Connected IO Limited

ABN 99 009 076 233

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2020

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

Directors

Dougal Ferguson *(Managing Director and Chief Executive Officer)*
Adam Sierakowski *(Non-Executive Chairman)*
Davide Bosio *(Non-Executive Director)*

Company Secretary

Simon Whybrow

Registered & Principal Office

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Auditors

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Stock Exchange Listing

Connected IO Limited
ASX Code: CIO

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Directors' report

The directors of Connected IO Limited ("**the Company or CIO**") and its controlled entities ("**the Group**") submit herewith the consolidated Interim Financial Report for the half-year ended 31 December 2020.

Directors

The following persons acted as Directors of the Company during or since the end of the half-year. These Directors were in office for the entire period unless otherwise stated:

Yakov Temov *(Managing Director and Chief Executive Officer) (Resigned 2 December 2020)*
Dougal Ferguson (*Non-Executive Director - Appointed 15 July 2020 and Chief Executive Officer - Appointed 18 February 2021)*
Adam Sierakowski (*Non-Executive Chairman)*
Davide Bosio (*Non-Executive Director)*

Principal Activities

During the period, the Group's principal activity was the development and commercialisation of next generation wireless technology products.

Operating Results

The loss after tax for the half-year ended 31 December 2020 was $981,087 (2019 loss: $1,701,581).

Review of Operations

During the half-year period, the Company was adversely impacted by the growing onset of COVID-19 in the United States which has had a significant negative impact on the Company's major customers ability to continue to place orders for the Company's products. Product sales were down 86% on the previous corresponding period but are expected to rebound in the future as a result of pent-up demand, but at this stage it is difficult to predict when that will occur.

Accordingly, the Company has enacted cost reduction initiatives and commenced a strategic review of the current business to explore the development of compatible Internet of Things (IoT) businesses and markets both within and outside of the United States. This strategic review is well underway and has been broadened to consider a potential re-structure of the Company's balance sheet.

In order to facilitate the review process and to focus on the US business operations, Mr Yakov Temov resigned as Managing Director in December 2020 and Mr Dougal Ferguson has subsequently been appointed as the Chief Executive Officer to oversee and implement any changes eventuating from the strategic review process.

Despite the challenges, the Company has continued to receive purchase orders from some of its major customers and progress the SaaS initiatives of the business. To assist with the funding, a further $400,000 loan was secured to assist in the funding of inventory production, of which $150,000 was drawn down as at 31 December 2020. As at the date of this Director's Report, the full amount of the loan has been drawn down from the lender.

Subsequent to 31 December 2020, the Company secured additional equity funding (refer below) of approximately $570,000 (pre costs) via a placement and rights issue.

Directors' report

Events occurring after the reporting date

In January 2021, the Company announced that it had successfully raised approximately $75,000, before share issue costs, via the issue of 37,191,604 shares at $0.002 per share from the utilisation of its placement capacity under Listing Rule 7.1.

In January 2021, the Company's wholly owned subsidiary, CIO Technology Inc received an advance from an employee of CIO Technology Inc for approximately US$150,000. There are currently no commercial terms agreed for the advance made and the advance is repayable by the subsidiary.

In February 2021, the Company further announced that it had successfully completed a fully underwritten pro-rata non-renounceable rights offer via the issue of 247,944,029 shares at an issue price of $0.002 per share, raising approximately $495,000 before share issue costs.

Subsequent to the half-year ended 31 December 2020, the Company has re-negotiated and further extended its line of credit facility with Tyche Investments Pty Ltd from 31 December 2020 to 30 June 2021.

There has been no other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide Directors of the Company with an Independence Declaration in relation to the review of the Interim Financial Report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Board of Directors made pursuant to S306(3) of the Corporations Act 2001.

Dougal Ferguson
Director

Signed at Perth on this 26th day of February 2021

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Connected IO Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
26 February 2021

B G McVeigh
Partner

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2020

	Note	Consolidated half-year ended 31 Dec 2020 $	Consolidated half-year ended 31 Dec 2019 $
Sales revenue	2	288,845	2,046,421
Cost of goods sold		(181,729)	(1,419,257)
Gross profit		107,116	627,164
Interest revenue		25	459
Director fees, salaries and wages expense		(703,893)	(983,587)
Share based payments – director compensation	10	142,528	(600,000)
Professional fees		(78,450)	(88,729)
Depreciation and amortisation		(58,550)	(54,224)
Interest and facility fee expenses		(88,268)	(217,022)
Administration expenses		(301,595)	(385,642)
Loss before income tax		**(981,087)**	**(1,701,581)**
Income tax expense		-	-
Loss for the period		**(981,087)**	**(1,701,581)**
Other comprehensive income for the period, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		(84,777)	13,551
Other comprehensive income/(loss) for the period, net of tax		(84,777)	13,551
Total comprehensive loss for the period		**(1,065,864)**	**(1,688,030)**
Basic loss per share (basic and diluted) (cents per share)	9	(0.40)	(0.80)

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Financial Position
as at 31 December 2020

	Note	Consolidated 31 Dec 2020 $	Consolidated 30 June 2020 $
CURRENT ASSETS			
Cash and cash equivalents		73,327	713,079
Trade and other receivables		114,165	286,770
Inventory		408,927	615,050
Total Current Assets		**596,419**	**1,614,899**
NON-CURRENT ASSETS			
Plant and equipment		14,426	18,878
Right-of-use assets		102,653	136,147
Goodwill	3	2,418,610	2,418,610
Other intangibles	4	90,320	138,198
Other assets		9,387	10,079
Total Non-Current Assets		**2,635,396**	**2,721,912**
Total Assets		**3,231,815**	**4,336,811**
CURRENT LIABILITIES			
Trade and other payables		986,035	1,072,013
Lease liabilities		36,729	39,338
Borrowings	5	550,000	450,000
Convertible notes	6	1,321,000	1,321,000
Total Current Liabilities		**2,893,764**	**2,882,351**
NON-CURRENT LIABILITIES			
Lease liabilities		72,907	102,910
Other payables	7	225,915	253,533
Total Non-Current Liabilities		**298,822**	**356,443**
Total Liabilities		**3,192,586**	**3,238,794**
Net Assets		**39,229**	**1,098,017**
EQUITY			
Issued capital	8	70,927,326	70,777,722
Reserves		1,276,133	1,503,438
Accumulated losses		(72,164,230)	(71,183,143)
Total Equity		**39,229**	**1,098,017**

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2020

Consolidated	Issued Capital $	Convertible Notes Reserve $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
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 period	-	-	-	-	(1,701,581)	(1,701,581)
Other comprehensive income, net of tax	-	-	-	13,551	-	13,551
Total comprehensive loss	-	-	-	13,551	(1,701,581)	(1,688,030)
Shares issued	1,949,926	-	-	-	-	1,949,926
Share issue costs	(66,000)	-	-	-	-	(66,000)
Balance at 31 December 2019	**70,711,722**	**96,456**	**1,081,349**	**158,437**	**(70,491,908)**	**1,556,056**
Balance at 1 July 2020	**70,777,722**	**96,456**	**1,223,877**	**183,105**	**(71,183,143)**	**1,098,017**
Net loss for the period	-	-	-	-	(981,087)	(981,087)
Other comprehensive loss, net of tax	-	-	-	(84,777)	-	(84,777)
Total comprehensive loss	-	-	-	(84,777)	(981,087)	(1,065,864)
Shares issued	149,604	-	-	-	-	149,604
Share issue costs	-	-	-	-	-	-
Share based payments (refer Note 10(b))	-	-	(142,528)	-	-	(142,528)
Balance at 31 December 2020	**70,927,326**	**96,456**	**1,081,349**	**98,328**	**(72,164,230)**	**39,229**

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2020

	Consolidated half-year ended 31 Dec 2020 $	Consolidated half-year ended 31 Dec 2019 $
Cash flows from operating activities		
Receipts from customers	375,750	2,093,442
Payments to suppliers and employees	(1,084,966)	(2,743,581)
Interest received	25	459
Interest paid	(4,335)	(14,906)
Income tax paid	(6,163)	(1,201)
Net cash outflows from operating activities	**(719,689)**	**(665,787)**
Cash flows from investing activities		
Payments for plant and equipment	(1,054)	(1,467)
Payments for other intangibles	-	(74,027)
Net cash outflows from investing activities	**(1,054)**	**(75,494)**
Cash flows from financing activities		
Proceeds from share issue	-	1,250,000
Proceeds from borrowings	150,000	770,000
Repayment of borrowings	(50,000)	(416,140)
Payments of lease liabilities	(19,009)	(17,588)
Net cash inflows from financing activities	**80,991**	**1,586,272**
Net (decrease)/increase in cash and cash equivalents	(639,752)	844,991
Effect of movement in exchange rates on cash held	-	433
Cash and cash equivalents at the beginning of the period	713,079	435,524
Cash and cash equivalents at the end of the period	**73,327**	**1,280,948**

The accompanying notes form part of these financial statements

Notes to the Condensed Consolidated Financial Statements

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

This consolidated Interim Financial Report includes the financial statements and notes of Connected IO Limited and its controlled entities. The Group is a for-profit entity and is domiciled in Australia.

These consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This consolidated Interim Financial Report does not include full disclosures of the type normally included in an Annual Financial Report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this consolidated interim financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2020 and any public announcements made by the Company and its subsidiaries during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The consolidated Interim Financial Report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated Interim Financial Report is presented in Australian dollars. For the purpose of preparing the consolidated interim financial report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2020
In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Adoption of new and revised standards (continued)

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2020.

As a result of this review the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of consolidated interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2020.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2020, the Group recorded a loss of $981,087 (31 December 2019: loss of $1,701,581) and had net cash outflows from operating and investing activities of $720,743 (31 December 2019: $741,281). As at 31 December 2020, the Group had a working capital deficit of $2,297,345 (30 June 2020: deficit of $1,267,452).

Furthermore, the full impact of the COVID-19 pandemic continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity and future results of operations during 2021. Management continues to actively monitor the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2021 financial year.

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational activities. In particular, the Group's existing convertible notes and borrowings will need to be re-negotiated prior to 30 June 2021 for the Group to be able to continue as a going concern.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group believe they can raise additional funding through debt or equity which is actively being pursued;
- The Group has a recent proven history of successfully raising capital; and
- Cash spending can be reduced or slowed below its current rate if required in order to minimise capital raising requirements.

Subsequent to the half-year ended 31 December 2020, the Company secured additional equity funding of approximately $570,000 (pre-costs) via a placement and rights issue (refer to Note 15 for further details).

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in obtaining additional loan financing or raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt on whether the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives its revenue from the sale of goods and the provision of services at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (refer Note 12).

	Consolidated half-year ended 31 Dec 2020 $	**Consolidated half-year ended 31 Dec 2019 $**
Product sales	288,845	2,046,421
Total revenue	**288,845**	**2,046,421**

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

	Six months to 31 December 2020 **Development and manufacture of wireless technologies $**	**Six months to 31 December 2019** **Development and manufacture of wireless technologies $**
Segment revenue (*i*)	288,845	2,046,421
Adjustments and eliminations	-	-
Total revenue from contracts with customers	**288,845**	**2,046,421**

(i) Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

NOTE 3 GOODWILL

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Goodwill	2,418,610	2,418,610
Closing balance	**2,418,610**	**2,418,610**

Goodwill represents an acquisition via a business combination.

The Directors are required to test goodwill acquired in a business combination for impairment annually, which coincides with the annual reporting period. However as a result of the ongoing COVID-19 pandemic, the Directors undertook an assessment during the half-year ended 31 December 2020 to determine whether there was an indication that goodwill may be impaired. If such indication exists an estimate is made of the recoverable amount based on a net present value calculation. Where the assets carrying value exceeds the recoverable amount a provision for impairment is recognised.

For the half-year ended 31 December 2020, the Directors prepared an estimate of the recoverable amount based on a net present value calculation by adopting a pre-tax discount rate of 7.45% and a forecast of cash flows over a five year period. Based on their assessment, the Directors have concluded that there is no impairment of the asset as at balance date.

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.

NOTE 4 OTHER INTANGIBLES

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Certifications		
Opening balance	101,140	143,300
Additions	-	16,839
Amortisations	(27,441)	(58,999)
Foreign currency differences	(9,325)	-
Closing balance	64,374	101,140
Tooling Costs		
Opening balance	37,058	-
New tooling costs incurred	-	47,882
Amortisation	(7,541)	(10,824)
Foreign currency differences	(3,571)	-
Closing balance	25,946	37,058
Total other intangibles	**90,320**	**138,198**

NOTE 4 OTHER INTANGIBLES (CONTINUED)

Certifications represent costs incurred in obtaining certification that the Group'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 manufactures' 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.

NOTE 5 BORROWINGS

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Unsecured Loans		
Loan – Tyche Investments Pty Ltd	400,000	450,000
Loan – A.C.N. 627 852 797 Pty Ltd	150,000	-
Closing balance	**550,000**	**450,000**

Tyche Investments Pty Ltd

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. Any outstanding accrued interest on the facility will be required to be repaid in cash.

On 31 July 2020, the Company repaid $50,000 of the facility and announced that it had further extended its line of credit facility to 31 December 2020 to a maximum amount of $500,000. Subsequent to the half-year ended 31 December 2020, the Company has re-negotiated and further extended its line of credit facility to 30 June 2021 with a maximum amount available of $400,000.

A.C.N. 627 852 797 Pty Ltd

On 3 December 2020, the Company entered into a loan agreement with A.C.N. 627 852 797 Pty Ltd for the provision of a loan facility to advance funds of up to an amount of $400,000 to be used for assisting in the payment of the Company's inventory production.

The loan is to be provided in three tranches of which an initial amount of $150,000 was advanced to the Company in December 2020. A further $150,000 is to be advanced in January 2021 with the balance of $100,000 in February 2021.

The loan is interest free and repayable within 6 calendar months of the initial drawdown of the Loan. At the election of the lender, the loan and any accrued interest may be repaid by either cash, shares or a combination of both.

NOTE 6 CONVERTIBLE NOTES

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Convertible notes	1,321,000	1,321,000
Closing balance	**1,321,000**	**1,321,000**

At the 2018 Annual General Meeting, shareholders approved the conversion of the Company's $1,370,000 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 $0.03 per share.

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 ($0.03 per share). Noteholders are entitled to secure the loan by registration on the Personal Property Securities Register (PPSR).

On 16 September 2020, the Company announced that they had successfully extended the maturity date of the convertible notes from 30 June 2020 to 30 June 2021.

NOTE 7 OTHER PAYABLES

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Opening balance	253,533	253,533
Foreign currency differences	(27,618)	-
Closing balance	**225,915**	**253,533**

The other payables of USD$174,000 (AUD$225,915) at 31 December 2020 (30 June 2020: 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. At 31 December 2020, uncertainty remains regarding whether a portion or all of the loan may be forgiven by the US Department of Treasury.

No portion of the promissory note has been repaid as the movement during the period relate to fluctuations in foreign exchange rates.

Notes to the Condensed Consolidated Financial Statements

NOTE 8 ISSUED CAPITAL (CONTINUED)

Movements in issued and paid up capital

	Consolidated half-year ended 31 Dec 2020 $	Consolidated year ended 30 June 2020 $
Issued and paid up capital		
Ordinary shares fully paid (a)	70,927,326	70,777,722
	70,927,326	**70,777,722**

Movements in issued and paid up capital

	Number	Consolidated $
(a) Ordinary shares fully paid		
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 shares – reward compensation (20 Dec 2019, $0.004 per share) (refer to Note 18(a))	150,000,000	600,000
Placement of fully paid ordinary shares (20 Dec 2019, $0.003 per share)	416,666,667	1,250,000
Consolidation on a 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**

	Number	Consolidated $
Balance as at 1 July 2020	242,957,218	70,777,722
Conversion of convertible notes accrued interest (31 Jul 2020, $0.03 per share)	4,986,811	149,604
Costs directly attributable to issue of share capital	-	-
Balance as at 31 December 2020	**247,944,029**	**70,927,326**

(b) Options

As at 31 December 2020, 7,500,000 unlisted options were on issue. The options are exercisable at 10 cents and expire on 20 December 2022.

(c) Performance Rights

In December 2019, 10,000,000 Class A Performance Rights and 10,000,000 Class B Performance Rights were granted to Mr Yakov Temov as an incentive to provide ongoing dedicated services to the Company. During the half-year ended 31 December 2020, Mr Temov resigned as Managing Director of the Company. As a result of his resignation, the conditions associated with the Performance Rights have not been satisfied and therefore the Performance Rights will not vest to Mr Temov. Refer to Note 10(b) for further details.

Notes to the Condensed Consolidated Financial Statements

NOTE 9 EARNINGS PER SHARE

	Consolidated half-year ended 31 Dec 2020 $	Consolidated half-year ended 31 Dec 2019 $
	Cents	**Cents**
Basic and diluted loss per share	(0.40)	(0.80)

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

	$	$
Net loss for the period used in total basic and diluted earnings per share	(981,087)	(1,701,581)
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	247,130,962	213,102,426

NOTE 10 SHARE BASED PAYMENTS

(a) **Half-year ended 31 December 2019**
In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 15,000,000 ordinary shares 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 these 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) **Half-year ended 31 December 2020**
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 were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company.

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

During the half-year ended 31 December 2020, Mr Temov resigned as Managing Director of the Company. As a result of his resignation, the conditions associated with the Performance Rights have not been satisfied and therefore the Performance Rights will not vest to Mr Temov. Therefore, an amount of $142,528 previously expensed in respect of these rights were reversed at 31 December 2020.

NOTE 11 RELATED PARTY TRANSACTIONS

On 20 December 2019, Mr Temov was issued 15 million ordinary shares, 10 million Class A Performance Rights and 10 million Class B Performance Rights to align the long term goals of shareholders with Mr Temov and to establish an incentive for providing ongoing dedicated services to the Company. During the half-year ended 31 December 2020, Mr Temov resigned as Managing Director of the Company and as a result of his resignation, the Performance Rights will not vest to Mr Temov. Refer to Note 10(b) for further details on the share based payment credited during the half-year ended 31 December 2020.

There were no other material changes to related party transactions since the last annual reporting date.

Notes to the Condensed Consolidated Financial Statements

NOTE 12 SEGMENT REPORTING

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the development and manufacture of wireless technologies.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

NOTE 13 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 14 FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of the current receivables, current payables and borrowings are considered to be a reasonable approximation of their fair value.

NOTE 15 EVENTS OCCURING AFTER THE REPORTING PERIOD

In January 2021, the Company announced that it had successfully raised approximately $75,000, before share issue costs, via the issue of 37,191,604 shares at $0.002 per share from the utilisation of its placement capacity under Listing Rule 7.1.

In January 2021, the Company's wholly owned subsidiary, CIO Technology Inc received an advance from an employee of CIO Technology Inc for approximately US$150,000. There are currently no commercial terms agreed for the advance made and the advance is repayable by the subsidiary.

In February 2021, the Company further announced that it had successfully completed a fully underwritten pro-rata non-renounceable rights offer via the issue of 247,944,029 shares at an issue price of $0.002 per share, raising approximately $495,000 before share issue costs.

Subsequent to the half-year ended 31 December 2020, the Company has re-negotiated and further extended its line of credit facility with Tyche Investments Pty Ltd from 31 December 2020 to 30 June 2021.

There has been no other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' declaration

In the opinion of the Directors of Connected IO Limited ("the Company"):

(1) The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (a) complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and

  (b) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.

(2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to S303(5) of the Corporations Act 2001.

On behalf of the Board

Dougal Ferguson
Director

Signed at Perth on this 26th day of February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Connected IO Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Connected IO Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Connected IO Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
26 February 2021

B G McVeigh
Partner