

29 January 2021

ASX Announcement / Media Release

## **Quarterly Activities Report** for the Quarter Ending 31 December 2020

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- **COVID-19 continues to adversely impact the US economy, making current sales pipeline difficult to forecast with the current economic uncertainties**
- **Additional Purchase Orders secured during the quarter, however actual demand remains weak despite continued interest in CIO products**
- **\$400K loan facility advanced to Company to assist with the payment of inventory production to satisfy existing purchase orders**
- **Mr Yakov Temov resigned as Managing Director during the quarter but continues to run the US business**
- **Subsequent to the end of the quarter, additional funding has been secured through a placement of shares at \$0.002 and the announcement of a fully underwritten rights issue to raise up to \$570,000 (before costs)**
- **Strategic review of the Company's business and discussions around a potential re-structure of the Company's balance sheet underway**

### **Business Overview**

The US economy continues to be adversely impacted by the COVID-19 pandemic. Connected IO's revenues have decreased again this quarter due to its major customers being in a holding pattern awaiting the recovery of certain parts of the economy.

During the quarter, the Company secured approximately \$100,000 in Purchase Orders, with unfilled orders up to the date of this report (29 January 2021) totalling around \$300,000. An additional loan of \$400,000 was secured during the quarter to assist with the payment of inventory production to satisfy these and other purchase orders.

With the ongoing uncertainty around the continuing impact of the COVID-19 pandemic on the US economy, and in particular key Company customers, the Board is progressing its strategic review of the business as previously announced. The strategic review is focussed on assessing the current business and investigating new opportunities that compliment the Internet of Things (IOT) business model both within and outside of the USA.

## **Management Changes**

During the quarter, Mr Yakov Temov resigned as Managing Director of the Company to focus on the US business. Mr Temov will continue as a director of CIO Technology, Inc the Company's wholly owned US subsidiary to run the Company's US based operations and devote his efforts to recovering the US business from the difficult trading conditions that have prevailed through the majority of 2020 and are set to continue into 2021.

Mr Simon Whybrow has been appointed as Company Secretary, replacing Ms Nicki Farley who is taking long service leave.

## **Financial and Corporate**

At the end of the quarter the Company held cash of \$285,000.

Operating cash outflows for the quarter were mainly associated with product manufacturing and operating costs (\$36,000), staff costs (\$145,000) and administration and corporate costs (\$57,000). The related party payments reported in Item 6.1 of the Appendix 4C relate to executive director remuneration (\$40,000) paid during the period.

During the quarter, the Company secured a further \$400,000 in loan funds quarter to assist with the payment of inventory production. The loan was provided in three tranches, with two tranches totalling \$300,000 already advanced to the Company. The term of the loan is six calendar months with interest payable at a rate of 0% of the loan amount. The Lender has the ability to secure the loan by the registration of a security interest on the PPSR over the assets of the Company.

Subsequent to the end of the quarter, the Company announced that it had completed a placement of shares utilising its placement capacity under Listing Rule 7.1 to raise approximately \$75,000 before costs. In addition, the Company announced on 19 January 2021 a fully underwritten pro-rata non renounceable entitlement issue on the basis of 1 new share for every 1 share held at an issue price of \$0.002 per share to raise a further \$495,000 (before costs). With the completion of the placement, rights issue and any shortfall pursuant to the underwriting agreement, the Company will have approximately 533,079,662 shares on issue.

## **Strategic Review**

The Company announced during the quarter that it had commenced a strategic review of the business which includes assessing the current US business, potential new acquisitions and a potential re-structure of the Company's existing creditors, including debt providers, convertible note holders and other creditors.

The review, which commenced prior to the end of 2020, has now progressed to the stage where the Company expects to be in a position to conclude the review of its business model within the coming weeks.

## 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. Cisco predicts there will be 50 billion connected devices by 2020.

*For further information regarding this announcement please contact Adam Sierakowski, Chairman of Connected IO Limited on 08 6211 5099.*

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



## 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")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	150	345
1.2 Payments for		
(a) research and development	-	(60)
(b) product manufacturing and operating costs	(36)	(116)
(c) advertising and marketing	(3)	(6)
(d) leased assets	-	(17)
(e) staff costs	(145)	(400)
(f) administration and corporate costs	(57)	(172)
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(91)</b>	<b>(415)</b>
<b>2. Cash flows from investing activities</b>		
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 (6 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	<b>Net cash from / (used in) investing activities</b>	-	<b>(47)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	150	150
3.6	Repayment of borrowings	-	(48)
3.7	Transaction costs related to loans and borrowings	(3)	(3)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>147</b>	<b>96</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	229	710
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(91)	(415)
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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	147	96
4.5	Effect of movement in exchange rates on cash held	-	(59)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>285</b>	<b>285</b>

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	285	229
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>285</b>	<b>229</b>

**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**

(40)

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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

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	900	550
7.3 Other (please specify)	1,321	1,321
7.4 <b>Total financing facilities</b>	<b>2,221</b>	<b>1,871</b>

7.5 **Unused financing facilities available at quarter end** 350

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 Cozi Capital Line of Credit \$176k – zero balance due. Secured Loan A.C.N. 627 852 797 PTY LTD \$400k.

7.2 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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(91)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	285
8.3 Unused finance facilities available at quarter end (Item 7.5)	350
8.4 Total available funding (Item 8.2 + Item 8.3)	635
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>7.0</b>

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.

29 January 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.