

29 April 2021

ASX Announcement / Media Release

Quarterly Activities Report for the Quarter Ending 31 March 2021

- **COVID-19 continues to adversely impact the US business with unpredictable sales patterns**
- **Sales revenues marginally improved over the previous quarter but still significantly down on the previous corresponding quarter of 2020**
- **Lead times to manufacture and deliver product extended by significant periods providing further headwinds to the US manufacturing business**
- **During the quarter, additional funding was secured through a placement of shares at \$0.002 and a fully underwritten rights issue raising \$571,000**
- **Small Shareholding Sale Facility concluded significantly reducing the number of shareholders to approximately 850 from over 4,200**
- **Strategic review of the Company's business ongoing and discussions in final stages for potential re-structure of the Company's balance sheet**

Business Overview

The US economy continues to be adversely impacted by the COVID-19 pandemic. Connected IO's revenues have stabilised and increased modestly quarter due but remain difficult to predict in the current environment.

In addition, supply chain constraints on key components required for the manufacture of the products are increasing putting additional pressure on manufacturing costs and lead times for ordering of product to fill any new purchase orders secured. As part of the overall strategic review, the Company is considering alternatives available to it to address both the unpredictability of sales and the manufacturing lead times associated with the current suite of products.

Sales receipts for the quarter ending 31 March 2021 were approximately \$420,000, down some 68% down from the previous corresponding quarter.

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Together with the ongoing uncertainty around the continuing impact of COVID-19 on the US economy, and in particular key Company customers, the Board continues to progress 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.

The Company has also made significant progress this quarter in securing support from its major stakeholders for a re-structure of the Company's balance sheet, aimed at minimising the current debt burden and increasing the working capital of the business. The Board expects to be in a position to announce the proposed balance sheet re-structure in the coming weeks.

Financial and Corporate

At the end of the quarter the Company held cash of \$758,000.

Operating cash outflows for the quarter were mainly associated with product manufacturing and operating costs (\$325,000), staff costs (\$244,000) and administration and corporate costs (\$286,000). Administration and corporate costs were up from the previous quarter due to the carry over of cash payment of creditors from the previous quarter and other annual fees incurred during the current quarter. There were no related party payments reported in Item 6.1 of the Appendix 4C as no payments to related parties were made during the quarter.

During the quarter, the Company drew down the balance of the \$400,000 loan secured in the previous quarter. The loan was provided in three tranches, with the final two tranches totalling \$250,000 advanced to the Company during this quarter. 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.

On 19 January 2021, 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 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).

The entitlement issue closed on 11 February 2021 with shareholders taking up approximately 52% of their entitlement shares. The remainder represented the shortfall shares which were allocated to shareholders who applied for shortfall shares with the remainder being placed by the underwriter to the entitlement issue. With the completion of the placement, rights issue and issue of the shortfall shares, the Company has 533,079,662 shares on issue.

On 24 February 2021, the Company announced a Small Shareholding Sale Facility which closed on 13 April 2021 and which resulted in the Company reducing its total shareholders from over 4,200 to approximately 850, which will significantly reduce the shareholder holding costs for the Company.

Management Changes

On 23 February 2021, it was announced that Mr Dougal Ferguson was appointed to the position of Chief Executive Officer of the Company with immediate effect. Mr Ferguson was appointed as a non-executive director in July 2020 and is managing the strategic review and capital re-structure process and the capital raising initiatives that have and are being undertaken by the Company.

Strategic Review

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

The review has prioritised the the re-structure of the Company's balance sheet and discussions with debt holders and creditors have now reached the stage where the Company will be in a position to announce the outcomes of the re-structure in the coming weeks.

The second part of the review which has commenced but is not yet complete, focuses on the Company's current business model and the headwinds it has faced as a result of the impacts of the COVID-19 pandemic and its effect on the US economy and the Company's major customers as well as what now appears to be growing supply chain delays.

The Company has been in discussions with a Consulting Group who have shown an interest in the Connected IO business and is in active discussions with this group on some form of formal engagement to assist in the review and assist in developing a complimentary business plan/model that leverages off the Company's technology and products. The Board is endeavouring to finalise an arrangement with the Consulting Group in the coming weeks once the re-structure of the balance sheet and debt is finalised and announced to the market.

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.

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.



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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	423	768
1.2 Payments for		
(a) research and development	(28)	(88)
(b) product manufacturing and operating costs	(326)	(442)
(c) advertising and marketing	(6)	(12)
(d) leased assets	(11)	(28)
(e) staff costs	(244)	(644)
(f) administration and corporate costs	(286)	(458)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	11
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(478)	(893)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses		
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other: Legal settlement	-	(47)
2.6	Net cash from / (used in) investing activities	-	(47)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	571	571
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	247	397
3.6	Repayment of borrowings	-	(48)
3.7	Transaction costs related to loans and borrowings	(34)	(37)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	197	197
3.10	Net cash from / (used in) financing activities	981	1,077

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	285	710
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(478)	(893)
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 (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	981	1,077
4.5	Effect of movement in exchange rates on cash held	(30)	(89)
4.6	Cash and cash equivalents at end of period	758	758

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	758	285
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	758	285

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**

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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

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	900	800
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	1,321	1,321
7.4 Total financing facilities	2,221	2,121

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

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(478)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	758
8.3 Unused finance facilities available at quarter end (Item 7.5)	100
8.4 Total available funding (Item 8.2 + Item 8.3)	858
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.8

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: Yes

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: As outlined in this quarter's activity report, the Company is undertaking both a strategic review of its operations which includes a re-structure of the Company's balance sheet and potentially increasing its working capital. The Company is confident given the positive response to its recent underwritten entitlement issue that it will be able to raise sufficient working capital as required.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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Answer: Subject to being able to manage the ongoing impacts of the COVID-19 pandemic, the Company expects to be able to continue its operations in the Internet of Things (IOT) space. The Company is undertaking a strategic review of its existing business plan and intends to make changes to that plan (subject to the outcome of the review) to ensure its long terms business objectives can be met.

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 April 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.