

30 July 2021

ASX Announcement / Media Release

Quarterly Activities Report for the Quarter Ending 30 June 2021

- **Financial re-structure announced during the quarter and completed subsequent to the end of the quarter**
- **Fully underwritten 1:1 Entitlement Offer provided Shareholders with a further opportunity to participate in the re-structure and raised approximately \$1 million (before costs)**
- **Shareholder meeting on 30 June 2021 approved full re-structure including settlement of debts for shares and consolidation of shares on a 1:10 basis**
- **Placement of \$3.25 million (before costs) and \$0.7 million of debt converted to equity completed subsequent to the quarter end**
- **Sales revenues marginally reduced over the previous quarter and remain significantly down on the previous corresponding quarter of 2020**
- **Strategic review of the Company's business ongoing with the Company formally engaging advisory group to assist in development of a Growth Plan**

Business Overview

The US economy continues to show signs of improvement in certain areas despite the spread of the COVID-19 Delta variant. Certain industries have not fully rebounded whilst communications and telecommunication sectors are experiencing rapid growth.

The Company has fulfilled orders from several existing clients and completed four "Proof of Concept" studies that could potentially translate to additional purchase in late 2021. Global chip shortage continues to plague the supply chain with longer than usual and unpredictable lead times. The Company is exploring various options to quickly and cost-effectively upgrade its existing products to 5G, and potentially work with new hardware suppliers less impacted by the chip shortage.

Sales receipts for the quarter ending 30 June 2021 were approximately \$345,000, down some 18% from the previous corresponding quarter.

The Company made significant progress this quarter with the re-structure of the Company's balance sheet with shareholder approval received on 30 June 2021 for elements of the re-structure which have now subsequently been implemented. The Company wishes to thank its shareholders for their patience during what has been an extensive re-structure but which now leaves the Company well positioned for growth.

Following completion of the re-structure, the Board will now focus on the business aspect of its strategic review as previously announced. The next stage of the strategic review is focussed on assessing the current business and investigating new opportunities that complement the Internet of Things (IOT) business model both within and outside of the USA.

Financial and Corporate

At the end of the quarter the Company held cash of approximately \$1,560,000.

Operating cash outflows for the quarter were mainly associated with product manufacturing and operating costs (\$229,000), staff costs (\$220,000) and administration and corporate costs (\$150,000). Administration and corporate costs were down significantly from the previous quarter. Related party payments reported in Item 6.1 of the Appendix 4C of \$61,000 represent directors fees and management fees paid during the quarter.

On 28 May 2021, the Company announced a significant re-structure of its balance sheet to raise approximately \$4.5 million (before costs) via a fully underwritten 1:1 Entitlement Offer and placement of shares, together with a proposal to convert approximately \$0.7M of debts into equity. The Placement and Debt Re-structure was subject to shareholder approval which was received on 30 June 2021.

The Placement and Debt Re-structure were substantially completed on 27 July 2021 resulting in the Company significantly reducing debt and having cash on hand of approximately \$3 million following completion of the re-structure.

The Company had a number of convertible notes on issue which matured on 30 June 2021. These notes have now been repaid in full by the Company which is now well funded to progress its next stage of development as it looks to expand into other markets with its existing, or potentially new, product lines.

Strategic Review

The Company has now completed the initial strategic review having re-structured its balance sheet appropriately and significantly reduced its creditors and debts.

The next stage of the strategic review will focus on assessing the current US business, expansion of the Company's existing markets and potential new acquisitions.

The Company has recently executed an agreement with Splendor Limited (**Splendor**) to assist the Company in completing its strategic review of the business and assist in the development of a Growth Plan, initially focussed on the Southeast Asian markets utilising the Company's existing products and intellectual property.

The agreement consists of an initial payment of \$50,000 or, at the election of Splendor, the issue of 2.5 million shares in the Company, in consideration of completing the strategic review and development of a Growth Plan (in consultation with the Company).

Should the Growth Plan be approved by the Board and subject to any required shareholder approvals, the agreement envisages a more formal arrangement with Splendor that will result in the issue of a further 12.5 million shares in the Company and a number of performance related securities linked to annual sales targets which come about as a direct result of implementation of the Growth Plan.

The performance related securities will be linked to sales revenues generated that are directly linked to the Growth Plan and will consist of the following:

- if within a period of 24 months of implementation, the Company has achieved annual sales revenues of at least \$1 million related to the Growth Plan, then the Company shall issue a further 15 million shares to Splendor.
- if within 36 months, the Company has achieved annual sales revenues of at least \$2 million related to the Growth Plan, then CIO shall issue a further 15 million shares to Splendor.
- if within 48 months, the Company has achieved annual sales revenues of at least \$3 million related to the Growth Plan, then CIO shall issue a further 15 million shares to Splendor.

Splendor is a Southeast Asian based advisory group comprising of senior technology engineers and technicians with significant experience in the IoT space. The principals of Splendor have extensive business interests in the technology sector and have successfully grown and sold businesses in the past in not only the IoT sector, but also gaming and infrastructure businesses.

For further information regarding this announcement please contact Dougal Ferguson, Chief Executive Officer of Connected IO Limited on 08 6211 5099.

This announcement was approved and authorised for release by the Company's Board of Directors.

ABOUT CONNECTED IO

Connected IO Limited has its operations based in Dallas, in the USA. Its business is a wireless technology innovator and manufacturer operating in the multi-trillion-dollar "IoT" (Internet of Things) sector. CIO specializes in machine to machine ("M2M") connectivity, providing hardware and software solutions to some of the world's largest companies. CIO's software solutions also include a customised cloud management interface and a variety of support services.



Appendix 4C

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

Name of entity

Connected IO Ltd

ABN

99 009 076 233

Quarter ended ("current quarter")

30 June 2021

| 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 | 345 | 1,113 |
| 1.2 Payments for | | |
| (a) research and development | (6) | (94) |
| (b) product manufacturing and operating costs | (229) | (671) |
| (c) advertising and marketing | (2) | (14) |
| (d) leased assets | (2) | (29) |
| (e) staff costs | (220) | (865) |
| (f) administration and corporate costs | (150) | (608) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | 11 |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (264) | (1,157) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | | |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other: Legal settlement | - | (47) |
| 2.6 | Net cash from / (used in) investing activities | - | (47) |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 1,066 | 1,637 |
| 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 | - | (3) |
| 3.5 | Proceeds from borrowings | - | 397 |
| 3.6 | Repayment of borrowings | - | (48) |
| 3.7 | Transaction costs related to loans and borrowings | - | (37) |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | 197 |
| 3.10 | Net cash from / (used in) financing activities | 1,066 | 2,143 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 758 | 710 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (264) | (1,157) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | (47) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,066 | 2,143 |
| 4.5 | Effect of movement in exchange rates on cash held | - | (89) |
| 4.6 | Cash and cash equivalents at end of period | 1,560 | 1,560 |

| 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 | 1,560 | 758 |
| 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) | 1,560 | 758 |

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

| Current quarter \$A'000 |
|------------------------------------|
| (61) |
| - |

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

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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 | 900 | 800 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | 1,321 | 1,321 |
| 7.4 Total financing facilities | 2,221 | 2,121 |

7.5 **Unused financing facilities available at quarter end** 100

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.

7.1 Secured Loan A.C.N. 627 852 797 PTY LTD \$400k.

7.1 Tyche Lines of Credit with interest payable at 5% on funds drawn and payable quarterly.

7.3 Convertible Notes with face value of \$1,321,000 AUD with interest of 9% accruing daily on the face value until maturity. Noteholders are entitled to secure the loan by registration on the PPSR.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | (263) |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 1,560 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 100 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 1,660 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 6.3 |

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

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:

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:

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:

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.

30 July 2021

Date:

By the Board

Authorised by:
 (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.