

Results for announcement to market

Key Information	2021 \$	2020 \$	% Change
Revenue from ordinary activities	1,196,657	3,817,964	(68.66%)
Loss after tax from ordinary activities attributable to members	(5,802,731)	(2,392,816)	142.51%
Loss attributable to members	(5,802,731)	(2,392,816)	142.51%

Commentary on Results for the Period

Operational Review

Connected IO ("CIO" or the "Company") revenues from ordinary activities significantly reduced from \$3.8m for FY2020 to \$1.2m for FY2021, representing a 69% decrease which was primarily associated with the COVID-19 business interruptions and restrictions in the United States experienced throughout the FY21 financial year.

The net loss for the Company for the year ended 30 June 2021 was \$5,802,731, after providing for share based payments totalling \$1,251,272 (refer to Note 12) and impairment of goodwill on consolidation of \$2,418,610 for the year (refer to Note 5).

The Company experienced a significant reduction in sales commencing in Q4 of FY2020 directly related to the COVID-19 restrictions that were in place in the United States. This sales trend continued throughout FY2021, and the Company has yet to return to sales levels that were being achieved prior to the pandemic. The Company has focused its efforts on keeping operating and administrative expenses at a minimum in the current environment.

Additional pressures on the supply chain have also had an effect on the Company as a result of the global chip shortage. This has meant that any sales orders of significance have been difficult to fill in a timely manner and the Company is now conducting a Strategic Review which is focussed on how best to manage the timeframes associated with manufacturing and the impact that is having on the business.

Corporate Review

During the year ended 30 June 2021, the Company has undergone a major re-structure to reduce debt and raise additional capital to grow the business.

On 2 December 2020, Mr. Yakov Temov resigned as Managing Director to focus on recovery of the United States business. Additional loan funds were secured later in December of 2020 in addition to some monies from stimulus packages available to the Company.

On 19 January 2021, the Company announced a placement and entitlement offer which together raised a total of approximately \$570,000 (before costs). On 23 January 2021, Mr Dougal Ferguson (a non-executive director of the Company) was appointed Chief Executive Officer to oversee the re-structure and assist with the Strategic Review process. The Company then also initiated a Small Shareholding Sale Facility to allow shareholders who held less than a marketable parcel of shares (<\$500 in value) to sell their shares in an efficient and cost-effective manner.

Following the closing of the Small Shareholding Sale Facility process, on 28 May 2021, the Company announced a further placement, entitlement offer and debt re-structure. Some elements of the re-structure was subject to shareholder approval which was received on 30 June 2021, with the re-structure being fully implemented in July 2021.

Following the implementation of the re-structure (including a 1:10 consolidation of shares), the Company has significantly reduced its debt, including full repayment of the convertible notes, and has approximately \$3 million in cash and 317,919,465 shares on issue.

Connected IO Limited
ABN 99 009 076 233
Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2021

Key Information	2021 cents/share	2020 cents/share
Net tangible assets per share	(0.14)	(0.59)

Dividends paid and proposed – NIL



Dougal Ferguson
Director

Dated at Perth this 31st day of August 2021

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Appendix 4E – Preliminary Final Report for the Year Ended 30 June 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	Consolidated 2021 \$	Consolidated 2020 \$
Sales revenue		1,196,657	3,817,964
Cost of goods sold		(752,071)	(2,331,466)
Gross profit		444,586	1,486,498
Interest received		54	869
Other income		174	132,399
Debts forgiven	10	199,529	-
Director fees, salary and wages expense		(1,427,901)	(1,826,867)
Professional fees		(466,902)	(227,240)
Depreciation and amortisation expense		(128,776)	(119,554)
Administration expense		(640,670)	(777,869)
Interest and facility fee expenses		(112,943)	(318,524)
Impairment of goodwill	5	(2,418,610)	-
Share based payments	12	(1,251,272)	(742,528)
Loss before tax		(5,802,731)	(2,392,816)
Income tax expense		-	-
Loss for the year from continuing operations		(5,802,731)	(2,392,816)
Other comprehensive income for the year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		(159,334)	38,219
<i>Items that will not be reclassified to profit or loss</i>			
Recognition of translated foreign exchange balances on deconsolidation		-	-
Total comprehensive loss for the year		(5,962,065)	(2,354,597)
Earnings per share for loss attributable to the ordinary equity holders of the company			
		Cents	Cents
Basic and diluted loss per share from continuing operations	13	(1.63)	(1.12)
Basic and diluted loss per share from continuing and discontinued operations	13	(1.63)	(1.12)

The above should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	Consolidated 2021 \$	Consolidated 2020 \$
Current assets			
Cash and cash equivalents	1	1,550,376	713,079
Trade and other receivables	2	59,804	286,770
Inventory	3	271,949	615,050
Total current assets		1,882,129	1,614,899
Non-current assets			
Plant and equipment		11,094	18,878
Right-of-use asset	4	86,043	136,147
Goodwill	5	-	2,418,610
Other intangibles	6	43,041	138,198
Other assets		10,143	10,079
Total non-current assets		150,321	2,721,912
Total Assets		2,032,450	4,336,811
Current liabilities			
Trade and other payables	7	1,351,087	1,072,013
Lease liabilities	4	39,418	39,338
Borrowings	8	697,030	450,000
Convertible notes	9	1,321,000	1,321,000
Other payables	10	29,529	-
Total current liabilities		3,438,064	2,882,351
Non-current liabilities			
Lease liabilities	4	54,526	102,910
Other payables	10	-	253,533
Total non-current liabilities		54,526	356,443
Total Liabilities		3,492,590	3,238,794
Net assets/(liabilities)		(1,460,140)	1,098,017
Equity			
Issued capital	11	73,530,158	70,777,722
Reserves		1,995,576	1,503,438
Accumulated losses		(76,985,874)	(71,183,143)
Total Equity		(1,460,140)	1,098,017

The above should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

Consolidated	Issued Capital \$	Convertible Notes \$	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 year	-	-	-	-	(2,392,816)	(2,392,816)
Other comprehensive income for the year	-	-	-	38,219	-	38,219
Total comprehensive loss	-	-	-	38,219	(2,392,816)	(2,354,597)
Shares issued	2,015,926	-	-	-	-	2,015,926
Share issue costs	(66,000)	-	-	-	-	(66,000)
Share-based payments	-	-	142,528	-	-	142,528
Balance at 30 June 2020	70,777,722	96,456	1,223,877	183,105	(71,183,143)	1,098,017
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 year	-	-	-	-	(5,802,731)	(5,802,731)
Other comprehensive income for the year	-	-	-	(159,334)	-	(159,334)
Total comprehensive loss	-	-	-	(159,334)	(5,802,731)	(5,962,065)
Shares issued	1,786,652	-	-	-	-	1,786,652
Share issue costs	(34,216)	-	-	-	-	(34,216)
Unissued capital	1,000,000	-	-	-	-	1,000,000
Share-based payments	-	-	651,472	-	-	651,472
Balance at 30 June 2021	73,530,158	96,456	1,875,349	23,771	(76,985,874)	(1,460,140)

The above statement should be read in conjunction with the accompanying notes.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	Consolidated 2021 \$	Consolidated 2020 \$
Cash flows from operating activities			
Receipts from customers		1,308,926	3,514,172
Payments to suppliers and employees		(2,610,585)	(4,701,391)
Interest received		54	869
Finance costs		(34,100)	(116,460)
Income tax paid		(34,215)	(1,856)
Net cash used in operating activities	14(b)	(1,369,920)	(1,304,666)
Cash flows from investing activities			
Payments for plant and equipment		(1,080)	(3,940)
Payments for other intangibles		-	(64,721)
Net cash used in investing activities		(1,080)	(68,661)
Cash flows from financing activities			
Proceeds from issue of shares		1,637,048	1,250,000
Payments for share issue costs		(34,216)	-
Proceeds from borrowings		701,619	820,000
Repayment of borrowings		(54,588)	(656,705)
Payments of lease liabilities		(36,700)	(25,415)
US Federal funding assistance		(4,866)	253,533
Net cash provided by financing activities		2,208,297	1,641,413
Net change in cash and cash equivalents held		837,297	268,086
Cash and cash equivalents at beginning of the financial year		713,079	435,524
Effect of exchange rate fluctuation on cash held		-	9,469
Cash and cash equivalents at end of financial year	14(a)	1,550,376	713,079

The above should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

Status of Audit

The 30 June 2021 consolidated financial report and accompanying notes for Connected IO Limited and its controlled entities is in the process of being audited.

This preliminary final report has been prepared in accordance with the ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

Going Concern

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

For the year ended 30 June 2021 the Group recorded a loss of \$5,802,731 (2020: \$2,392,816) and had net cash outflows from operating and investing activities of \$1,371,000 (2020: \$1,373,327). At 30 June 2021, the Group had a working capital deficit of \$1,555,935 (2020: deficit of \$1,267,452).

During the 2021 financial year and immediately following the end of the 2021 financial year, the Company has been successful in re-structuring its balance sheet, cost base and debt levels. Although there is remaining uncertainty with respect to the ongoing operating environment, the ability of the Group to continue as a going concern in the short to medium terms is no longer dependent on the Company securing additional funding through debt or equity to continue to fund its operational activities.

These conditions indicate that there is no longer 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.

Therefore, 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.

Following completion of the re-structure, the Directors consider the going concern basis of preparation to be appropriate for this 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

1. Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank	1,550,376	713,079
	1,550,376	713,079

2. Trade and other receivables

	2021 \$	2020 \$
Trade receivables	1,805	115,112
Prepaid inventory	3,848	141,058
Other receivables	54,151	30,600
	59,804	286,770

Trade receivables are non-interest bearing and are generally on 30 day terms. All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

Expected credit losses

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The current expected loss rates are based on the payment profile for sales over the past 24 months before 30 June 2021 and 30 June 2020 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking factors affecting the customer's ability to settle the amount outstanding. The expected credit loss at 30 June 2021 and 2020 was nil.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments and to engage with the Group on an alternative payment arrangement, amongst other matters, are considered indicators of no reasonable expectation of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

3. Inventory

	2021 \$	2020 \$
Finished goods	271,949	615,050
	271,949	615,050

4. Leases – Right-of-use Assets and Lease Liabilities

This note provides information for leases where the Group is a leasee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated 30 June 2021 \$	Consolidated 30 June 2020 \$
Right-of-use assets		
Premises	162,527	178,039
Accumulated amortisation	(76,484)	(41,892)
	86,043	136,147
Lease liabilities		
Current	39,418	39,338
Non-current	54,526	102,910
Total lease liabilities	93,944	142,248

Reconciliation of right-of-use assets:

	Consolidated 30 June 2021 \$	Consolidated 30 June 2020 \$
Opening balance	136,147	-
Initial adoption	-	174,405
Foreign currency differences	(11,604)	4,566
Acquisitions through business combinations	-	-
Disposals	-	-
Disposals – discontinued operation	-	-
Disposals or classified as held for sale	-	-
Impairment expense	-	-
Depreciation expense	(38,500)	(42,824)
Closing balance	86,043	136,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

4. Leases – Right-of-use Assets and Lease Liabilities (continued)

Recognition of lease liabilities:

	Consolidated 30 June 2021 \$	Consolidated 30 June 2020 \$
Opening balance	142,248	-
Initial adoption	-	174,405
Foreign currency differences	(11,604)	4,566
Principal repayments	(28,945)	(25,415)
Interest expense	(7,755)	(11,308)
Disposals	-	-
Disposals – discontinued operation	-	-
Disposals or classified as held for sale	-	-
Closing balance	93,944	142,248

5. Goodwill

	2021 \$	2020 \$
Opening balance	2,418,610	2,418,610
Impairment	(2,418,610)	-
Closing balance	-	2,418,610

Goodwill represents an acquisition via a business combination.

Based on the Company's preliminary assessment of future cash flow forecasts at the cash-generating unit level, being Connected IO Inc., the Company has resolved to impair the entire carrying value of the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

6. Other intangibles

	2021 \$	2020 \$
Certifications		
Opening balance	101,140	143,300
New certifications acquired	-	16,839
Amortisation	(68,412)	(58,999)
Foreign currency differences	(9,018)	-
Closing balance	23,710	101,140
Tooling costs		
Opening balance	37,058	-
New tooling costs incurred	-	47,882
Amortisation	(14,596)	(10,824)
Foreign currency differences	(3,131)	-
Closing balance	19,331	37,058
Total other intangibles	43,041	138,198

Certifications represent costs incurred in obtaining certification that the Company'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 manufacturers' 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.

7. Trade and other payables

	2021 \$	2020 \$
Current		
Payables	-	392,832
Other payables	564,757	202,531
Accruals	546,906	166,467
Accrued interest	239,424	310,183
Closing balance	1,351,087	1,072,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

8. Borrowings

	2021 \$	2020 \$
Australia		
Loan – Tyche Investments Pty Ltd	400,000	450,000
Loan – A.C.N. 627 852 797 Pty Ltd	-	-
United States		
Loan – Unrelated Parties	297,030	-
Closing Balance	697,030	450,000
Opening Balance	450,000	286,706
Advances	701,619	820,000
Repayments – cash	(54,589)	(656,706)
Repayments – issue of shares and options post year end	(400,000)	-
Closing Balance	697,030	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. On 30 June 2021, the Company obtained shareholder approval to convert accrued interest of approximately \$107,573 into fully paid ordinary shares at \$0.02 per share. Subsequent to year end, 5,378,630 fully paid ordinary shares were issued to Tyche Investments Pty Ltd in satisfaction of the accrued interest on the loan to 31 March 2021.

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 (A.C.N.) for the provision of a loan facility to advance funds of up to \$400,000 to be used for assisting in the payment of the Company's inventory production.

The interest free loan was provided in three tranches with the final drawdown date on or around 28 February 2021.

On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to repay the loan via the issue of 200,000,000 shares and 200,000,000 options. On 30 June 2021, the Company obtained shareholder approval and subsequent to year end, issued the shares and options to A.C.N. in satisfaction of repayment of the loan.

Although the administrative process of issuing the shares and options occurred subsequent to year end, as the Company had obtained shareholder approval and the Directors had agreed to issue the shares and options to A.C.N. prior to year end, the Company had a contractual obligation and therefore the Directors have resolved to recognise the transaction in the Company's accounts for the year ended 30 June 2021. Refer to Note 12(b) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

8. Borrowings (continued)

Unrelated Parties

During the year ended 30 June 2021, the Company's wholly owned subsidiary, CIO Technology Inc., received an advance from an employee of CIO Technology Inc. for approximately USD \$150,000 and a further amount of approximately USD \$77,000 from an unrelated party. There are currently no commercial terms agreed for either advances received by the subsidiary and the advances are repayable by the subsidiary.

9. Convertible Notes

At the 2018 Annual General Meeting, shareholders approved the conversion of the Company's \$1.37m 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 \$0.003 per share.

During the year ended 30 June 2020, convertible notes with a face value of \$30,000 plus accrued interest of \$4,185 were converted into ordinary shares.

On 30 June 2021, all but three (3) convertible noteholders elected to waive their interest entitlements for the year ended 30 June 2021. As such, total interest expense recognised by the Company for the year ended 30 June 2021 was \$10,560. During the year ended 30 June 2021, accrued interest of \$149,604 was converted into 4,986,811 ordinary shares at a conversion price of \$0.03 per share and accrued interest of \$23,873 was paid in physical cash.

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 (\$0.003 per share).

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

The net proceeds received from the issue of the convertible notes have been split between the financial liability and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the Company. The convertible notes had an original maturity date of 30 June 2019 which was extended to 30 June 2020. On or about 30 June 2020, the Company again successfully extended the maturity date of the convertible notes to 30 June 2021 under a letter of amendment. On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to utilise funds raised under a share placement to repay the convertible notes on issue plus any accrued interest owing on the convertible notes. The repayment of the convertible notes and any accrued interest was subject to the Company raising the full amount prescribed by the share placement and the obtaining of shareholder approval which was granted on 30 June 2021. Subsequent to year end, the convertible notes and accrued interest was repaid in full.

The allocation between financial liability and equity has been undertaken by the Company in relation to both the issue of the convertible notes and their subsequent extensions as follows.

	2021 \$	2020 \$
<i>28 February 2019 issue of convertible notes</i>		
Proceeds of issue	1,351,000	1,351,000
Liability component at date of issue	1,325,199	1,325,199
Unwinding – interest expense	25,801	25,801
Liability component at repayment date of 30 June 2019	1,351,000	1,351,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

9. Convertible Notes (continued)

	2021 \$	2020 \$
Equity component at date of issue	25,801	25,801
<i>Extension of repayment date to 30 June 2020</i>		
Liability at date of extension	1,351,000	1,351,000
Liability component at date of extension	1,280,345	1,280,345
Equity component at date of extension	70,655	70,655
Total equity component at balance date	96,456	96,456
<i>Extension of repayment date to 30 June 2021</i>		
Liability at date of extension	1,321,000	1,321,000
Liability component at date of extension	1,321,000	1,321,000
Equity component at date of extension	-	-

As at 30 June 2021, the fair value of the outstanding convertible notes was the equivalent to its face value of \$1,321,000. Therefore there were no adjustments to the equity component of \$96,456 that was credited to equity during the year ended 30 June 2019. Total interest accrued on the convertible notes as at 30 June 2021 was \$75,990.

10. Other Payables

	2021 \$	2020 \$
Opening balance	253,533	-
Advances	-	253,533
Repayments	(4,866)	-
Partial debt forgiveness	(199,529)	-
Foreign currency differences	(19,609)	-
	29,529	253,533

The other payables of USD \$22,200 (AUD \$29,529) at 30 June 2021 (2020: USD \$174,000 (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.

During the year ended 30 June 2021, the US Department of Treasury partially forgave USD \$149,000 (AUD \$199,529) of the promissory note and the Company repaid USD \$2,800 (AUD \$4,866).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

11. Issued Capital

	2020 \$	2020 \$
Issued and paid up capital		
Ordinary shares fully paid (a)	73,530,158	70,777,722
	73,530,158	70,777,722

Movements in issued and paid up capital

	Number	Consolidated \$
(a) Ordinary fully paid shares		
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 bonus – share reward compensation (20 Dec 2019, \$0.04 per share)	150,000,000	600,000
Placement (20 Dec 2019, \$0.003 per share)	416,666,667	1,250,000
Consolidation 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
Balance as at 1 July 2020	242,957,218	70,777,722
Conversion of convertible notes accrued interest (31 Jul 2020, \$0.003 per share)	4,986,811	149,604
Placement (Stage 1) (25 Jan 2021, \$0.002 per share)	37,191,604	75,000
Rights Offer (Stage 1) (18 Feb 2021, \$0.002 per share)	128,597,018	257,194
Rights Offer – Shortfall Shares (Stage 1) (18 Feb 2021, \$0.002 per share)	31,423,381	62,847
Rights Offer – Shortfall Shares (Stage 1) (26 Feb 2021, \$0.002 per share)	87,923,630	175,847
Rights Offer (Stage 2) (28 Jun 2021, \$0.002 per share)	355,366,115	710,732
Rights Offer – Shortfall Shares (Stage 2) (29 Jun 2021, \$0.002 per share)	177,713,547	355,428
Costs directly attributable to issue of share capital	-	(34,216)
	1,066,159,324	72,530,158
Unissued capital		
Repayment of loan subject to shareholder approval ¹	200,000,000	1,000,000
Balance as at 30 June 2020	1,266,159,324	73,530,158

¹ On 30 June 2021, at a General Meeting of the Company, shareholders approved the issue of 200,000,000 shares and 200,000,000 options in satisfaction of repayment of the loan owing to A.C.N. 627 852 797 Pty Ltd which were issued subsequent to year end. Refer to Note 12(b) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

11. Issued Capital (continued)

(c) Options

As at 30 June 2021, 7,500,000 unlisted options were on issue. The options are exercisable at \$0.10 and expire on 20 December 2022.

On 30 June 2021, at a General Meeting of the Company, shareholders approved the issue of 200,000,000 shares and 200,000,000 options in satisfaction of repayment of the loan owing to A.C.N. 627 852 797 Pty Ltd which were issued subsequent to year end. The options are exercisable at \$0.003 and expire on 1 July 2024. Refer to Note 12(b) for further details.

(d) Performance Rights

	Number	Consolidated \$
Balance as at 1 July 2019	-	-
Additions during the year	200,000,000	142,528
Consolidation on a 1:10 basis	(180,000,000)	-
Balance as at 30 June 2020	20,000,000	142,528
Balance as at 1 July 2020	20,000,000	142,528
Additions during the year	-	-
Reversal of expense previously recognised	-	(142,528)
Balance as at 30 June 2021	20,000,000	-

As at 30 June 2021, 10,000,000 Class A Performance Rights and 10,000,000 Class B Performance Rights were on issue, which were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company. Refer to Note 12(a) for further details.

12. Share Based Payments

During the year ended 30 June 2021, the following transactions were recognised as share based payments by the Group:

	Value \$
Performance incentive (Note 12(a))	(142,528)
Loan repayment (Note 12(b))	1,393,800
	<u>1,251,272</u>

- (a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

12. Share Based Payments (continued)

The total fair value of the rights granted to Mr Temov was \$800,000 based on the Company's closing share price of \$0.04 as at the date of the Company's 2019 Annual General Meeting. Based on the vesting conditions of the rights, \$142,528 was recognised as a share based payment for the period of 27 November 2019, being the date that the rights were granted, to 30 June 2020.

During the year ended 30 June 2021, 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.

	Class A Performance Rights	Class B Performance Rights	Total
Number Issued	10,000,000	10,000,000	
Grant Date	27 November 2019	27 November 2019	
Expected Vesting Date	31 December 2022	31 December 2023	
Vesting Period (days)	1,130	1,495	
Value per Right	\$0.04	\$0.04	
Total Value of Rights	\$400,000	\$400,000	\$800,000
Amount Expensed in Prior Year	\$81,173	\$61,355	\$142,528
Amount Reversed in Current Year	(\$81,173)	(\$61,355)	(\$142,528)

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

The interest free loan was provided in three tranches with the final drawdown date on or around 28 February 2021.

On 28 May 2021, the Company issued a Notice of General Meeting seeking shareholder approval to repay the loan via the issue of 200,000,000 shares and 200,000,000 options. On 30 June 2021, the Company obtained shareholder approval and subsequent to year end, issued the shares and options to A.C.N. in satisfaction of repayment of the loan.

Although the administrative process of issuing the shares and options occurred subsequent to year end, as the Company had obtained shareholder approval and the Directors had agreed to issue the shares and options to A.C.N. prior to year end, the Company had a contractual obligation and therefore the Directors have resolved to recognise the transaction in the Company's accounts for the year ended 30 June 2021.

The total fair value of the shares and options granted to A.C.N. was \$1,794,000 of which \$1,000,000 and \$794,000 represented the fair value of the shares and options granted respectively.

The fair value of the equity-settled shares granted is based on the Company's closing share price of \$0.005 as at the date of the Company's General Meeting. The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black-Scholes option valuation model taking into account the terms and conditions upon which the options were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

12. Share Based Payments (continued)

Weighted average exercise price	\$0.003
Weighted average life of the options	3.01 years
Weighted average underlying share price	\$0.005
Expected share price volatility	127%
Risk-free interest rate	0.20%
Grant date	30 June 2021
Expiry date	1 July 2024
Value per option	\$0.00397

The following table summarises the equity-settled securities issued in lieu of repayment of the loan to A.C.N.:

	Shares	Options	Total
Number Issued	200,000,000	200,000,000	
Grant Date	30 June 2021	30 June 2021	
Issue Date	26 July 2021	27 July 2021	
Value per Security	\$0.005	\$0.00397	
Total Value of Securities	\$1,000,000	\$794,000	\$1,794,000
Less: Carrying Value of Loan			(\$400,000)
Less: Issue Price of Options			(\$200)
Total Share Based Payment			<u>\$1,393,800</u>

13. Earnings per Share

	2021 Cents	2020 Cents
Basic and diluted loss per share from continuing from operations	(1.63)	(1.12)

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

	2021 \$	2020 \$
Net loss from continuing operations	(5,802,731)	(2,392,816)

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	355,845,864	213,445,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

14. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2021 \$	2020 \$
Cash at bank	1,550,376	713,079
	1,550,376	713,079

(b) Reconciliation of loss for the year to net cash flows from operating activities

	2021 \$	2020 \$
Loss after income tax	(5,802,731)	(2,392,816)
Non-cash items:		
Depreciation and amortisation expense	128,776	119,554
Share based payments	1,251,272 ¹	874,269
Impairment of goodwill	2,418,610 ²	-
Debt forgiven	(199,529) ³	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	238,159	93,224
(Increase)/decrease in inventory	343,101	(349,757)
(Increase)/decrease in other assets	(63)	13,045
(Decrease)/increase in trade and other payables	252,485	337,815
	(1,369,920)	(1,304,666)

¹ Refer to Note 12(b)

² Refer to Note 5

³ Refer to Note 10

15. Investments

The consolidated financial statements include financial statements of Connected IO Limited and the following subsidiaries:

Name	Country of Incorporation	% Equity Interest	
		2021	2020
CIO Technology, Inc	Texas, USA	100%	100%

Connected IO Limited is the ultimate Australian parent entity and ultimate parent of the Group. Balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2021

16. Subsequent events

- (a) On 8 July 2021, following shareholder approval granted at the General Meeting held on 30 June 2021, the Company completed a consolidation of its issued capital on the basis that every ten (10) shares be consolidated into one (1) share. The total shares on issue post consolidation was 1,066,159,324.
- (b) On 26 and 27 July 2021, following shareholder approval granted at the General Meeting on 30 June 2021, the Company successfully completed the restructuring of its debts through the issue of the following securities, on a post consolidation basis:
- 20,000,000 shares at a deemed issue price of \$0.02 per share and 20,000,000 options to A.C.N. 627 852 797 Pty Ltd in lieu of repayment of \$400,000 advanced to the Company. The options are exercisable at \$0.03 per share and expire on 1 July 2024. The financial effect of this transaction has been brought to account as at 30 June 2021 (refer to Note 12(b));
 - 5,378,630 shares to Tyche Investments Pty Ltd at an issue price of \$0.02 per share in lieu of repayment of accrued interest of approximately \$107,573;
 - 10,925,000 shares to Directors at an issue price of \$0.02 per share in lieu of outstanding director and company secretarial fees accrued of approximately \$218,500; and
 - 9,000,000 options, exercisable at \$0.03 per share and expiring 1 July 2024, in relation to services provided by each Director to the Company. The options are subject to a vesting period of 12 months.
- (c) In July and August 2021, the Company successfully completed a capital raising of approximately \$3.5 million (before costs) through the issue of 175,000,000 shares, on a post consolidation basis, at an issue price of \$0.02 per share to sophisticated and institutional investors. In addition, 42,000,000 options, exercisable at \$0.03 per share and expiring 1 July 2024, were issued in relation to the underwriting of the rights issue and placement.
- (d) Subsequent to the Company's successful capital raising, the Company repaid approximately \$1.3 million of convertible notes that matured on 30 June 2021 plus any accrued interest.