

Results for announcement to market

Key Information	2020 \$	2019 \$	% Change
Revenue from ordinary activities	3,817,964	2,598,084	46.95%
Loss after tax from ordinary activities attributable to members	(2,369,504)	(1,999,966)	18.48%
Loss attributable to members	(2,369,504)	(1,999,966)	18.48%

Commentary on Results for the Period

Operational Review

Connected IO ("CIO" or the "Company") revenues from ordinary activities have increased from \$2.6m for FY19 to \$3.8m for FY20, representing a 47% year-over-year jump.

The net loss for the Company for the year ended 30 June 2020 was \$2,369,504, after providing for share based payments totalling \$742,528 for the year (refer to Note 12).

The Company was able to attain an increase in revenue year-over-year and achieve a cashflow-positive quarter in Q4 of FY2020 despite the significant reduction in sales directly related to the COVID-19 restrictions that were in place in the United States. This result was achieved through a combination of better inventory management, workforce restructuring and the receipt of a fully forgivable loan from the United States Federal government, subject to meeting of certain conditions.

Over the course of Fiscal Year 2020 the Company has made significant improvements to its product portfolio to better adapt it to changing market requirements and eliminate less profitable lines to improve the margins. At the end of Fiscal Year 2019 CIO had 9 active product lines which have been reduced to 4 at the end of Fiscal Year 2020. The Company had also enhanced its strategy of eliminating operator specific products and focusing on products that are operator agnostic in order to minimise inventory levels, reduce outflow of cash required for manufacturing and improve customer experience. At the beginning of FY2020 CIO released to the market a new operator agnostic CM4NA modem that works with all major Telcos out of the box. The Company's Research and Development team has delivered a major upgrade to CIO's SaaS software to facilitate remote office and home office applications. CIO's "Cloud IO" platform now provides support for Voice Over IP phones and Zoom conferencing that have effectively become a communications lifeline due to the enterprise push to keep employees working from home. These new features have also been retro-actively added to the Company's legacy products which resulted in 90% reduction of legacy inventory levels year-over-year.

CIO was successful in signing up new customer accounts including several providers of Voice over IP solutions and Multiple Service Providers during the quarter. The Company will continue to target these markets and is optimistic about its ability to scale and grow its market share in the Multiple Service Provider space.

The Company has focused its efforts on a significant reduction in operating and administrative expenses in the current quarter. Staff costs have been reduced 33% and administrative expenses were reduced by 61%. These reductions are expected to be maintained in the short to medium term until sales recover to pre COVID-19 levels at which time the Company intends to continue to grow the customer base and revenues as was the trend prior to the COVID-19 impacts of the current quarter.

Shelter-in-place caused the American economy to contract at the annualised rate of 38% in April and May which directly affected the Company's ability to continue on its increased sales trajectory that had been achieved in prior quarters.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Operational Review (continued)

Revenues for the June quarter were impacted by customer budgets being temporarily frozen and general economy uncertainty caused by the COVID-19 outbreak. However, COVID-19 pandemic triggered a world-wide trend for employees to work from home which may benefit CIO in the longer term if the working from home trend continues into the future. The Company is successful in generating business with school districts and enterprises transitioning to work from home model.

CIO is now pursuing new market opportunities that have become available as a result of the pandemic such as remote service broadcasting for churches, remote education, automation of safety precautions and remote workplace. The Company will focus its sales team on these new growth markets over the coming quarters.

CIO is pleased to advise that there has been little effect on the Company's supply chain and Taiwan based contract manufactures as a result of the COVID-19 pandemic and believes that should the COVID-19 restrictions continue in their current form, that the pandemic is unlikely to have lasting negative effects on CIO's business.

Corporate Review

During the year ended 30 June 2020, the Company successfully completed a capital raising of \$1.25 million through the issue of 41,666,667 shares, on a post consolidation basis, at an issue price of \$0.03 per share to sophisticated and professional investors.

On 21 November 2019, the Company extended its line of credit debt facility with Tyche Investments Pty Ltd to further accelerate its manufacturing of pending purchase orders. The facility was due to mature on 31 July 2020 however it was further extended subsequent to year end.

On 23 April 2020, following shareholder approval granted at the General Meeting held on 9 April 2020, the Company completed a consolidation of its issued capital on the basis that every ten (10) shares be consolidated into one (1) share. The total shares on issue post consolidation was 240,757,218.

Dividends paid and proposed – NIL

Key Information	2020 cents/share	2019 cents/share
Net tangible assets per share	(0.59)	(0.66) ¹

¹ The net tangible assets per share has been restated to reflect the consolidation of the Company's shares on a 1:10 basis in April 2020.



Yakov Temov
Director

Dated at Perth this 31st day of August 2020

Connected IO Limited
ABN 99 009 076 233
Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Sales revenue		3,817,964	2,598,084
Cost of goods sold		(2,331,466)	(1,172,378)
Gross profit		1,486,498	1,425,706
Interest received		869	3,253
Other income		271,784	-
Director fees, salary and wages expense		(1,923,718)	(1,788,385)
Professional fees		(227,240)	(526,548)
Depreciation and amortisation expense		(119,554)	(34,260)
Administration expense		(797,091)	(881,248)
Interest and facility fee expenses		(318,524)	(195,574)
Impairment of plant and equipment		-	(2,910)
Share based payments	12	(742,528)	-
Loss before tax		(2,369,504)	(1,999,966)
Income tax expense		-	-
Loss for the year from continuing operations		(2,369,504)	(1,999,966)
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		28,818	31,731
<i>Items that will not be reclassified to profit or loss</i>			
Recognition of translated foreign exchange balances on deconsolidation		-	-
Total comprehensive loss for the year		(2,340,686)	(1,968,235)
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	13	(1.11)	(1.28)
Basic and diluted loss per share from continuing and discontinued operations	13	(1.11)	(1.28)

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 2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Current assets			
Cash and cash equivalents	1	713,079	435,524
Trade and other receivables	2	267,548	359,856
Inventory	3	615,050	265,293
Total current assets		1,595,677	1,060,673
Non-current assets			
Plant and equipment		18,878	21,845
Right-of-use asset	4	136,147	-
Goodwill	5	2,418,610	2,418,610
Other intangibles	6	138,197	143,300
Other assets		10,080	23,125
Total non-current assets		2,721,912	2,606,880
Total Assets		4,317,589	3,667,553
Current liabilities			
Trade and other payables	7	1,038,880	740,342
Lease liabilities	4	39,338	-
Borrowings	8	450,000	286,706
Convertible notes	9	1,321,000	1,280,345
Total current liabilities		2,849,218	2,307,393
Non-current liabilities			
Lease liabilities	4	102,910	-
Other payables	10	253,533	-
Total non-current liabilities		356,443	-
Total Liabilities		3,205,661	2,307,393
Net assets		1,111,928	1,360,160
Equity			
Issued capital	11	70,777,722	68,827,796
Reserves		1,494,037	1,322,691
Accumulated losses		(71,159,831)	(68,790,327)
Total Equity		1,111,928	1,360,160

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 2020

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Consolidated	Issued Capital \$	Convertible Notes \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2018	66,345,419	-	968,849	113,155	(66,790,361)	637,062
Net loss for the year	-	-	-	-	(1,999,966)	(1,999,966)
Other comprehensive loss for the year	-	-	-	31,731	-	31,731
Total comprehensive loss	-	-	-	31,731	(1,999,966)	(1,968,235)
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	144,886	(68,790,327)	1,360,160
Balance at 1 July 2019	68,827,796	96,456	1,081,349	144,886	(68,790,327)	1,360,160
Net loss for the year	-	-	-	-	(2,369,504)	(2,369,504)
Other comprehensive income for the year	-	-	-	28,818	-	28,818
Total comprehensive loss	-	-	-	28,818	(2,369,504)	(2,340,686)
Shares issued	2,015,926	-	-	-	-	2,015,926
Share issue costs	(66,000)	-	-	-	-	(66,000)
Convertible notes issued	-	-	-	-	-	-
Share-based payments	-	-	142,528	-	-	142,528
Balance at 30 June 2020	70,777,722	96,456	1,223,877	173,704	(71,159,831)	1,111,928

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 2020

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Cash flows from operating activities			
Receipts from customers		4,034,879	2,640,585
Payments to suppliers and employees		(5,222,098)	(4,811,865)
Interest received		869	3,253
Finance costs		(105,152)	(33,119)
Income tax paid		(1,856)	(1,578)
US Federal funding assistance		253,533	-
Net cash used in operating activities		<u>(1,039,825)</u>	<u>(2,202,724)</u>
Cash flows from investing activities			
Payments for plant and equipment		(3,940)	(25,726)
Payments for other intangibles		(64,721)	(154,998)
Net cash used in investing activities		<u>(68,661)</u>	<u>(180,724)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,250,000	2,530,560
Payments for share issue costs		-	(50,683)
Proceeds from borrowings		820,000	678,101
Repayment of borrowings		(656,705)	(410,395)
Payments of lease liabilities		(36,723)	-
Net cash provided by financing activities		<u>1,376,572</u>	<u>2,747,583</u>
Net change in cash and cash equivalents held		268,086	(364,135)
Cash and cash equivalents at beginning of the financial year		435,524	69,707
Effect of exchange rate fluctuation on cash held		9,469	1,682
Cash and cash equivalents at end of financial year	1	<u>713,079</u>	<u>435,524</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

Status of Audit

The 30 June 2020 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

	2020 \$	2019 \$
Cash at bank	713,079	435,524
	713,079	435,524

2. Trade and other receivables

	2020 \$	2019 \$
Trade receivables	115,112	64,855
Prepaid inventory	141,058	251,296
Other receivables	11,378	43,705
	267,548	359,856

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 2020 and 30 June 2019 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 2020 and 2019 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 2020

3. Inventory

	2020 \$	2019 \$
Finished goods	615,050	265,293
	615,050	265,293

4. Leases – Right-of-use Assets and Lease Liabilities

This note provides information for leases where the Group is a lease.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated 30 June 2020 \$	Consolidated 30 June 2019 \$
Right-of-use assets		
Premises	178,039	-
Accumulated amortisation	(41,892)	-
	136,147	-
Lease liabilities		
Current	39,338	-
Non-current	102,910	-
Total lease liabilities	142,248	-

Reconciliation of right-of-use assets:

	Premises \$
30 June 2020	
Opening balance	-
Initial adoption	174,405
Foreign currency differences	4,566
Acquisitions through business combinations	-
Disposals	-
Disposals – discontinued operation	-
Disposals or classified as held for sale	-
Impairment expense	-
Depreciation expense	(42,824)
Closing balance	136,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

4. Leases – Right-of-use Assets and Lease Liabilities (continued)

Recognition of lease liabilities:

	Premises \$
30 June 2020	
Opening balance	-
Initial adoption	174,405
Foreign currency differences	4,566
Principal repayments	(36,723)
Disposals	-
Disposals – discontinued operation	-
Disposals or classified as held for sale	-
Closing balance	142,248

5. Goodwill

	2020 \$	2019 \$
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 2020, 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 8.8% 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.

Impact of possible changes in key assumptions

If the budgeted sales used in the value in use calculation had been 20% lower than management's estimated at 30 June 2020, no impairment would be recognised.

If the budgeted sales used in the value in use calculation had been 50% lower than management's estimated at 30 June 2020, the Group would need to recognise and record an impairment for the entire carrying amount of goodwill.

If the estimated cost of capital used in determining the pre-tax discount rate had been 10% higher than management's estimates, no impairment would be recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

6. Other intangibles

	2020 \$	2019 \$
Certifications		
Opening Balance	143,300	-
New certifications acquired	16,839	154,998
Amortisation	(58,999)	(11,698)
Closing Balance	101,140	143,300
Tooling costs		
Opening Balance	-	-
New tooling costs incurred	47,882	-
Amortisation	(10,824)	-
Closing Balance	37,058	-
Total other intangibles	138,198	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.

Tooling costs represent costs incurred by the Company in relation to the mould that is installed within the manufacturers' machines so as to produce routers that are to the Company's specifications. Tooling costs are amortised over the useful life of 3 years based on Management's assessment.

7. Trade and other payables

	2020 \$	2019 \$
Current		
Payables	256,483	380,623
Other payables	202,530	38,108
Accruals	269,684	140,608
Accrued Interest	310,183	181,002
Closing Balance	1,038,880	740,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

8. Borrowings

	2020 \$	2019 \$
Loans – unsecured	450,000 ¹	286,706
Closing Balance	450,000	286,706
Opening Balance	286,706	1,370,000
Repayments	(656,706)	(410,395)
Advances	820,000	678,101
Transfer to convertible notes	-	(1,351,000)
Closing Balance	450,000	286,706

¹ During the year ended 30 June 2020, the Company secured a line of credit facility of \$500,000 with Tyche Investments Pty Ltd to drive manufacturing acceleration. This facility was increased to an available limit of \$700,000 on 21 November 2019. The facility is debt-only and does not dilute the existing shareholders. Interest is calculated at 5% p.a. from the date that funds are initially drawn down. Additional interest of 1% per month is payable on funds which remain outstanding in excess of 90 days from the date of initial drawdown. Interest of \$71,277 was accrued during the year. Subsequent to year end, the Company announced that it has further extended its line of credit facility to 31 December 2020 to a maximum amount of \$500,000.

9. Convertible Notes

At the 2018 Annual General Meeting, 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.

During the year ended 30 June 2020, convertible notes with a face value of \$30,000 plus accrued interest of \$4,185 were converted into ordinary shares.

Conversion may occur at any time between the date of issue and maturity date 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. Subsequent to the end of the financial year, the Company has further extended all but 3 of the existing convertible note facilities for a further 12 months to 30 June 2021. As a result, 20 of the 23 noteholders have extended their facilities which equates to \$1,171,000 of the total \$1,321,000 face value of all convertible notes. The Company is currently in discussions with the remaining 3 noteholders to further extend the facilities. 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 extensions as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

9. Convertible Notes (continued)

	2020 \$	2019 \$
<i>28 February 2019 issue of convertible notes</i>		
Proceeds of issue	1,351,000	1,351,000
Liability component at date of issue	1,325,199	1,325,199
Unwinding – interest expense	25,801	25,801
Liability component at repayment date of 30 June 2019	1,351,000	1,351,000
Equity component at date of issue	25,801	25,801
<i>Extension of repayment date to 30 June 2020</i>		
Liability at date of extension	1,351,000	1,351,000
Liability component at date of extension	1,280,345	1,280,345
Equity component at date of extension	70,655	70,655
Total equity component at balance date	96,456	96,456
<i>Extension of repayment date to 30 June 2021</i>		
Liability at date of extension	1,321,000	-
Liability component at date of extension	1,321,000	-
Equity component at date of extension	-	-

As at 30 June 2020, the fair value of the outstanding convertible notes was the equivalent to its face value of \$1,321,000. Therefore there were no adjustments to the equity component of \$96,456 that was credited to equity during the year ended 30 June 2019. Total interest accrued on the convertible notes for the year ended 30 June 2020 was \$238,907.

10. Other Payables

	2020 \$	2019 \$
Other payables	253,533	-
	253,533	-

As at 30 June 2020, the other payables of USD \$174,000 (AUD \$253,533) represents funding assistance provided by the US Department of Treasury to CIO Technology, Inc. as a result of COVID-19 to assist with meeting employee wages, rent and general costs associated with the Company. The funding assistance provided to the Company is in the form of a promissory note (i.e. short term loan) of which there is an initial interest free period of 6 months before interest is charged at a fixed rate of 1% p.a. on any unpaid principal balance. The promissory note has a term of 2 years from the date that funding was provided before full repayment is required. However as at 30 June 2020, some uncertainty exists regarding whether a portion or all of the loan may be forgiven by the US Department of Treasury.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

11. Issued Capital

	2020	2019
	\$	\$
Issued and paid up capital		
Ordinary shares fully paid (a)	70,777,722	68,827,796
	70,777,722	68,827,796

Movements in issued and paid up capital

	Number	Consolidated
		\$
(a) Ordinary fully paid shares		
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
Balance as at 1 July 2019	1,813,085,059	68,827,796
Conversion of convertible notes (20 Sep 2019, \$0.003 per share)	11,394,998	34,185
Director shares – in lieu of fees (20 Dec 2019, \$0.004 per share)	16,435,333	65,741
Director bonus – share reward compensation (20 Dec 2019, \$0.04 per share)	150,000,000	600,000
Placement (20 Dec 2019, \$0.003 per share)	416,666,667	1,250,000
Consolidation 1:10 basis (23 Apr 2020)	(2,166,824,839)	-
Placement broker fee shares (5 May 2020, \$0.03 per share)	2,200,000	66,000
Costs directly attributable to issue of share capital	-	(66,000)
Balance as at 30 June 2020	242,957,218	70,777,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

11. Issued Capital (continued)

	Number	Consolidated \$
(b) Performance shares		
Balance as at 1 July 2018 ¹	150,000,000	-
Movements during the year	-	-
Balance as at 30 June 2019	150,000,000	-
Balance as at 1 July 2019	150,000,000	-
Movements during the year	(150,000,000)	-
Balance as at 30 June 2020	-	-

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 were cancelled on 15 March 2020, being the date 4 years from being readmitted to quotation.

(c) Options

As at 30 June 2020, 7,500,000 unlisted options were on issue. The options are exercisable at 1 cent and expire on 20 December 2022.

(d) Performance Rights

	Number	Consolidated \$
Balance as at 1 July 2019	-	-
Additions during the year	200,000,000	142,528
Consolidation on a 1:10 basis	(180,000,000)	-
Balance as at 30 June 2020	20,000,000	142,528

As at 30 June 2020, 10,000,000 Class A Performance Rights and 10,000,000 Class B Performance Rights were on issue, which were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company. Refer to Note 12(b) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

12. Share Based Payments

During the year ended 30 June 2020, the following shares and rights were issued for services provided to the Group:

	Value per share \$	Number	Value \$
Reward compensation (Note 12(a))	0.04	15,000,000	600,000
Performance incentive (Note 12(b))	0.04	20,000,000	142,528
Outstanding directors fees	0.04	1,643,533	65,741
Placement broker fees (Note 12(c))	0.03	2,200,000	66,000

- (a) In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 15,000,000 ordinary shares (post consolidation) were issued to Mr Temov in recognition of his efforts to date and compensation for discounting his salary to preserve the Company's cash reserve during the 2019 financial year.

The total fair value of the shares granted to Mr Temov was \$600,000 based on the Company's closing share price of \$0.04 as at the date of the Company's 2019 Annual General Meeting.

- (b) In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 10,000,000 Class A Performance Rights and 10,000,000 Class B Performance Rights (post consolidation) were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company.

The Performance Rights were granted at nil consideration, do not have an exercise price and will expire on 31 December 2023.

Each Performance Right will vest and convert to one fully paid ordinary share subject to the satisfaction of certain Performance Milestones, completion of a vesting period of 12 months and Mr Temov's continued engagement as Managing Director.

The Performance Milestones are:

1. Class A Performance Rights – The Company and its subsidiaries achieve aggregate gross revenue of greater than AUD \$4 million during any calendar year ending on or before 31 December 2022.
2. Class B Performance Rights – The Company and its subsidiaries achieve aggregate gross revenue of greater than AUD \$8 million during any calendar year ending on or before 31 December 2022.

The total fair value of the rights granted to Mr Temov was \$800,000 based on the Company's closing share price of \$0.04 as at the date of the Company's 2019 Annual General Meeting. Based on the vesting conditions of the rights, \$142,528 has been recognised as a share based payment for the period of 27 November 2019, being the date that the rights were granted, to 30 June 2020.

- (c) During the year ended 30 June 2020, broker fees of \$66,000 associated with the Company's share placement was charged to share issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

13. Earnings per share

	2020 Cents	2019 Cents
Basic and diluted loss per share from continuing from operations	(1.11)	(1.28) ¹

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

	2020 \$	2019 \$
Net loss from continuing operations	(2,369,504)	(1,999,966)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	213,445,049	155,706,418 ¹

¹ The loss per share and weighted average number of ordinary shares used in calculating the EPS have both been restated to reflect the consolidation of the Company's shares on a 1:10 basis in April 2020.

14. Investments

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

Name	Country of Incorporation	% Equity Interest	
		2020	2019
Connected IO, Inc ¹	California, USA	0%	100%
CIO Technology, Inc ¹	Texas, USA	100%	100%

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 and the business of Connected IO, Inc was transferred to CIOT. On 5 June 2020, the dissolution of Connected IO, Inc. was completed.

15. Subsequent events

Subsequent to the end of the financial year, the Company has further extended its line of credit facility of \$500,000 with Tyche Investments Pty Ltd to 31 December 2020. Interest of 5% is payable on funds drawn down and payable quarterly. Additional interest of 1% per month is further payable on any amount that is outstanding beyond 90 days from initial drawdown.

The Company has also further extended 20 of the 23 facilities with noteholders representing \$1,171,000 of the total \$1,321,000 face value of all convertible notes on issue. The maturity date for the convertible notes was extended for a further 12 months to 30 June 2021. The Company is currently in discussions with the remaining 3 noteholders to further extend the facilities.

On 31 July 2020, the Company announced that it had issued 4,986,811 shares on the conversion of convertible note interest accrued to 30 June 2020 at a conversion price of \$0.03 per share.