

ASX ANNOUNCEMENT

First quarter update and cashflow

Highlights:

- 253k in cash receipts for the quarter
- \$1.495m in cash held at end of quarter

28 October 2021 – IoT solutions company, Constellations Technologies Limited (ASX: CT1) (the “Company” or “Group”) is pleased to provide a summary update on its activities for the quarter ended 30 September 2021.

Sales

Cash receipts from customers continue to be received inline with existing contracts and milestone obligations. Cash receipts for the quarter remained consistent with the previous quarter at \$253k.

Although the Company has a strong sales pipeline for its products, the impact of prolonged COVID-19 lockdowns across Australia over the past quarter has impacted new sales growth.

The Company has however continued to see an increase in interest for its existing product line from a variety of customers in the following industry sectors:

- Abattoirs & food processing centres
- Structural engineering
- Pharmaceutical cold chain
- Agricultural monitoring
- Facilities management
- Disaster management

The Company is undertaking trials in these industries or has signed contracts that are not material in nature.

The Company has also received interest from customers to develop opportunities for the use of its MeridianCT Platform in the following sectors:

- Energy monitoring & management
- Water & utility management
- Infrastructure monitoring and training

This highlights the range of interest in use of the Company's products and services.

Expenditure & financing activities

During the quarter, the Company commenced cost reduction initiatives which saw the reduction in its Australian and Indian staff and reduced expenditure on research and development activities. As a result of these activities and the payout of FY21 payroll, contractor and supplier payments, operating costs for the quarter were approximately 36% above the June quarter. It is envisaged that operating costs will materially decrease in future quarters.

Related party cash payments for the quarter were \$181k and consist of salary related payments for CEO, Kartheek Munigoti; director's fees to the Company's two non-executive directors and office rental and legal fees paid to entities associated with the Chairman. The fees also include a termination payment of \$91k to exiting CEO, Adam Gallagher in line with the Company's contractual obligations.

Although the Appendix 4C states that the Company has less than two quarters of cash reserves, the Company received a \$140k R&D tax rebate in October and this coupled with cost cutting initiatives in place, believes its cash reserves will extend beyond this. The Company also believes that it has the ability to raise further cash funds from investors should it be required.

The board thanks all shareholders for their continued support and interest in the Company.

Authorised for release by the Board of Constellation Technologies Limited.

For further information please contact: enquiries@ct1limited.com

About Constellation Technologies

Constellation Technologies Limited (ASX: CT1) is a publicly listed IoT and Digital Solutions company with an international client portfolio innovating, deploying and supporting applications across multiple industry verticals. CT1 designs, engineers, builds and integrates systems, combining comprehensive software expertise with custom hardware development and production to drive deep-value from data enabling continued digitisation of industry, companies and communities. CT1 is based in Australia with wholly-owned subsidiaries in India and China.

Appendix 4C

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

Name of entity

Constellation Technologies Limited

ABN

58 009 213 754

Quarter ended ("current quarter")

30 September 2021

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	254	254
1.2 Payments for		
(a) research and development	(296)	(296)
(b) product manufacturing and operating costs	(232)	(232)
(c) advertising and marketing	(17)	(17)
(d) leased assets	-	-
(e) staff costs	(641)	(641)
(f) administration and corporate costs	(170)	(170)
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	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,102)	(1,102)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	-	-
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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,598	2,598
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,102)	(1,102)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,496	1,496

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	1,496	1,496
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)	1,496	1,496

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	(181)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,102)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,496
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,496
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.35
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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?	
<div style="border: 1px solid black; padding: 5px;"> Answer: Net operating cash flows are expected to decrease significantly in future quarters due to cost cutting initiatives & reduction of expenditure on Research & Development activities, both of which were implemented in the previous quarter. </div>	
8.6.2 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?	
<div style="border: 1px solid black; padding: 5px;"> Answer: The Company has commenced discussions with external parties and/or investors to raise additional cash funds. The Company believes that it can successfully obtain a cash injection due to its recent sales activities. </div>	

8.6.3 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 its significant reduction in operational expenditure will enable it to continue to meet its current operational commitments and business objectives. It has also taken steps to increase its cash flow injection as described in 8.6.2 above and through R&D cash incentives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

28 October 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.