

Results for announcement to market

Key Information	2019 \$	2018 \$	% Change
Revenue from ordinary activities	2,598,084	1,669,943	56%
Loss after tax from ordinary activities attributable to members	(1,823,526)	(4,922,329)	63%
Loss attributable to members	(1,823,526)	(4,922,329)	63%

Commentary on Results for the Period

During the year, the Company has achieved the following milestones:

1. Significantly increased the revenues;
2. Dramatically decreased the costs by relocating operations to Dallas, Texas;
3. Penetrated new markets including enterprise connectivity, MSPs and smart retail;
4. Successfully completed several significant white-label deals;
5. Upgraded product portfolio with new 5G compatible products;
6. Completion of capital raising totalling \$2.53m;
7. Extended existing convertible note through the end of June 2020; and
8. Subsequently obtained a line of credit facility to increase production volume.

Operational Review

Company revenues from ordinary activities have increased from \$1.67m for FY18 to \$2.60m for FY19, representing a 56% year over year jump.

Overhead costs have been reduced dramatically in both the USA and Australia, and renegotiated manufacturing terms have delivered further significant savings to the Company.

The Company previously announced its expansion into US automotive IOT market and the smart retail market with its new flagship CR48NA product. These relationships continue to develop, and there are currently numerous other trials underway.

Close to 90% of all purchase order for the FY19 period were obtained from existing customers indicating the strength of its customers relationships.

CIO completed several “white-label” deals with enterprise customers where customers sell CIO products under their own brand. There are several new original equipment manufacturer (OEM) deals in the pipeline, some introduced to CIO by its operator partners in North America.

CIO has introduced 3 new 5G compatible products to the market, which provide additional IOT capabilities, and facilitate deployment of its SaaS. New products are operator agnostic, have lower cost of manufacture, and streamline operations and outflow of cash due to not having to have operator specific products.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

Corporate Review

CIO successfully completed a capital raising totalling \$2.53m which comprised of a share placement to sophisticated and professional investors to raise approximately \$400,000 and a Non-Renounceable Rights Issue raising \$2.13 million, both completed at \$0.003 per Share.

At the 2018 AGM, shareholders approved the conversion of the Company's \$1.37m loan facility with Gorilla Pit Pty Ltd into convertible notes, which were issued in February 2019. The terms of these convertible notes were subsequently extended for an additional 12 months to 30 June 2020. The extension means the Company won't be obligated to repay face value of the convertible notes before 30 June 2020.

Subsequent Events

Subsequent to the end of the financial year, CIO secured a line of credit facility of A\$500k with Tyche Investments Pty Ltd to drive manufacturing acceleration. The facility is debt-only and does not dilute the existing shareholders. A short term loan from Tyche Investments Pty Ltd with a balance owing of \$129,000 at 30 June 2019 was repaid in full on 5 July 2019.

As noted above the maturity date for the convertible notes was extended to 30 June 2020.

During July 2019, following the Court of Appeal's decision to dismiss the Company's appeal in respect of its gold asset, CIO announced it had reached settlement with Mr Paterson. The Company agreed that it will not appeal the decision further and will not pursue its application for E37/1232, with Mr Paterson agreeing to pay his own costs of the appeal.

Dividends paid and proposed - NIL

Key Information	2019 cents/share	2018 cents/share
Net tangible assets per share	(0.06)	(0.20)



**Yakov Temov
Director**

Dated at Perth this 30th day of August 2019

Connected IO Limited
 ABN 99 009 076 233
 Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Sales revenue		2,598,084	1,669,943
Cost of goods sold		(1,034,565)	(1,824,552)
Gross profit		1,563,519	(154,609)
Interest received		3,253	4,963
Director fees, salary and wages expense		(1,788,385)	(3,310,829)
Professional fees		(526,548)	(370,740)
Depreciation and amortisation expense		(34,260)	(33,229)
Administration expense		(842,621)	(1,004,441)
Interest and facility fee expenses		(195,574)	(152,111)
Impairment of plant and equipment		(2,910)	-
Loss before tax		(1,823,526)	(5,020,996)
Income tax expense		-	-
Loss for the year from continuing operations		(1,823,526)	(5,020,996)
Profit/(Loss) after tax from discontinued operation		-	98,667
Loss for the year		(1,823,526)	(4,922,329)
Other comprehensive income for the year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		34,987	(42,679)
<i>Items that will not be reclassified to profit or loss</i>			
Recognition of translated foreign exchange balances on deconsolidation		-	(94,797)
Total comprehensive loss for the year		(1,788,539)	(5,059,805)
Earnings per share for loss attributable to the ordinary equity holders of the company		Cents	Cents
Basic and diluted loss per share from continuing operations	10	(0.12)	(0.58)
Basic and diluted loss per share from continuing and discontinued operations	10	(0.12)	(0.57)

The above should be read in conjunction with the accompanying notes.

Connected IO Limited
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 Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2019

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2019**

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Current assets			
Cash and cash equivalents	1	435,524	69,707
Trade and other receivables	2	426,974	155,286
Inventory	3	377,870	839,998
Total current assets		1,240,368	1,064,991
Non-current assets			
Other assets		23,125	14,528
Goodwill	4	2,418,610	2,418,610
Other intangibles	5	143,300	-
Plant and equipment		21,845	21,591
Total non-current assets		2,606,880	2,454,729
Total Assets		3,847,248	3,519,720
Current Liabilities			
Trade and other payables	6	740,341	1,512,658
Borrowings	7	286,706	1,370,000
Convertible notes	8	1,280,345	-
Total current liabilities		2,307,392	2,882,658
Total Liabilities		2,307,392	2,882,658
Net assets		1,539,856	637,062
Equity			
Issued capital	9	68,827,796	66,345,419
Reserves		1,325,947	1,082,004
Accumulated losses		(68,613,887)	(66,790,361)
Total Equity		1,539,856	637,062

The above should be read in conjunction with the accompanying notes.

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 Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2019

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

Consolidated	Issued Capital \$	Convertible Notes \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2017	63,678,745		968,849	250,631	(61,868,032)	3,030,193
Net loss for the year	-		-	-	(4,922,329)	(4,922,329)
Other comprehensive loss for the year	-		-	(137,476)	-	(137,476)
Total comprehensive loss	-		-	(137,476)	(4,922,329)	(5,059,805)
Shares issued	2,850,000		-	-	-	2,850,000
Share issue costs	(183,326)		-	-	-	(183,326)
Balance at 30 June 2018	66,345,419		968,849	113,155	(66,790,361)	637,062
Balance at 1 July 2018	66,345,419		968,849	113,155	(66,790,361)	637,062
Net loss for the year	-		-	-	(1,823,526)	(1,823,526)
Other comprehensive income for the year	-		-	34,987	-	34,987
Total comprehensive loss	-		-	34,987	(1,823,526)	(1,788,539)
Shares issued	2,775,507	-	-	-	-	2,775,507
Share issue costs	(293,130)	-	-	-	-	(293,130)
Convertible notes issued	-	96,456	-	-	-	96,456
Share-based payments	-	-	112,500	-	-	112,500
Balance at 30 June 2019	68,827,796	96,456	1,081,349	148,142	(68,613,887)	1,539,856

The above statement should be read in conjunction with the accompanying notes

Connected IO Limited
 ABN 99 009 076 233
 Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2019

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Cash flows from operating activities			
Receipts from customers		2,640,585	1,848,241
Payments to suppliers and employees		(4,811,865)	(5,960,616)
Interest received		3,253	3,454
Finance costs		(33,119)	-
Income tax paid		(1,578)	-
Net cash used in operating activities		(2,202,724)	(4,108,921)
Cash flows from investing activities			
Payments for plant and equipment		(25,726)	-
Payments for other intangibles		(154,998)	-
Net cash used in investing activities		(180,724)	-
Cash flows from financing activities			
Proceeds from issue of shares		2,530,560	2,850,000
Payments for share issue costs		(50,683)	(183,326)
Proceeds from borrowings		678,101	920,000
Repayment of borrowings		(410,395)	(50,000)
Net cash provided by financing activities		2,747,583	3,536,674
Net change in cash and cash equivalents held		364,135	(572,247)
Cash and cash equivalents at beginning of the financial year		69,707	639,457
Effect of exchange rate fluctuation on cash held		1,682	2,497
Cash and cash equivalents at end of financial year	1	435,524	69,707

The above should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

Status of Audit

The 30 June 2019 consolidated financial report and accompanying notes for Connected IO Limited and its controlled entities is in the process of being audited.

This preliminary final report has been prepared in accordance with the ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

1. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank	435,524	69,707
	435,524	69,707

2. Trade and other receivables

	2019 \$	2018 \$
Trade receivables	64,855	107,284
Prepaid inventory	279,333	-
Other receivables	82,786	48,002
	426,974	155,286

Trade receivables are non-interest bearing and are generally on 30 day terms. All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The current expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2019 and 30 June 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The expected credit loss at 30 June 2019 and 2018 was nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments and to engage with the Group on an alternative payment arrangement, amongst other matters, are considered indicators of no reasonable expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

3. Inventory

	2019 \$	2018 \$
Finished goods	377,870	839,998
	377,870	839,998

4. Goodwill

	2019 \$	2018 \$
Opening Balance	2,418,610	2,418,610
Closing Balance	2,418,610	2,418,610

Goodwill represents an acquisition via a business combination.

During the year ended 30 June 2019, management have conducted an impairment assessment in relation to goodwill. The recoverable amount was based on a net present value calculation and was determined at the cash-generating unit level (Connected IO, Inc and CIO Technology, Inc CGU).

The pre-tax discount rate adopted was 9.6% and the net present value calculation was based upon forecast cash flows over a five year period.

The five year forecast used as the basis for the value-in-use model was based on budget and forecast assumptions as approved by the Board of Directors. The assumptions are considered reasonable and supportable and were derived with due consideration to actual CGU performance indicators and existing revenue streams.

Based upon the net present value calculation, no impairment has been recognised.

5. Other intangibles

	2019 \$	2018 \$
Certifications		
Opening Balance	-	-
New certifications acquired	154,998	-
Amortisation	(11,698)	-
Closing Balance	143,300	-

Certifications represent costs incurred in obtaining certification that the Company's products conform to the regulations of the Federal Communications Commission (USA). Costs of obtaining a certification are amortised over the useful life of the certification, which management has assessed as being 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

6. Trade and other payables

	2019 \$	2018 \$
Current		
Payables	380,625	1,252,115
Other payables	38,106	118,038
Accruals	140,608	83,369
Accrued Interest	181,002	59,136
Closing Balance	740,341	1,512,658

7. Borrowings

	2019 \$	2018 \$
Loan – secured (a)	-	1,370,000
Loans – unsecured (b)	286,706	-
Closing Balance	286,706	1,370,000
Opening Balance	1,370,000	500,000
Repayments	(410,395)	(50,000)
Advances	678,101	920,000
Transfer to convertible notes	(1,351,000)	
Closing Balance	286,706	1,370,000

- (a) During the year, the Company obtained shareholder approval to convert its loan facility into convertible notes. On 28 February 2019 the balance outstanding of \$1,351,000 was converted to convertible notes. During the year, \$200,000 of the loan facility was repaid and additional loan funds of \$181,000 received resulting in a net repayment of \$19,000.

The loan facility, which was due to expire on 30 June 2018, was extended to 30 June 2019, with interest payable at a rate of 9% p.a. from the date of issue until the maturity date. Accrued interest of \$131,361 has been recorded to trade and other payables as at 30 June 2019.

The lender is entitled to and has secured the loan by the registration of a charge over the assets of the Company which has been subordinated to the Prior Existing Security.

- (b) During the year, the Company obtained \$201,000 in short-term financing facilities to provide working capital for the Company. The loans were interest free, unsecured and repaid during the period. An establishment fee of 5,000,000 ordinary shares were issued to the parties at an issue price of \$0.003 per share. Refer to Note 9.

During the May 2019 the Company obtained further short-term funding through a loan of \$120,000. The loan incurred interest at a rate of \$3,000 per month the balance was outstanding. The loan, along with \$9,000 in interest was repaid in full on 5 July 2019.

The Company has arranged a further short term funding facility under which a USD\$123,500 advance was provided. Under the terms of the facility the Company is to make weekly repayments of USD\$3,399 until a total

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

of USD\$176,605 is repaid. The balance outstanding balance at 30 June 2019 was USD\$118,594 (AUD\$166,705). Interest of USD\$7,007 (AUD\$9,792) was paid during the year.

8. Convertible Notes

At the 2018 AGM, shareholders approved the conversion of the Company's \$1.37m loan facility with Gorilla Pit Pty Ltd into convertible notes. On 28 February 2019 the Company issued convertible notes with a face value of \$1,351,000. Each note entitles the holder to convert to ordinary shares at a cost of \$0.003 per share.

Conversion may occur at any time between the date of issue and 30 June 2020 at the election of the holder. Interest of 9% will accrue daily on the face value from the issue date until the maturity date and be paid six monthly on the anniversary of the Issue date. Holders may elect to convert their interest to shares at the same issue price (\$0.003 per share).

Noteholders are entitled to secure the loan by the registration on the Personal Property Securities Register (PPSR).

The net proceeds received from the issue of the convertible notes have been split between the financial liability and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company. The convertible notes had an original maturity date of 30 June 2019. The Company successfully extended the maturity date of the convertible notes to 30 June 2020. The allocation between financial liability and equity has been undertaken by the Company in relation to both the issue of the convertible notes and their subsequent extension as follows.

	2019	2018
	\$	\$
<i>28 February 2019 issue of convertible notes</i>		
Proceeds of issue	1,351,000	-
Liability component at date of issue	1,325,199	-
Unwinding – interest expense	25,801	-
Liability component at repayment date of 30 June 2019	1,351,000	-
Equity component at date of issue	25,801	-
<i>Extension of repayment date to 30 June 2020</i>		
Liability at date of extension	1,351,000	-
Liability component at date of extension	1,280,345	-
Equity component at date of extension	70,655	-
Total equity component at balance date	96,456	-

The equity component of \$96,456 has been credited to equity. The liability component is measured at amortised cost. The interest expense for the year of \$66,442 calculated by applying an effective interest rate of 15% to the liability component for the period since the loan noted were issued. Interest paid in the period since issue is \$Nil. Interest accrued since the issue of the convertible notes is \$40,641.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

9. Issued Capital

	2018 \$	2018 \$
Issued and paid up capital		
Ordinary shares fully paid (a)	68,827,796	66,345,419
	68,827,796	66,345,419
Movements in issued and paid up capital	Number	Consolidated \$
(a) Ordinary fully paid shares		
Balance as of 1 July 2017	792,916,052	63,678,745
Shares issued pursuant to a Placement 12 October 2017)	95,000,000	2,850,000
Costs directly attributable to issue of share capital	-	(183,326)
Balance as at 30 June 2018	887,916,052	66,345,419
Balance as at 1 July 2018	887,916,052	66,345,419
Placement (4 Sep 2018, \$0.003 per share)	133,187,333	399,562
Rights Issue – Application shares (28 Sep 2018, \$0.003 per share)	131,594,009	394,782
Rights Issue – Shortfall shares (11 Oct 2018, \$0.003 per share)	578,738,659	1,736,216
Placement fee shares (20 Dec 2018, \$0.003 per share)	6,682,030	20,046
Underwriting fee shares (20 Dec 2018, \$0.003 per share)	36,633,643	109,901
Loan agreement shares (20 Dec 2018, \$0.003 per share)	5,000,000	15,000
Director shares – in lieu of fees (20 Dec 2018, \$0.003 per share)	33,333,333	100,000
Costs directly attributable to issue of share capital	-	(293,130)
Balance as at 30 June 2019	1,813,085,059	68,827,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

	Number	Consolidated \$
(b) Performance shares		
Balance as at 1 July 2017 ¹	150,000,000	-
Movements during the year	-	-
Balance as at 30 June 2018	150,000,000	-
Balance as at 1 July 2018	150,000,000	-
Movements during the year	-	-
Balance as at 30 June 2019	150,000,000	-

¹ On 29 February 2016, 100 million Class A Performance Shares and 50,000,000 Class B Performance Shares were issued. Class A Performance Shares were to convert on a 1:1 basis on the Company achieving aggregated gross revenue of \$15,000,000 in any of the financial years ending on 31 December 2016, 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. Class B Performance Shares were to convert on a 1:1 basis on the Company achieving aggregated gross revenue of \$25,000,000 in any of the financial years ending on 31 December 2016, 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. No value was attributed to the Performance Shares in prior years as it was considered unlikely that the milestones would be achieved and as at 31 December 2018, the performance shares remained unconverted. As the milestones were not satisfied, the performance shares will be cancelled on 15 March 2020, being the date 4 years from being readmitted to quotation.

10. Earnings per share

	2019 Cents	2018 Cents
Basic and diluted loss per share from continuing from operations	(0.12)	(0.58)
Basic and diluted loss per share from continuing and discontinued from operations	(0.12)	(0.57)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share is as follows:

	2019 \$	2018 \$
Net loss from continuing operations	(1,823,526)	(5,020,996)
Net loss from continuing and discontinued operations	(1,823,526)	(4,922,329)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	1,557,074,057	860,847,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

11. Investments

The consolidated financial statements include financial statements of Connected IO Limited and the following subsidiaries:

<i>Name</i>	<i>Country of Incorporation</i>	<i>% Equity Interest</i>	
		<i>2019</i>	<i>2018</i>
Connected IO, Inc ¹	California, USA	100%	100%
CIO Technology, Inc ¹	Texas, USA	100%	0%
ICU Wireless Systems Limited ²	Mauritius	0%	0%

Connected IO Limited is the ultimate Australian parent entity and ultimate parent of the Group. Balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

¹ On 10 October 2018, CIO Technology, Inc. (CIOT) was incorporated in the state of Texas, USA. The business of Connected IO, Inc was transferred to CIOT. It is the intention of the group to deregister Connected IO, Inc.

² Following a scheme of amalgamation following the approval by a Certificate of Merger, ICU Wireless Systems Limited, incorporated in Mauritius was ultimately merged into Connected IO, Inc, incorporated in the United States of America.