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31 July 2020

ASX Announcement / Media Release

Quarterly Activities Report
for the Quarter Ending 30 June 2020

HIGHLIGHTS

- **Connected IO delivers break-even operating result for the quarter despite the impact of COVID-19 on sales**
- **Software upgrades designed to capitalize on 'work from home' space implemented during the quarter**
- **Successful acquisition of additional customers in vertical market opportunities**
- **Significant reduction in operating expenses during the quarter**

Connected IO Limited ("CIO" or the "Company") is pleased to announce it achieved 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 during the quarter. This result was achieved through a combination of inventory management, workforce restructuring and the receipt of a fully forgivable loan from the United States Federal government.

The Company's software 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 70% reduction of legacy inventory levels quarter over quarter.

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.

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The Company has focused its efforts on a significant reduction in operating and administrative expenses in the current quarter. Staff costs have been reduced by 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 annualized 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.

This quarter's revenues 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 work-place. 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.

Loan Repayment and Extension of Convertible Notes

During the quarter, the Company repaid in full the outstanding balance of USD $30,448 in respect of the Cozi Capital funding facility. In addition, 20 of the 23 convertible noteholders have agreed to extend their facilities for a further 12 month period, equating to $1,171,000 of the total $1,321,000 face value of all the convertible notes. The extension means that the Company will not be obligated to repay the face value of these convertible notes before 30 June 2021. The status of the remaining unextended convertible noteholders are still subject to ongoing negotiations with the Company.

Quarterly Cash Flow Summary

At the end of the quarter the Company held cash of $710,000. The Company received $448,000 from customers and $254,000 in US Federal Government loan funds. Operating cash outflows for the quarter were mainly associated with product manufacturing and operating costs ($142,000), staff costs ($270,000) and administration and corporate costs ($132,000). The related party payments reported in Item 6.1 of the Appendix 4C relate to executive director remuneration ($29,000) paid during the period.

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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.



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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Connected IO Ltd	
ABN	**Quarter ended ("current quarter")**
99 009 076 233	30 June 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	448	3,917
1.2	Payments for		
	(a) research and development	(57)	(271)
	(b) product manufacturing and operating costs	(142)	(2,694)
	(c) advertising and marketing	(2)	(32)
	(d) leased assets	(18)	(77)
	(e) staff costs	(270)	(1,427)
	(f) administration and corporate costs	(132)	(792)
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		
1.7	Government grants and tax incentives	254	254
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**81**	**(1,122)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(2)	(2)
	(d) investments		
	(e) intellectual property	(15)	(15)
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 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		181
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(17)**	**164**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		1,250
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		(12)
3.5	Proceeds from borrowings		770
3.6	Repayment of borrowings	(134)	(758)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**(134)**	**1,250**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	795	436
4.2	Net cash from / (used in) operating activities (item 1.9 above)	81	(1,122)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	164

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(134)	1,250
4.5	Effect of movement in exchange rates on cash held	(15)	(18)
4.6	**Cash and cash equivalents at end of period**	**710**	**710**

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	710	795
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)**	**710**	**795**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(29)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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

6.1 Managing Director's fees for April & May ($29,159.72)

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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	176	0
7.2	Credit standby arrangements	700	450
7.3	Other (please specify)	1,321	1,321
7.4	**Total financing facilities**	2,197	1,771

7.5	**Unused financing facilities available at quarter end**	426

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 funding facility - outstanding balance paid in full as of May 31, 2020
The lender released security over the assets of CIO Technology, Inc.

7.2 Tyche Line of Credit with interest payable at 5% on funds drawn and payable quarterly. Additional interest of 1% per month on any amount that is outstanding beyond 90 days from the initial drawdown.

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)	81
8.2	Cash and cash equivalents at quarter end (Item 4.6)	710
8.3	Unused finance facilities available at quarter end (Item 7.5)	426
8.4	Total available funding (Item 8.2 + Item 8.3)	1,136
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	N/A

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:

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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.

31 July 2020

Date: .....

Yakov Temov

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.

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