has. With multiple sites under review, we have a pipeline of opportunities to work through rather than a single project."*

"With full year revenue up 38%, a materially lower cost base this quarter and approximately $3 million of revenue already contracted for FY27, we are focused on progressing towards reaching positive operating cash flow."

[1] All financial figures are unaudited

Operational Highlights

Data Centres

- **Preparation for entry into the data centre market**: X2M signed a five-year partnership agreement to develop integrated data centre and energy infrastructure precincts across regional Australia, with the initial target precincts planned in regional Victoria subject to customary regulatory and planning approvals.

- **The initial target precinct identified:** The target precinct is planned to host a data centre of between 10 and 15 MW capacity, alongside a 10+ MW battery energy storage system, heavy electric vehicle charging, an anaerobic biodigester and hot house horticulture.

- **AI-enabling integration layer:** The first key milestone for the proposed precinct is advancing the development of a circular economy driven, GPU-accelerated data centre with X2M aiming to provide the platform to manage the power and cooling.

- **Solving a hard cost problem:** X2M is targeting a 10 to 20 per cent reduction in data centre precinct energy costs, in a market where Australian data centre and connectivity infrastructure investment is projected to require up to $135b by 2035.

- **X2M's data centre leadership appointed:** Dr Sajjad Ahmed was appointed General Manager Data Centres and Smart Cities, bringing more than 22 years of utilities and connected infrastructure leadership and a PhD in Artificial Intelligence and Emerging Technologies. Dr Sajjad previously led Smart Cities and Utilities nationally at Optus where he delivered a $27 million end-to-end Advanced Metering Infrastructure smart water metering project.

Smart Cities

- **$3 million revenue already contracted for FY27:** X2M has approximately $3 million in already contracted revenue for FY27, including the recently announced $1.1 million City of Seoul contract for a further 50,000 HelpMe devices.

- **Seoul personal safety solution**: All of the initial 100,000 personal safety devices have now been delivered to Seoul, with Seoul adding a further 50,000 order post quarter end and planning to scale to a potential of one million devices.

- **South Korea's first integrated smart water meter:** X2M secured a manufacturing licence for South Korea's first AI-enabled separable integrated smart water meter, expected to cut customer hardware and installation costs by approximately 30% in a market where 8.7 million meters are subject to a mandated eight-year replacement cycle. That requires approximately one million units to be replaced per year and is an addressable market of approximately $750 million across X2M's existing customers.

- **New streetlight platform certified:** X2M received authority certification for an AI-enabled bidirectional streetlight controller, adding a second critical infrastructure asset class to the platform it already supplies to its 58 South Korean municipal customers.

- **Australian smart community pipeline of up to 5,800 lots:** X2M signed binding agreements covering a 1,000 lot estate in Echuca and an 800 lot estate in Yarrawonga, alongside a non-binding MoU over approximately 4,000 further lots in Victoria and Queensland. Combined this represents an $11.8M revenue opportunity if all homes in these estates adopted the X2M solution.

Corporate

- **Capital raise completed:** Following the quarter end, X2M received firm commitments to raise approximately $2 million before costs, with an intended fully underwritten Securities Purchase Plan for $1 million to follow.

- **Senior Board appointment:** Kate O'Sullivan joined the Board as a Non-Executive Director effective from the start of FY27, bringing more than three decades of executive and ASX-listed company experience, including more than fifteen years at Tabcorp Holdings Limited.

Data Centre & AI Strategy

During the quarter X2M signed a five-year partnership agreement to develop circular economy integrated data centre and energy infrastructure precincts across regional Australia.

The agreement provides a framework for expansion across multiple Australian locations and marks the Company's planned entry into the fastest growing infrastructure sector in the country.

Precincts are planned to integrate a data centre with capacity ranging from 10 MW to 100 MW, a battery energy storage system of more than 10 MW, heavy electric vehicle charging, facilities such as anaerobic biodigesters, hot house agriculture and connections to regional renewable energy zones. X2M would also manage electricity, heating and cooling exchanges between the data centre and the other precinct services.

A data centre precinct runs equipment from many different manufacturers, each using its own communications protocol, so generators, battery storage, solar inverters, EV chargers, HVAC systems, grid meters and building environment sensors cannot ordinarily be monitored or controlled from one place. X2M's platform connects to each of those devices regardless of manufacturer or communications standard and brings them into a single unified interface, converting raw device signals into the structured, AI-ready data that management applications are then built on.

Australia's data centre and connectivity infrastructure investment is projected to require up to $135 billion by 2035.[2]

Becoming a Leader in AI-Enabled Smart City Capabilities in South Korea

X2M continued to receive new and repeat orders from South Korean municipalities during the period and added two new AI-enabling product platforms in its largest market, where the Company now serves 58 municipal and local government authority customers.

X2M secured a manufacturing license to produce and sell South Korea's first AI-enabling separable integrated smart water meter, developed under a programme with the country's largest water manager to solve a national problem in residential meter connectivity. Water meters in South Korea sit in pits approximately one metre underground and, when those pits flood, communications to the central platform are cut off.

X2M's unit combines the meter and communications module into a single separable device, with the module positioned above the waterline at installation so data keeps flowing when the pit floods. The integrated unit is expected to reduce customer hardware and installation costs by approximately 30%, and X2M has secured two years of private contract access allowing water authorities to order directly through the Public Procurement System with no tender process required.

[2] Sources: BloombergNEF, AI Data Center Build Advances at Full Speed (2025); Clean Energy Finance Corporation, December 2025

South Korea mandates water meter replacement every eight years and, with 8.7 million meters in use, approximately one million units enter the replacement market each year.

X2M's existing municipal water customer base represents an addressable market of approximately $750 million with an estimated $30 million in annual recurring revenue. Every meter sold connects to X2M's platform generating recurring SaaS revenue alongside the upfront meter sale.[3]

X2M also received authority certification for an AI-enabling bidirectional streetlight controller. Each controller manages up to 8 independent sets of streetlights, enabling municipality wide remote control, automated scheduling and automatic detection of LED lamp failure through current sensing.

The total addressable market for streetlights in South Korea is approximately $225 million annually. Both new products expand the revenue X2M can address within its existing customer base and this allows municipalities to manage lighting and water through a single vendor relationship.

In public safety, X2M completed delivery of the 100,000 HelpMe personal safety devices contracted under its original City of Seoul contract. Following the quarter, X2M was awarded an approximately $1.1 million contract for a further 50,000 devices, taking the total contracted under the programme to 150,000 devices, with delivery scheduled by the end of December 2026.

These product releases are essentially targeted at the same customer group and are part of the Company strategy to get deeper into the utility related smart city eco system of targeted cities and municipalities.

Smart Communities in Australia

X2M signed two binding smart community agreements during the quarter, marking the Company's entry into the domestic residential energy market. The first covers a 1,000 lot estate in Echuca, Victoria, with an estimated revenue opportunity of approximately $2 million on full adoption.

The second covers an 800 lot estate in Yarrawonga, Victoria, worth approximately $1.6 million on the same basis, and will be offered to existing homeowners as well as new purchasers, extending X2M's market beyond new developments.

A non-binding MoU covers approximately 4,000 further lots in Victoria and Queensland, taking the Australian pipeline to up to 5,800 lots and an estimated $11.8 million revenue opportunity.

X2M Smart Energy connects each home's solar, air conditioning, pool pumps and hot water systems to a home hub that manages the usage within the home. The smart community also has community batteries that assist in network stability and absorb excess solar power. This allows the optimisation of how energy is generated, stored and used across the estate in real time.

X2M also signed a non-binding MoU with Mawson Business Advisory for the Integrated Smart Community Offering (ISCO), which would allow an estate operator to replace up to 20 separate vendor relationships with a single managed solution, with X2M as prime contractor under intended 10 year terms. This offer is targeted at land lease and retirement village estates where significant efficiencies and resource management opportunities can be delivered.

[3] Assumes existing customers deploy X2M products to all households

Enterprise and Government Customers

X2M's enterprise and government client base continued to rise steadily, reaching 91 at 30 June 2026, up 12% on the pcp. X2M continued to win repeat orders during the quarter, with around 60% of Company revenues coming from customers placing repeat orders. These customers collectively deploy a broad range of services including water and gas meter monitoring, public safety devices, streetlight control and renewable energy solutions using the X2M platform, which in turn drives the Company's SaaS and recurring revenue base. The future opportunity for X2M is substantial – while new customers and repeat orders are consistently growing our market penetration, the percentage of implemented water product across existing municipality customers averages 6.7%.

Each new product capability added during the quarter, including the integrated water meter and the streetlight controller, expands the revenue X2M can address within this existing base without new customer acquisition. Meters and connected devices are typically replaced every ten to fifteen years, supporting a recurring replacement cycle across the installed base.

Financial overview

X2M delivered revenue of $1.7 million in 4Q FY26, up 1% on the prior corresponding period (pcp: $1.7 million). Revenue for the quarter was impacted by local government elections in South Korea, which slowed government tender processes, and by exchange rate movements against the Korean won. Full year FY26 revenue was up 38% on FY25.

ARR was $1.2 million as at 30 June 2026, with SaaS and maintenance revenues of $0.3 million for the quarter. As deployments scale and device connections grow, the Company expects this recurring base to become an increasingly significant driver of gross profit.

Gross profit was $0.8 million, up 1% on pcp (pcp: $0.8million). Gross margin for the quarter was 46%, reflecting a higher proportion of hardware deliveries associated with the final Seoul personal safety device rollout. Underlying platform margins remain strong.

The Company's operating costs were $1.6 million, down 24% on pcp, reflecting the cost reduction programme initiated earlier in the financial year and proving the company's capacity to grow revenue within a context of reducing costs.

Adjusted EBITDA[4] loss improved to $0.7 million from $1.2 million in the pcp, continuing a trend of meaningful year on year improvement.

Net cash burn from operating activities was $1 million versus cash burn of $0.5 million in the pcp, largely due to differences in the timing of advanced receipts. Full year cash burn from operating activities was $2.6 million, down 7% on FY25 ($2.8 million), demonstrating improving cash efficiency. Net cash outflow from investing activities was $0.7 million, driven by continued investment in capitalised development. Net cash inflow from financing activities was $2.6 million.

Total cash at 30 June 2026 was $1.3 million.

Related party payments of $111K represent directors' fees as disclosed in Appendix 4C section 6.1.

Following shareholder approval at the General Meeting on 15 April 2026, the Company issued shares for the

[4] Adjusted EBITDA is a non-IFRS measure calculated as earning before income tax, and before depreciation and amortisation, finance costs share based payments.

$1.48 million tranche 2 of the placement announced on 27 February 2026. Funds raised were used to facilitate entry into the Japanese water market, expansion into the Australian market, platform enhancements and general working capital purposes, and to repay approximately $0.8 million in existing convertible loans.

X2M also received firm commitments to raise approximately $2 million before costs through a placement at $0.004 per share to sophisticated and professional investors, with Peak Asset Management and Alpine Capital acting as Joint Lead Managers. The Company intends to follow the placement with a fully underwritten Securities Purchase Plan to raise approximately $1 million on the same or similar terms. Certain placement shares, the free attaching options, bonus shares and broker securities are subject to shareholder approval at a general meeting planned for on or about 11 September 2026.

Outlook

X2M enters FY27 with approximately $3 million in revenue already contracted and a materially lower cost base following the cost reduction programme delivered through FY26.

Data centres represent the largest opportunity in front of the Australian business, in a market where Australian data centre and connectivity infrastructure investment is projected to require up to $135 billion by 2035. X2M intends to progress the precinct pipeline through design and approvals under the five-year partnership signed during the quarter, and is targeting a 10 to 20 per cent reduction in data centre precinct energy costs.

This is underpinned by X2M's existing business.

The platform proposed for data centre precincts is the same technology already connecting more than 500,000 devices for utilities and government customers across five geographies.

In South Korea, the focus is increasing X2M's share of the addressable market represented by its 58 existing municipal customers. The integrated water meter and the new streetlight controller allow the Company to sell additional infrastructure services into relationships it already holds, supported by two years of private contract access for the meter with no tender process required.

X2M will also continue the water platform rollout in Japan, convert the pipeline in the UAE, and progress the renewable energy pipeline in Taiwan.

The key priority for the Board and management remains the path to profitability and positive operating cash flow.

Ends

The Board of X2M has approved this announcement.

For further information contact:

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

About X2M Connect Limited

X2M Connect Limited (ASX:X2M) 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.

X2M's core platform underpins three product families, '*Vision by X2M'*, '*Hive.AI by X2M'* and the '*Help Me'* safety device, supporting more than 85 customers across five key geographies. The Company has connected over 500,000 devices to date and continues to expand its footprint, leveraging strong government and enterprise relationships throughout Japan, South Korea, Taiwan and the Middle East. X2M generates revenue through a mix of hardware sales, recurring SaaS and platform fees, and device connection charges. To learn more about X2M click here: www.x2mconnect.com or follow us on LinkedIn.

Appendix 4C

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

Name of entity

X2M Connect Limited

ABN	**Quarter ended ("current quarter")**
48 637 951 154	30 June 2026

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	850	9,152
1.2	Payments for		
	(a) research and development	(61)	(282)
	(b) product manufacturing and operating costs	(654)	(6,178)
	(c) advertising and marketing	(56)	(168)
	(d) leased assets	(31)	(108)
	(e) staff costs	(737)	(3,889)
	(f) administration and corporate costs	(362)	(2,031)
1.3	GST/VAT received/(paid)	38	(173)
1.4	Interest received	1	5
1.5	Interest and other costs of finance paid	(21)	(318)
1.6	Income taxes paid	(7)	(7)
1.7	Government grants and tax incentives	4	1,405
1.8	Other	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,036)**	**(2,592)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(7)
	(d) investments	-	(212)
	(e) intellectual property	(696)	(3,158)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	2

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Security deposits	(12)	(49)
2.6	**Net cash from / (used in) investing activities**	**(708)**	**(3,424)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,185	8,285
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(35)	(646)
3.5	Proceeds from borrowings	2,187	4,335
3.6	Repayment of borrowings	(695)	(5,974)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other - Repayment of lease liabilities	(73)	(293)
3.10	**Net cash from / (used in) financing activities**	**2,569**	**5,707**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	478	1,691
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,036)	(2,592)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(708)	(3,424)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,570	5,707
4.5	Effect of movement in exchange rates on cash held	(4)	(82)
4.6	**Cash and cash equivalents at end of period**	**1,300**	**1,300**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,300	478
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,300**	**478**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.3	Aggregate amount of payments to related parties and their associates included in item 3	-

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

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other		
	- Convertible notes (Type B)	626	626
	- Convertible loan (Barkers Hawthorn)	2,500	1,000
	- R&D loan (Kashcade)	1,000	606
	- Unsecured loan	940	940
7.4	**Total financing facilities**	5,066	3,172
7.5	**Unused financing facilities available at quarter end**		1,894

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Convertible notes

Type B – various lenders

- Face value: $0.6 million ($1.00 per Note)
- Expiry date: 30 March 2028
- Interest rate: 13% per annum
- Not secured

Convertible loan - $2.5 million loan facility

Barkers Hawthorn Pty Ltd ATF Barkers Hawthorn Property Trust.

- Amount drawn as of 30 June 2026 was $1 million
- Further drawdowns are subject to lender's consent
- Repayment date is 31 December 2026
- Lender can elect to convert at 15% discount to the 30 day VWAP
- Lender can request repayment with 60 days notice
- Interest is payable monthly in cash at a rate of 15% per annum or the higher rate of 20%;

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

R&D loan - $1 million loan facility

The loan facility of $1 million is with Kashcade RD1 Pty Ltd and it is secured against the Company's FY26 R&D Tax Incentive (RDTI). The interest rate for the loan facility is 16.56% per annum. Repayment is timed to coincide with receipt of X2M's FY26 RDTI refund. Amount drawn as of 30 June 2026 was $0.6 million.

Unsecured loan

An employee from X2M's South Korea subsidiary provided an unsecured loan totalling $940,300 to the company. There is no interest payable on the loan.

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,036)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,300
8.3	Unused finance facilities available at quarter end (item 7.5)	1,894
8.4	Total available funding (item 8.2 + item 8.3)	3,194
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	3.08

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	
Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.	

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2026

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.