

APPENDIX 4D

Interim Report for the half-year ended 31 December 2021

1. Name of entity

CONNECTED IO LIMITED

ABN	Reporting Period	Previous Corresponding Period
99 009 076 233	Half-year ended 31 December 2021	Half-year ended 31 December 2020

2. Results for Announcement to the Market

	Change	31 Dec 2021 \$A	31 Dec 2020 \$A
Revenues from ordinary activities	Up 163%	758,974	288,845
Net loss for the period attributable to members	Up 21%	(1,184,912)	(981,087)
Loss from ordinary activities after tax attributable to members	Up 21%	(1,184,912)	(981,087)
Final and interim dividends		It is not proposed that either a final or interim dividend be paid.	
Record date for determining entitlements to the dividend		N/A	
Brief explanation of any of the figures reported above		Revenue has increased however remains significantly down compared to pre-COVID-19 levels. Net loss in the current period includes share based payments of \$670,000.	

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share	0.53 cents	(1.00) cents

4. Control gained over entities

<p>Details of entities over which control has been gained or lost (<i>item 4</i>)</p>	<p>Establishment of Connected IO (Asia) Pty Ltd on 17 September 2021. All issued capital held by Connected IO Limited.</p> <p>Establishment of Connected IO (USA) LLC on 27 September 2021. All issued capital held by Connected IO Limited.</p>
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5. Dividends paid and payable

<p>Details of dividends or distribution payments (<i>item 5</i>)</p>	<p>No dividends or distributions are payable.</p>
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6. Dividend reinvestment plans

<p>Details of dividend or distribution reinvestment plans (<i>item 6</i>)</p>	<p>There is no dividend reinvestment program in operation for Connected IO Limited.</p>
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7. Details of associates

<p>Details of associates and joint venture entities (<i>item 7</i>)</p>	<p>N/A</p>
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8. Foreign entities

<p>Foreign entities to disclose which accounting standards are used in compiling the report (<i>item 8</i>)</p>	<p>N/A</p>
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9. Review Opinion

<p>Details of any audit dispute or qualification (<i>item 9</i>)</p> <p>None</p>
<p>For description of the modified opinion, refer to auditor's review report.</p> <p>N/A</p>

Connected IO Limited

ABN 99 009 076 233

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2021

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CORPORATE INFORMATION

Directors

Dougal Ferguson (*Managing Director and Chief Executive Officer*)
Adam Sierakowski (*Non-Executive Chairman*)
Davide Bosio (*Non-Executive Director*)

Company Secretary

Simon Whybrow

Registered & Principal Office

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PERTH WA 6000

Auditors

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Solicitors

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PERTH WA 6000

Bankers

National Australia Bank
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PERTH WA 6000

Stock Exchange Listing

Connected IO Limited
ASX Code: CIO

Contact Information

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Web Site

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Directors' report

The directors of Connected IO Limited (“**the Company or CIO**”) and its controlled entities (“**the Group**”) submit herewith the consolidated Interim Financial Report for the half-year ended 31 December 2021.

Directors

The following persons acted as Directors of the Company during or since the end of the half-year. These Directors were in office for the entire period unless otherwise stated:

Dougal Ferguson (*Managing Director and Chief Executive Officer*)

Adam Sierakowski (*Non-Executive Chairman*)

Davide Bosio (*Non-Executive Director*)

Principal Activities

During the period, the Group's principal activity was the development and commercialisation of next generation wireless technology products.

Operating Results

The loss after tax for the half-year ended 31 December 2021 was \$1,184,912 (2020 loss: \$981,087). This result includes a full six months result of the loss making US business which was subsequently disposed of on 10 January 2022.

Review of Operations

During the half-year period, the Company completed a significant re-structure of both its business and its balance sheet. The financial re-structure resulted in the Company raising \$3.5 million in new capital and significantly reducing its creditors and debt whilst the business re-structure ultimately resulted in the Company agreeing to sell its US business operations to the previous Chief Executive Officer, Mr. Yakov Temov.

The sale of the US business was subject to shareholder approval which was received on 6 January 2022 and was completed shortly thereafter (refer to the next section for more details). The US business which had been loss generating for many years, was sold on a walk in walk out basis with a loan amount of \$400,000 payable to the Company as at the date of settlement. This loan is backed by a personal guarantee from Mr. Temov and subsequent to the end of the half-year period, Mr. Temov has 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.

The sale of the US business was the resulting recommendation of the strategic review that the Company had commenced in early 2021. In addition to that recommendation, the strategic review also identified several unmet Internet of Things (IoT) markets 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 subsequently 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). This process has progressed 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. Further new business opportunities continue to be explored.

Directors' report

Review of Operations (continued)

During the half-year period, the Company completed a placement to raise approximately \$3.5 million (before costs) and converted approximately \$0.7 million in other debt into equity. The Company also completed a consolidation of its securities on a 1:10 basis and as at 31 December 2021, has approximately 318 million shares on issue with 750,000 options and 71 million options on issue exercisable at \$1.00 and \$0.03 per share on or before 22 December 2022 and 30 June 2024 respectively.

There have been no changes to management or the Board during the half-year period.

Events occurring after the reporting date

On 10 January 2022, following shareholder approval received at its 2021 Annual General Meeting held on 6 January 2022, the Company announced that it had successfully completed the sale of CIO Technology, Inc. for a consideration of \$1 and assumption of a \$400,000 loan owed by CIO Technology, Inc. to Connected IO Limited.

There has been no other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide Directors of the Company with an Independence Declaration in relation to the review of the Interim Financial Report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 31 December 2021.

Signed in accordance with a resolution of the Board of Directors made pursuant to S306(3) of the Corporations Act 2001.



Dougal Ferguson
Director

Signed at Perth on this 28th day of February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Connected IO Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
28 February 2022



B G McVeigh
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
 for the half-year ended 31 December 2021**

	Note	Consolidated half-year ended 31 Dec 2021 \$	Consolidated half-year ended 31 Dec 2020 \$
Sales revenue	2	758,974	288,845
Cost of goods sold		(603,790)	(181,729)
Gross profit		155,184	107,116
Interest revenue		884	25
Debts forgiven	5	204,027	-
Director fees, salaries and wages expense		(530,618)	(703,893)
Share based payments	9	(670,206)	142,528
Professional fees		(114,622)	(78,450)
Depreciation and amortisation		(56,057)	(58,550)
Interest and facility fee expenses		(11,497)	(88,268)
Administration expenses		(162,007)	(301,595)
Loss before income tax		(1,184,912)	(981,087)
Income tax expense		-	-
Loss for the period		(1,184,912)	(981,087)
Other comprehensive income for the period, net of tax <i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		6,381	(84,777)
Other comprehensive income/(loss) for the period, net of tax		6,381	(84,777)
Total comprehensive loss for the period		(1,178,531)	(1,065,864)
Basic loss per share (basic and diluted) (cents per share)	8	(0.41)	(3.96)

The accompanying notes form part of these financial statements

**Condensed Consolidated Statement of Financial Position
as at 31 December 2021**

	Note	Consolidated 31 Dec 2021 \$	Consolidated 30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		2,583,834	1,550,376
Trade and other receivables		15,452	140,171
Inventory		-	331,709
Assets as held for sale	6	824,264	-
Total Current Assets		3,423,550	2,022,256
NON-CURRENT ASSETS			
Plant and equipment		-	11,094
Other assets		-	10,143
Total Non-Current Assets		-	21,237
Total Assets		3,423,550	2,043,493
CURRENT LIABILITIES			
Trade and other payables		65,558	1,251,885
Lease liabilities		-	39,418
Borrowings	3	400,000	498,397
Convertible notes	4	-	1,321,000
Other payables	5	-	29,529
Liabilities associated with assets as held for sale	6	1,263,489	-
Total Current Liabilities		1,729,047	3,140,229
NON-CURRENT LIABILITIES			
Lease liabilities		-	54,526
Other payables	5	-	198,633
Total Non-Current Liabilities		-	253,159
Total Liabilities		1,729,047	3,393,388
Net Assets		1,694,503	(1,349,895)
EQUITY			
Issued capital	7	76,204,004	73,530,158
Reserves		3,551,296	1,995,832
Accumulated losses		(78,060,797)	(76,875,885)
Total Equity		1,694,503	(1,349,895)

The accompanying notes form part of these financial statements

**Condensed Consolidated Statement of Changes in Equity
 for the half-year ended 31 December 2021**

Consolidated	Issued Capital \$	Convertible Notes Reserve \$	Share-Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
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 period	-	-	-	-	(981,087)	(981,087)
Other comprehensive income, net of tax	-	-	-	(84,777)	-	(84,777)
Total comprehensive loss	-	-	-	(84,777)	(981,087)	(1,065,864)
Shares issued	149,604	-	-	-	-	149,604
Share issue costs	-	-	-	-	-	-
Share based payments (refer Note 9)	-	-	(142,528)	-	-	(142,528)
Balance at 31 December 2020	70,927,326	96,456	1,081,349	98,328	(72,164,230)	39,229
Balance at 1 July 2021	73,530,158	96,456	1,876,349	23,027	(76,875,885)	(1,349,895)
Net loss for the period	-	-	-	-	(1,184,912)	(1,184,912)
Other comprehensive income, net of tax	-	-	-	6,381	-	6,381
Total comprehensive loss	-	-	-	6,381	(1,184,912)	(1,178,531)
Shares issued (refer Note 7(a))	4,315,182	-	-	-	-	4,315,182
Share issue costs	(1,641,336)	-	-	-	-	(1,641,336)
Share based payments (refer Note 9(a) and Note 9(d))	-	-	1,549,083	-	-	1,549,083
Balance at 31 December 2021	76,204,004	96,456	3,425,432	29,408	(78,060,797)	1,694,503

The accompanying notes form part of these financial statements

**Condensed Consolidated Statement of Cash Flows
 for the half-year ended 31 December 2021**

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated half-year ended 31 Dec 2020 \$
Cash flows from operating activities		
Receipts from customers	541,381	375,750
Payments to suppliers and employees	(1,496,654)	(1,091,129)
Interest received	884	25
Interest paid	(78,975)	(4,335)
Net cash outflows from operating activities	(1,033,364)	(719,689)
Cash flows from investing activities		
Payments for plant and equipment	(3,370)	(1,054)
Net cash outflows from investing activities	(3,370)	(1,054)
Cash flows from financing activities		
Proceeds from share issue	3,500,621	-
Payments for share issue costs	(273,970)	-
Proceeds from borrowings	688,947	150,000
Repayment of borrowings	(133,954)	(50,000)
Payments of lease liabilities	(16,555)	(19,009)
Repayment of convertible notes	(1,321,000)	-
Net cash inflows from financing activities	2,444,089	80,991
Net increase/(decrease) in cash and cash equivalents	1,407,355	(639,752)
Effect of movement in exchange rates on cash held	-	-
Cash reclassified as held for sale	(373,897)	-
Cash and cash equivalents at the beginning of the period	1,550,376	713,079
Cash and cash equivalents at the end of the period	2,583,834	73,327

The accompanying notes form part of these financial statements

Notes to the Condensed Consolidated Financial Statements

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

This consolidated Interim Financial Report includes the financial statements and notes of Connected IO Limited and its controlled entities. The Group is a for-profit entity and is domiciled in Australia.

These consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This consolidated Interim Financial Report does not include full disclosures of the type normally included in an Annual Financial Report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this consolidated interim financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2021 and any public announcements made by the Company and its subsidiaries during the period in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The consolidated Interim Financial Report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated Interim Financial Report is presented in Australian dollars. For the purpose of preparing the consolidated interim financial report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Notes to the Condensed Consolidated Financial Statements

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2021.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2021.

As a result of this review the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of consolidated interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

Going concern

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

For the half-year ended 31 December 2021, the Group recorded a loss of \$1,184,912 (31 December 2020: loss of \$981,087) and had net cash outflows from operating and investing activities of \$1,036,734 (31 December 2020: \$720,743). As at 31 December 2021, the Group had a working capital surplus of \$1,694,503 (30 June 2021: deficit of \$1,117,973).

Following the completion of the sale of its main loss making subsidiary in the United States and the recent re-structure of its balance sheet, the Company is in a much healthier financial position and the ability of the Group to continue as a going concern is no longer dependent on securing additional funding to fund its operational activities.

Notes to the Condensed Consolidated Financial Statements

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives its revenue from the sale of goods and the provision of services at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (refer Note 11).

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated half-year ended 31 Dec 2020 \$
Product sales	758,974	288,845
Total revenue	758,974	288,845

Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information

	Six months to 31 December 2021 Development and manufacture of wireless technologies \$	Six months to 31 December 2020 Development and manufacture of wireless technologies \$
Segment revenue (i)	758,974	288,845
Adjustments and eliminations	-	-
Total revenue from contracts with customers	758,974	288,845

(i) Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

Notes to the Condensed Consolidated Financial Statements

NOTE 3 BORROWINGS

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated year ended 30 June 2021 \$
Australia		
Loan – Tyche Investments Pty Ltd	400,000	400,000
United States		
Loan – Other unrelated parties	-	98,397
Closing balance	400,000	498,397

Tyche Investments Pty Ltd

During the year ended 30 June 2020, the Group 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 Group repaid \$50,000 of the facility. During the half-year ended 31 December 2021, the Group repaid \$107,573 of accrued interest via the issue of shares (refer to Note 9(c)) and further re-negotiated and extended its line of credit facility to 30 June 2022 with a maximum amount available of \$400,000.

Other Unrelated Parties

During the year ended 30 June 2021, the Group's wholly owned subsidiary, CIO Technology, Inc., received an advance from an unrelated party of approximately USD \$77,000. The total amount repayment on the advance, including interest, is approximately USD \$110,000. There is currently no commercial terms agreed for the advance received by the subsidiary and the advance is repayable by the subsidiary.

During the half-year ended 31 December 2021, the subsidiary repaid USD \$93,150 (AUD \$128,377) of the advance. As at 31 December 2021, the remainder of the advance, being USD \$13,800 (AUD \$19,019) was reclassified as a liability associated with assets held for sale (refer to Note 6 for further details).

NOTE 4 CONVERTIBLE NOTES

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated year ended 30 June 2021 \$
Convertible notes	-	1,321,000
Closing balance	-	1,321,000

On 28 February 2019 the Company issued convertible notes with a face value of \$1,351,000 of which \$30,000 was converted into shares during the year ended 30 June 2020. Each note entitled the holder to convert to ordinary shares at a cost of \$0.03 per share.

Conversion could occur at any time between the date of issue and maturity date at the election of the holder. Interest of 9% accrued daily on the face value from the issue date until the maturity date to be paid six monthly on the anniversary of the Issue date. Holders could elect to convert their interest to shares at the same issue price (\$0.03 per share). Noteholders were entitled to secure the loan by registration on the Personal Property Securities Register (PPSR).

Subsequent to the Group successfully completing a capital raising in July and August 2021, the Group repaid all convertible notes and accrued interest in full.

Notes to the Condensed Consolidated Financial Statements

NOTE 5 OTHER PAYABLES

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated year ended 30 June 2021 \$
Current		
Other payables – Tranche 1	-	29,529
Non-current		
Other payables – Tranche 2	-	198,633
	-	228,162
Opening balance	228,162	253,533
Advances	688,947	198,633
Repayments	(5,577)	(4,866)
Debt forgiveness	(204,027)	(199,529)
Reclassified as liabilities associated with assets held for sale	(723,301)	-
Foreign currency differences	15,796	(19,609)
Closing balance	-	228,162

Tranche 1

During the year ended 30 June 2020, the US Department of Treasury provided funding assistance of USD \$174,000 to the subsidiary 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 forgave USD \$149,000 (AUD \$199,529) of the Tranche 1 promissory note as part of its COVID-19 incentives and the subsidiary repaid USD \$2,800 (AUD \$4,866).

During the half-year ended 31 December 2021, the subsidiary repaid USD \$3,317 (AUD \$5,577). As at 31 December 2021, the remainder of the promissory note, being USD \$24,928 (AUD \$34,354) was reclassified as a liability associated with assets held for sale (refer to Note 6 for further details).

Tranche 2

In February 2021, the US Department of Treasury provided further funding assistance of USD \$149,332 to the subsidiary in the form of a promissory note of which interest is to be charged at a fixed rate of 1% p.a. The promissory note has a term of 5 years from the date that funding was provided before full repayment is required.

During the half-year ended 31 December 2021, the US Department of Treasury forgave the entire amount of the Tranche 2 promissory note as part of its COVID-19 incentives.

Tranche 3

During the half-year ended 31 December 2021, the US Small Business Administration provided funding assistance of USD \$500,000 (AUD \$688,947) to the subsidiary in the form of a promissory note (i.e. short term loan) of which interest is to be charged at a fixed rate of 3.75% p.a. Monthly repayments of USD \$2,575, representing principal and interest, will be required to be paid beginning 24 months from the date that the funding was provided and the full balance of principal and interest to be repaid within 30 years.

As at 31 December 2021, the promissory note was reclassified as a liability associated with assets held for sale (refer to Note 6 for further details).

Notes to the Condensed Consolidated Financial Statements

NOTE 6 SALE OF CIO TECHNOLOGY, INC.

During the half-year ended 31 December 2021, the Company completed a strategic review of its business. Based on the review and the current environment, the Company determined that it was appropriate for it to re-structure its US business by divesting its wholly owned subsidiary, CIO Technology, Inc. (CIO Tech), to the Company's previous Managing Director, Mr Yakov Temov whilst retaining an exclusive perpetual license to utilise the existing intellectual property outside of North America.

Pursuant to the share transfer deed entered into with Mr Temov, the Company agreed to sell 100% of the issued capital in CIO Tech with the key terms of the agreement set out as follows:

- The consideration payable by Mr Temov to the Company of \$1.00; and
- Mr Temov agrees to accept transfer of the CIO Tech shares and the responsibility for the repayment of a \$400,000 loan owed by CIO Tech to Connected IO Limited. The loan is interest free and secured against Mr Temov's shareholding in the Company along with a personal guarantee to the loan.

Subsequent to the half-year ended 31 December 2021, following shareholder approval granted at the Company's 2021 Annual General Meeting held on 6 January 2022, the Company successfully completed the sale of CIO Tech.

As a result, for the half-year ended 31 December 2021, the Company has reclassified all assets and liabilities of CIO Tech, at the lower of carrying value or fair value, as follows:

Assets classified as held for sale	Value \$
Cash and cash equivalents	373,897
Trade and other receivables	221,130
Inventory	212,057
Plant and equipment	11,157
Other assets	6,023
	824,264

Liabilities associated with assets classified as held for sale	Value \$
Trade and other payables	443,780
Borrowings	742,320
Lease liabilities	77,389
	1,263,489

Notes to the Condensed Consolidated Financial Statements

NOTE 7 ISSUED CAPITAL

Movements in issued and paid up capital

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated year ended 30 June 2021 \$
Issued and paid up capital		
Ordinary shares fully paid (a)	76,204,004	73,530,158
	76,204,004	73,530,158

Movements in issued and paid up capital

	Number	Consolidated \$
(a) Ordinary shares fully paid		
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)
Unissued capital		
Repayment of loan subject to shareholder approval	200,000,000	1,000,000
Balance as at 30 June 2021	1,266,159,324	73,530,158

	Number	Consolidated \$
Balance as at 1 July 2021	1,266,159,324	73,530,158
Consolidation on a 1:10 basis (7 Jul 2021)	(1,139,543,489)	-
Placement (stage 2) (26 Jul 2021, \$0.02 per share)	162,500,000	3,250,000
Directors and company secretarial shares – in lieu of fees (26 Jul 2021, \$0.05 per share) (refer to Note 9(b))	10,925,000	546,250
Line of credit shares – in lieu of accrued interest (26 Jul 2021, \$0.02 per share) (refer to Note 9(c))	5,378,630	268,932
Placement – Underwritten shares (stage 2) (3 Aug 2021, \$0.02 per share)	12,500,000	250,000
Costs directly attributable to issue of share capital	-	(1,641,336)
Balance as at 31 December 2021	317,919,465	76,204,004

Notes to the Condensed Consolidated Financial Statements

NOTE 7 ISSUED CAPITAL (CONTINUED)

(b) Options

Period ended 31 December 2021

The following unlisted options were on issue during the period ended 31 December 2021:

Exercise price	\$1.00¹	\$0.03¹
Expiry date	22 December 2022	1 July 2024
Opening balance	7,500,000	290,000,000
Issued during the year	-	42,000,000 ²
Expired during the year	-	-
Exercised during the year	-	-
Consolidation on a 1:10 basis	(6,750,000)	(261,000,000)
Closing balance	750,000	71,000,000

¹ The exercise price has been restated to reflect the consolidation of the Company's issued capital on a 1:10 basis.

² Refer to Note 9(d) for further details regarding the issue of unlisted options during the period.

NOTE 8 EARNINGS PER SHARE

	Consolidated half-year ended 31 Dec 2021 \$	Consolidated half-year ended 31 Dec 2020 \$
	Cents	Cents
Basic and diluted loss per share	(0.41)	(3.96) ¹
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share is as follows:		
	\$	\$
Net loss for the period used in total basic and diluted earnings per share	(1,184,912)	(981,087)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	291,383,646	24,713,096 ¹

¹ The loss per share and weighted average number of ordinary shares used in calculating the EPS have both been restated to reflect the consolidation of the Company's issued capital on a 1:10 basis in July 2021.

Notes to the Condensed Consolidated Financial Statements

NOTE 9 SHARE BASED PAYMENTS

Half-year ended 31 December 2021

During the half-year ended 31 December 2021, the following transactions were recognised as share based payments by the Group:

	Value \$
Director options (Note 9(a))	181,097
Director and company secretarial shares (Note 9(b))	327,750
Line of credit – accrued interest shares (Note 9(c))	161,359
	670,206
Underwriter options (Note 9(d))	1,367,986
	2,038,192

(a) Director Options

On 30 June 2021, the Group obtained shareholder approval to issue 9,000,000 unlisted options (post consolidation) to Mr Ferguson, Mr Sierakowski and Mr Bosio, in consideration of services provided to the Group.

The total fair value of the options granted to the Directors was \$357,300. During the half-year ended 31 December 2021, \$181,097 was expensed as a share-based payment, with the fair value recognised over the vesting period.

The fair value and model inputs for the share-based payments expensed during the half-year ended 31 December 2021 are as follows:

	Mr Ferguson	Mr Sierakowski	Mr Bosio	Total
Number Issued	5,000,000	2,000,000	2,000,000	9,000,000
Grant Date	30 June 2021	30 June 2021	30 June 2021	
Expected Vesting Date	30 June 2022	30 June 2022	30 June 2022	
Vesting Period (days)	365	365	365	
Value per Option	\$0.0397	\$0.0397	\$0.0397	
Total Value per Option	\$198,500	\$79,400	\$79,400	\$357,300
Amount Expensed in Prior Year	\$556	\$222	\$222	\$1,000
Amount Expensed in Current Year	\$100,609	\$40,244	\$40,244	\$181,097
Amount to be Expensed in Future Periods if Vesting Conditions are met	\$97,335	\$38,934	\$38,934	\$175,203

(b) Director and Company Secretarial Shares

During the half-year ended 31 December 2021, following shareholder approval granted at the Company's General Meeting held on 30 June 2021, shares were issued to Directors and their related parties in satisfaction of outstanding Director and Company Secretarial fees owed. For accounting purposes, the shares issued have been valued at \$546,250, being the Company's closing share price of \$0.05 (post consolidation) as at the date of the General Meeting, with the difference recognised as an expense.

The details of the equity issued are as below:

Recipient	Liability Settled	Number of Shares	Value of Shares Issued	Additional Expense Recognised
Dougal Ferguson	\$46,500	2,325,000	\$116,250	\$69,750
Adam Sierakowski	\$118,000	5,900,000	\$295,000	\$177,000
Davide Bosio	\$54,000	2,700,000	\$135,000	\$81,000
Total	\$218,500	10,925,000	\$546,250	\$327,750

Notes to the Condensed Consolidated Financial Statements

NOTE 9 SHARE BASED PAYMENTS (CONTINUED)

(c) Line of Credit – Accrued Interest Shares

During the half-year ended 31 December 2021, following shareholder approval granted at the Company's General Meeting held on 30 June 2021, shares were issued to Tyche Investments Pty Ltd in satisfaction of accrued interest owed on a line of credit facility. For accounting purposes, the shares issued have been valued at \$268,932, being the Company's closing share price of \$0.05 (post consolidation) as at the date of the General Meeting, with the difference recognised as an expense.

The details of the equity issued are as below:

Recipient	Liability Settled	Number of Shares	Value of Shares Issued	Additional Expense Recognised
Tyche Investments Pty Ltd	\$107,573	5,378,630	\$268,932	\$161,359

(d) Underwriter Options

In August 2021, following the Group's successful completion of its capital raising to sophisticated and institutional investors, 42,000,000 unlisted options were issued in relation to the underwriting of the rights issue and placement. During the half-year ended 31 December 2021, \$1,367,986 was charged to share issue costs.

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.

Weighted average exercise price (cents)	3.00 cents
Weighted average life of the options (years)	2.93 years
Weighted average underlying share price (cents)	4.70 cents
Expected share price volatility	100%
Risk-free interest rate	0.20%
Grant date	27 July 2021
Expiry date	1 July 2024
Value per option	\$0.03257

NOTE 10 RELATED PARTY TRANSACTIONS

Other than the related party transactions noted in Note 9(a) and 9(b) above, there were no other material changes to related party transactions since the last annual reporting date.

NOTE 11 SEGMENT REPORTING

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the development and manufacture of wireless technologies in the United States of America, which represents the Group's main business undertaking.

Notes to the Condensed Consolidated Financial Statements

NOTE 11 SEGMENT REPORTING (CONTINUED)

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

NOTE 12 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 13 FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of the current receivables, current payables and borrowings are considered to be a reasonable approximation of their fair value.

NOTE 14 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 10 January 2022, following shareholder approval received at its 2021 Annual General Meeting held on 6 January 2022, the Company announced that it had successfully completed the sale of CIO Technology, Inc. for a consideration of \$1 and assumption of a \$400,000 loan owed by CIO Technology, Inc. to Connected IO Limited. Further details of this transaction are contained in Note 6.

There has been no other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' declaration

In the opinion of the Directors of Connected IO Limited ("the Company"):

- (1) The attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
- (2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to S303(5) of the Corporations Act 2001.

On behalf of the Board



Dougal Ferguson
Director

Signed at Perth on this 28th day of February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Connected IO Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Connected IO Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Connected IO Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2022



B G McVeigh
Partner