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30 October 2020

ASX Announcement / Media Release

# Quarterly Activities Report
## for the Quarter Ending 30 September 2020

- **COVID-19 continues to adversely impact US economy**
- **Connected IO secured nearly $400K AUD in Purchase Orders**
- **SaaS sales to start in Q2 FY2021**
- **Frontier Communications approved Connected IO's mobile back-up solution for deployment in 2021**
- **A strategic review has been commenced to explore the development of compatible Internet of Things businesses and markets outside of the USA**

The US economy continues to be adversely impacted by the COVID-19 pandemic. Connected IO's revenues have decreased due to its major customers being in a holding pattern awaiting the recovery of certain parts of the economy. In addition, Cash Receipts have been impacted by $100K AUD in receivable invoices that were due in September but not paid until October and therefore not included in Cash Receipts for Q1 FY2021.

During the quarter, the Company secured nearly $400K AUD in Purchase Orders, which is likely a result of pent up demand for CIO's product that the Company expects to continue increasing over the next 6 months.

During the quarter, Connected IO entered into an agreement with Grande Communications and its parent company RCN Corporation to begin offering SIM based mobile back-up solution to Grande's cable customers. The mobile back-up solution will be billed as a monthly subscription with a 1-year or 2-year service agreement. Grande and Connected IO are currently working with several other cable operators and internet service providers on similar offerings and expect to begin field trials with at least two of them in Q3 FY2021.

The Company was approved by Frontier Communications to offer SIM based mobile back-up solution to Frontier's 3.8 million broadband customers. This program is to begin in Q3 FY2021 and will be billed as a monthly subscription with a 1-year or 2-year service agreement. It is proposed that Connected IO will drop-ship the devices directly to Frontier's customers.

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With the ongoing uncertainty around the continuing impact of the COVID-19 pandemic on the US economy and in particular key CIO customers, the board has commenced a strategic review to investigate opportunities to develop compatible Internet of Things businesses and markets outside of the USA.

**Quarterly Cash Flow Summary**

At the end of the quarter the Company held cash of $229,000, with $195,000 received from customers. Operating cash outflows for the quarter were mainly associated with product manufacturing and operating costs ($110,000), staff costs ($205,000) and administration and corporate costs ($135,000). The related party payments reported in Item 6.1 of the Appendix 4C relate to executive director remuneration ($40,000) paid during the period.

**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

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**Name of entity**

Connected IO Ltd

| **ABN** | **Quarter ended ("current quarter")** |
|---|---|
| 99 009 076 233 | 30 September 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 195 | 195 |
| 1.2 | Payments for | | |
| | (a) research and development | (60) | (60) |
| | (b) product manufacturing and operating costs | (110) | (110) |
| | (c) advertising and marketing | (3) | (3) |
| | (d) leased assets | (17) | (17) |
| | (e) staff costs | (205) | (205) |
| | (f) administration and corporate costs | (135) | (135) |
| 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 | 11 |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| **1.9** | **Net cash from / (used in) operating activities** | **(324)** | **(324)** |

| | | | |
|---|---|---|---|
| **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 | - | - |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 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) | (47) |
| **2.6** | **Net cash from / (used in) investing activities** | **(47)** | **(47)** |

| **3.** | **Cash flows from financing activities** | | |
|---|---|---|---|
| 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) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | (48) | (48) |
| 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** | **(51)** | **(51)** |

| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
|---|---|---|---|
| 4.1 | Cash and cash equivalents at beginning of period | 710 | 710 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (324) | (324) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (47) | (47) |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (51) | (51) |
| 4.5 | Effect of movement in exchange rates on cash held | (59) | (59) |
| **4.6** | **Cash and cash equivalents at end of period** | **229** | **229** |

| 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 | 229 | 710 |
| 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)** | **229** | **710** |

| 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 | (40) |
| 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

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*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 | 600 | 400 |
| 7.3 | Other (please specify) | 1,321 | 1,321 |
| 7.4 | **Total financing facilities** | **2,097** | **1,721** |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | 376 |

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 – zero balance due

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.

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (324) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 229 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | 376 |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 605 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | **1.9** |

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. COVID-19 continues to adversely impact the US economy. Connected IO's revenues have decreased due to its major customers being in a holding pattern awaiting the recovery of certain parts of the economy.

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: Yes. The Company is currently reviewing its fundraising options to determine what is in the best interests of the Company to further fund and develop its business units.

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: Yes. The Company believes that the activities detailed in item 2 above will enable it to meet its business objectives.

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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.

30 October 2020

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.

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