

\$2.53m Capital Raising & Loan Facility Restructure

HIGHLIGHTS

- **Capital Raising to raise a total of \$2.53 million.**
- **Placement raising approximately \$400,000 at \$0.003 per Share.**
- **Underwritten Non-Renounceable Entitlement Issue on a 4:5 basis, to raise \$2.13 million at \$0.003 per Share.**
- **\$1.37m Existing Loan restructured and to be converted to Convertible Notes, convertible at \$0.003 per Share.**
- **Director Fees totalling \$140,000 to be converted to Shares at \$0.003 per Share.**

Connected IO Limited (**Connected IO** or **Company**) has recently undertaken a review of its operations and current business structures and has resolved to make a number of strategic changes to improve the position of the Company for future growth. The details of these initiatives are set out as follows.

1. Connected IO will be completing a capital raising totalling \$2.53m (**Capital Raising**) to provide capital to secure future revenue growth and manufacturing capacity required to meet larger purchase orders. The Capital Raising will comprise of a share placement to sophisticated and professional investors (**Placement**) to raise approximately \$400,000 and a Non-Renounceable Rights Issue raising up to \$2.13 million, both to be completed at \$0.003 per Share.
2. The Company has successfully re-negotiated its existing secured \$1.37m Loan Facility with Gorilla Pty Ltd, which has been extended to 30 June 2019. The parties have also agreed to convert the Loan Facility (and accrued interest to 30 June 2018) to convertible notes (convertible at \$0.003) subject to shareholder approval proposed to be obtained at a general meeting of the Company in October 2018 (**Shareholder Approval**).
3. Directors have agreed to receive payment of outstanding director's fees totalling \$140,000 in Shares at an issue price of \$0.003 per Share, subject to Shareholder Approval.
4. Connected IO has determined that a number of cost reductions are to be made from its Australian operations which will achieve cost savings of approximately 50% since the start of the year. Among other measures, the Company's cost reductions will comprise of a reduction in director fees and executive fees by 50% and a reduction in administration costs.

Placement

Connected IO is pleased to confirm that it has received firm commitments from sophisticated and professional investors to raise approximately \$400,000, at an issue price of \$0.003 per Share under the Placement. The Placement Shares will be issued under the Company's current 15% placement capacity in accordance with ASX Listing Rule 7.1. Funds raised under the Placement will be used for working capital as set out below.

Underwritten Non-Renounceable Entitlement Offer

Connected IO is also pleased to announce the terms of a non-renounceable entitlement offer (**Entitlement Offer**) on the basis of four (4) Shares for every five (5) Shares held by shareholders of Connected IO with a registered address in Australia, New Zealand and Mauritius (**Eligible Shareholders**) at 5pm (WST) on 30 August 2018 (**Record Date**).

The shares to be issued under the Entitlement Offer will be offered at an issue price of \$0.003 per Share, being the same price as shares issued under the Placement. The maximum number of shares to be issued under the Entitlement Offer is 710,332,841 Shares.

The Entitlement Offer is to be underwritten by 708 Capital Pty Ltd (holder of an AFSL) and will raise approximately \$2,130,998 (before costs).

The Company intends to apply the funds raised from the Entitlement Offer primarily towards accelerating anticipated US customer growth and working capital as set out below.

The Record Date for entitlements under the Entitlement Offer is 30 August 2018 and the final date for receipt of applications for shares pursuant to the Entitlement Offer is 21 September 2018 (subject to variation).

Key features of the Entitlement Offer include:

- The Entitlement Offer is on the basis of four (4) Shares for every five (5) Shares held as at the Record Date.
- Offer price at \$0.003 cents per share.
- Non-renounceable and is available to all Eligible Shareholders registered on the Record Date.
- Applications and payment of funds must be received by the Company on or before 21 September 2018 (subject to variation).
- New shares issued under the Entitlement Offer will be fully paid and rank equally with all existing Connected IO shares on issue.
- Trading in the shares to be issued under the Entitlement Offer will commence on the first business day following the close of the Entitlement Offer.
- The Entitlement Offer will be fully underwritten by 708 Capital Pty Ltd.
- A Rights Issue Prospectus and entitlement form will be sent to Eligible Shareholders on 4 September 2018.

For personal use only

Loan Restructure

The Company has also successfully re-negotiated its existing secured \$1.37m Loan Facility with Gorilla Pit Pty Ltd, a private entity controlled by Lawrence Buono, director of 708 Capital Pty Ltd. The Loan Facility, which was due to expire on 30 June 2018, has been extended to 30 June 2019, with interest payable at a rate of 9% per annum. The parties have agreed that, subject to Shareholder Approval, the Loan (and interest accrued to 30 June 2018) will be converted into Convertible Notes, on the same terms as the Loan. The Convertible Notes will convert at \$0.003 at the discretion of the convertible noteholders.

Debt Conversion

Due to the Company's existing cash position, Directors of the Company have agreed to receive payment of outstanding Director fees totalling \$140,000 in Shares, being approximately 46.6 million Shares at an issue price of \$0.003 per Share, subject to Shareholder Approval.

Timetable

Key dates for the Entitlement Offer, Placement and Shareholders Meeting are set out below.

Event	Date
Announcement of Offer	22 August 2018
Lodgement of Appendix 3B with ASX	22 August 2018
Lodgement of Prospectus with ASIC and ASX	24 August 2018
Notice sent to Shareholders	28 August 2018
'Ex' date ¹	29 August 2018
Record Date (5.00pm (WST)) ²	30 August 2018
Shares issued under Placement	31 August 2018
Offer Document sent to Eligible Shareholders	4 September 2018
Opening Date	4 September 2018
Lodgement of Notice of Meeting	7 September 2018
Last day to extend the Offer Closing Date	18 September 2018
Closing Date (5.00pm (WST))	21 September 2018
Deferred settlement trading commences	22 September 2018
ASX notified of any undersubscriptions	26 September 2018
Issue of new Shares and deferred settlement trading ends	28 September 2018
Issue of holding statements and New Shares commence trading	1 October 2018
Shareholders Meeting	9 October 2018

Notes:

1. The date from which Shares commence trading without the entitlement to participate in the Offer.
2. The date for determining the Entitlements of Eligible Shareholders to participate in the Offer.
3. Shareholders Meeting approvals will include but is not limited to the conversion of Loan to Convertible Notes, conversion of Director Fees to Shares and the issue of Advisory Options.

These dates are indicative only and may be subject to change. Subject to the Listing Rules and other applicable Laws, the Directors reserve the right to vary the dates of the Offer. The Directors also reserve the right not to proceed with the whole or part of the Offer.

Capital Structure

The table below provides a summary of the capital structure of the Company upon completion of the proposed Capital Raising.

	Maximum Shares	Amount to be Raised
Existing Shares on Issue	887,916,052	-
Placement ¹	133,187,407	\$399,562
Entitlement Offer (4:5) ²	710,332,841	\$2,130,998
Director Debt Conversion ³	46,666,666	-
Loan conversion to Convertible Notes ⁴	476,373,583	-
Total Shares	2,254,476,549	\$2,530,560

Notes:

- 133,187,407 Shares issued at \$0.003 per Share under the Placement raising \$399,562 (before costs).
- 710,332,841 Shares issued at \$0.003 per Share under the Entitlement Offer raising \$2.13 million (before costs).
- Director Debt conversion of \$140,000 into 46,666,666 Shares issued at \$0.003 per Share, subject to Shareholder Approval.
- \$1.37m Existing Loan (and accrued interest of \$59,120.75 to 30 June 2018) converted to Convertible Notes, subject to Shareholder Approval. Convertible Notes will be convertible at \$0.003.

In addition, subject to Shareholder Approval, 50 million options exercisable at 1 cent expiring 4 years from issue (**Advisory Options**) will be issued to Trident Capital Pty Ltd (or nominee) in consideration for corporate advisory services and 75 million Advisory Options will be issued to 708 Capital Pty Ltd (or nominee) in consideration for corporate advisory and underwriting services provided.

Use of Funds

Funds raised under the Capital Raising are planned to be used as follows:

Use of Funds	Amount
Sales and Marketing	\$639,000
Research and Development	\$467,500
Manufacturing Expenses	\$762,000
Working Capital	\$461,560
Expenses of the Offers	\$200,500
Total	\$2,530,560

For personal use only

ABOUT CONNECTED IO

Connected IO Limited has its operations based in Silicon Valley, in the USA. Its business is a wireless technology innovator and manufacturer operating in the multi-trillion-dollar “IOT” (Internet of Things) sector. Connected IO specializes in machine to machine (“M2M”) connectivity, providing hardware and software solutions to some of the world’s largest companies. Connected IO’s software solutions also include a customised cloud management interface and a variety of support services. Cisco predicts there will be 50 billion connected devices by 2020.

For personal use only