

31 January 2022

ASX Announcement / Media Release

## **Quarterly Activities Report** for the Quarter Ending 31 December 2021

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- **Strategic Review completed during the quarter with decision to dispose of loss making US business completed following the end of the quarter**
- **Sales revenues for the quarter ended 31 December 2021 remain significantly down over pre COVID-19 levels**
- **Following the disposal of the US business, the Company retains exclusive Intellectual Property rights in all jurisdictions other than North America**
- **Roll out of Australasia focussed business commenced with appointment of experienced consultant and signing of initial contract for IoT services**

### **Business Overview**

Sales receipts for the quarter ending 31 December 2021 were approximately \$319,000, down \$137,000 from the last quarter and still well down from pre COVID-19 levels.

The strategic review (**Review**) was concluded during the quarter and included a full assessment of the Company's US business unit, including the challenges that continue to be faced due to ongoing international travel and supply restrictions and it was determined the best outcome for shareholders was to dispose of what was primarily a loss making device distribution business.

Subsequent to the end of the quarter, the Company finalised the disposal following receipt of shareholder approval on 6 January 2022. The sale was completed on 10 January 2022.

The Review also identified several unmet Internet of Things (**IoT**) device use cases and IoT service provider organisations which the Company intends to target to develop new revenue streams initially in Australia, then expanding into Southeast Asia and potentially Europe. These include the traditional IoT industrial router markets, but with a focus on new markets such as Smart Cities applications and the Video Gaming Market which are both fast-developing markets.

The Company now intends to focus on these growth markets, initially in the Australasian region.

## Financial and Corporate

At the end of the quarter the Company held cash of approximately \$2.69 million.

Operating cash outflows for the quarter were associated with product manufacturing and operating costs (\$180,000), staff costs (\$152,000) and administration and corporate costs (\$246,000). The majority of revenues and costs are associated with the US business which has now been disposed of.

Related party payments reported in Item 6.1 of the Appendix 4C of \$54,000 represent directors fees and management fees paid during the quarter.

On 10 January 2022, the Company announced it had completed the disposal of the US business unit which will significantly reduce the cost base of the Company for the quarter ended 31 March 2022 and is expected to significantly reduce the cash drain on the Company going forward with more ability to enact cost control as the new business rollout is enacted.

## Disposal of CIO Technology, Inc.

The disposal of the US business was undertaken via the sale of the Company's US operating subsidiary, CIO Technology Inc. (**CIO Tech**) to the Company's previous Chief Executive Officer, Mr. Yakov Temov.

Mr. Temov acquired CIO Tech on a walk in walk out basis with an amount of \$400,000 payable to the Company from CIO Tech as at the date of settlement. This loan is backed by a personal guarantee from Mr. Temov and subsequent to the end of the quarter, Mr. Temov repaid approximately \$94,000 of this loan. The balance of the loan is due and payable by Mr. Temov on or before 30 June 2022.

## New Business Focus

During the quarter, the Company engaged a suitably qualified Australian based consultant to further develop an Australasian focussed business utilising the Company's existing intellectual property (**IP**) and content management software (**CMS**). The initial engagement will focus on rolling out the existing product suite into the new markets identified and developing a detailed strategy to deliver services into the Video Gaming market. This process is well underway and has so far delivered a small contract with an ASX listed company which is in the early stages of investigating the suitability of the Company's CMS for its own business operations.

In addition to the above strategy, the Company has an ongoing agreement with Splendor Limited, a Southeast Asia consultancy group, to develop a Growth Plan for the Company, on the terms outlined in recent quarterly activities reports of the Company.

At this stage, the Company is primarily seeking to grow its business in these new markets organically rather than through any major acquisitions and the Board has allocated the resources to achieve that. However, the Board remains open to new acquisitions that are complimentary to the existing business and can be appropriately funded.

As disclosed in previous quarters, the Company executed an agreement with Splendor Limited (**Splendor**) to assist the Company in completing its Review of the business and assist in the development of a Growth Plan, initially focussed on the Southeast Asian markets utilising the

Company's existing products and intellectual property. With the Review now formally completed, Splendor has elected to take its fee in shares (as disclosed in previous quarterly reports) and the Company will issue of 2.5 million shares in the Company as consideration for undertaking the Review

The next stage of the engagement with Splendor is the development of a Growth Plan (in consultation with the Company). The terms of the agreement with Splendor have been disclosed in recent quarterly reports.

The Company has not yet agreed a Growth Plan but the with the completion of the Review and disposal of the US business, this process has gained momentum and the Company is actively engaged with representatives of Splendor to deliver a Growth Plan in the short to medium term.

*For further information regarding this announcement please contact Dougal Ferguson, Chief Executive Officer 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

**Name of entity**

Connected IO Ltd

**ABN**

99 009 076 233

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	319	775
1.2 Payments for		
(a) research and development	(4)	(10)
(b) product manufacturing and operating costs	(180)	(437)
(c) advertising and marketing	(1)	(3)
(d) leased assets	(1)	(3)
(e) staff costs	(152)	(346)
(f) administration and corporate costs	(246)	(649)
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(265)</b>	<b>(673)</b>
<b>2. Cash flows from investing activities</b>		
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 (6 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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,500
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	-	(1,396)
3.7	Transaction costs related to loans and borrowings	-	(301)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,803</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,955	1,560
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(265)	(673)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,803
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,690</b>	<b>2,690</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	689	955
5.2	Call deposits	2,001	2,000
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,690</b>	<b>2,955</b>

**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

<b>Current quarter \$A'000</b>
(54)
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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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## Quarterly cash flow report for entities subject to Listing Rule 4.7B

**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	400	400
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>400</b>	<b>400</b>

7.5 **Unused financing facilities available at quarter end** 0

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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(265)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,690
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,690
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>10.15</b>

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:

## 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 January 2022

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.