RULE 4.2A

APPENDIX 4D

Interim Report for the half-year ended 31 December 2018

1. Name of entity

CONNECTED IO LIMITED

ABN	Reporting Period	Previous Corresponding Period
99 009 076 233	Half-year ended 31 December 2018	Half-year ended 31 December 2017

2. Results for Announcement to the Market

	Change	31 Dec 2018 $A	31 Dec 2017 $A
Revenues from ordinary activities	Up 12%	827,883	741,276
Net loss for the period attributable to members	Down 50%	(1,303,248)	(2,627,553)
Loss from ordinary activities after tax attributable to members	Down 50%	(1,303,248)	(2,627,553)
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 is increasing each year and net losses have reduced due to greater efficiencies in manufacturing processes and reduced overheads.	

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share	(0.03) cents	0.08 cents

4. Control gained over entities

Details of entities over which control has been gained or lost (*item 4*)	N/A

5. Dividends paid and payable

Details of dividends or distribution payments *(item 5)*	No dividends or distributions are payable.

6. Dividend reinvestment plans

Details of dividend or distribution reinvestment plans *(item6)*	There is no dividend reinvestment program in operation for Connected IO Limited.

7. Details of associates

Details of associates and joint venture entities *(item 7)*	N/A

8. Foreign entities

Foreign entities to disclose which accounting standards are used in compiling the report *(item 8)*	N/A

9. Review Opinion

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

Connected IO Limited

ABN 99 009 076 233

INTERIM FINANCIAL REPORT

for the half-year ended 31 December 2018

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

Directors

Yakov Temov *(Executive Director)*
Blaise Thomas *(Non-Executive Director)*
Adam Sierakowski *(Non-Executive Director)*

Company Secretary

Nicki Farley

Principal Place of Business

Level 24, 44 St Georges Terrace
PERTH WA 6000

Registered Office

Level 24, 44 St Georges Terrace
PERTH WA 6000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Share Registry & Register

Computershare
Level 11/172 St Georges Terrace
PERTH WA 6000
Telephone: +61 8 9323 2000

Solicitors

Price Sierakowski Corporate
Level 24, 44 St Georges Terrace
PERTH WA 6000

Bankers

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

Stock Exchange Listing

Connected IO Limited
ASX Code: CIO

Contact Information

Ph: 08 6211 5099

Fax: 08 9218 8875

Web Site

www.connectedio.com.au

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 2018.

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:

Yakov Temov *(Executive Director)*
Jason Ferris (*Executive Director) (Resigned 3 December 2018)*
Blaise Thomas (*Non-Executive Director)*
Adam Sierakowski (*Non-Executive Director) (Appointed 3 December 2018)*

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 2018 was $1,303,248 (2017 loss: $2,627,553).

Review of Operations

During the period, the Company continued to further strengthen its collaboration with the two largest mobile operators in the United States, Verizon and AT&T. Both operators are introducing Connected IO to their enterprise clients. Sales of the Company's cloud managed routers outpaced the sales of modems helping build a robust recurring revenue stream. CIO's proprietary cloud management platform is leveraged by customers to deliver a wide range of customized solutions.

During the period, the Company undertook a review of its operations business structures and resolved to make a number of strategic changes to improve the position of the Company for future growth.

As part of the Company's objective to increase revenues while maintaining tight controls on expenses, product manufacturing was successfully transitioned from China to Taiwan yielding increases in profit margins and eliminating potential cost increases due to anticipated trade tariffs increases.

CIO completed a capital raising totalling $2.13m to provide capital to secure future revenue growth and manufacturing capacity required to meet larger purchase orders. The Capital Raising comprised of a Placement and Non-Renounceable Rights Issue. The Company's Rights Issue was completed on the basis of 4 new shares for every 5 shares held by eligible shareholders at an issue price of $0.003 to raise $2,130,999. The Rights Issue was underwritten by 708 Capital Pty Ltd. These funds raised were in addition to the Company's Placement raising $399,562 at an issue price of $0.003 completed during September 2018.

The Company also successfully re-negotiated its existing secured $1.37m Loan Facility with Gorilla Pit Pty Ltd. The Loan Facility, which was due to expire on 30 June 2018, was extended to 30 June 2019, with interest payable at a rate of 9% per annum. At the Company's AGM held on 28 November 2018, shareholders approved the conversion of the Loan into Convertible Notes to be issued to the investors upon the signing of the respective Convertible Note agreements. As at balance, the signed Convertible Note Agreements had not been received. Subsequent to balance date, all Convertible Note Agreements were executed and the Loan was converted into Convertible Notes, fully discharging the Loan.

Directors' report

Gold-Asset

On 19 July 2018 the Company announced that it has appealed the decision of the single judge of the Supreme Court to uphold Mr Andrew Paterson's application for judicial review and for the Company to pay Mr Paterson's legal costs of those proceedings (Decision). In the Decision, Mr Paterson made an application for judicial review of the Minister for Mines decision to terminate his application for E37/1220 which overlaps the same area as the Company's E37/1232. If the Company is successful in the appeal the Minister's decision will stand and Mr Paterson's E37/1220 will be terminated.

Board Changes

On 4 December 2018 the Company announced the appointment of Adam Sierakowski as a Non-Executive Director. The Board also accepted the resignation of Mr Jason Ferris who was appointed as a director of the Company on 28 April 2015 and was subsequently appointed as the Company's Executive Chairman on 18 January 2016.

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 2018.

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

Yakov Temov
Director

Signed at Perth on this 28th day of February 2019

Auditor's Independence Declaration

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018, 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 2019

B G McVeigh
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Condensed statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	Consolidated half-year ended 31 Dec 2018 $	Consolidated half-year ended 31 Dec 2017 $
Sales revenue	2	827,883	741,276
Cost of goods sold		(298,835)	(520,067)
Gross profit		529,048	221,209
Interest revenue		1,748	3,586
Director fees, salaries and wages expense		(821,808)	(1,248,362)
Professional fees		(205,443)	(524,615)
Depreciation		(18,386)	(16,534)
Interest and facility fee expenses		(82,447)	(101,799)
Administration expenses		(705,960)	(961,038)
Loss before income tax		**(1,303,248)**	**(2,627,553)**
Income tax expense		-	-
Loss for the period		**(1,303,248)**	**(2,627,553)**
Other comprehensive income for the period, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		21,422	(35,354)
Other comprehensive income/(loss) for the period, net of tax		21,422	(35,354)
Total comprehensive loss for the period		**(1,281,826)**	**(2,662,907)**
Basic loss per share (basic and diluted) (cents per share)	6	(0.10)	(0.31)

The accompanying notes form part of these financial statements

Condensed statement of financial position
as at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		661,469	69,707
Trade and other receivables		123,641	155,286
Inventory		661,756	839,998
Total Current Assets		**1,446,866**	**1,064,991**
NON-CURRENT ASSETS			
Plant and equipment		26,282	21,591
Goodwill	3	2,418,610	2,418,610
Other assets		23,001	14,528
Total Non-Current Assets		**2,467,893**	**2,454,729**
Total Assets		**3,914,759**	**3,519,720**
CURRENT LIABILITIES			
Trade and other payables		477,646	1,512,658
Borrowings	4	1,351,000	1,370,000
Deferred revenue		136,000	-
Total Current Liabilities		**1,964,646**	**2,882,658**
Total Liabilities		**1,964,646**	**2,882,658**
Net Assets		**1,950,113**	**637,062**
EQUITY			
Issued capital	5	68,827,796	66,345,419
Reserves		1,215,926	1,082,004
Accumulated losses		(68,093,609)	(66,790,361)
Total Equity		**1,950,113**	**637,062**

The accompanying notes form part of these financial statements

Condensed statement of changes in equity
for the half-year ended 31 December 2018

Consolidated	Issued Capital $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2017	**63,678,745**	**968,849**	**250,631**	**(61,868,032)**	**3,030,193**
Net loss for the period	-	-	-	(2,627,553)	(2,627,553)
Other comprehensive income, net of tax	-	-	(35,354)	-	(35,354)
Total comprehensive loss	-	-	(35,354)	(2,627,553)	(2,662,907)
Shares issued	2,850,000	-	-	-	2,850,000
Share issue costs	(195,826)	-	-	-	(195,826)
Share based payments - options	-	79,237	-	-	79,237
Balance at 31 December 2017	**66,332,919**	**1,048,086**	**215,277**	**(64,495,585)**	**3,100,697**
Balance at 1 July 2018	**66,345,419**	**968,849**	**113,155**	**(66,790,361)**	**637,062**
Net loss for the period	-	-	-	(1,303,248)	(1,303,248)
Other comprehensive loss, net of tax	-	-	21,422	-	21,422
Total comprehensive loss	-	-	21,422	(1,303,248)	(1,281,826)
Shares issued	2,775,507	-	-	-	2,775,507
Share issue costs	(293,130)	-	-	-	(293,130)
Share based payments - options	-	112,500	-	-	112,500
Balance at 31 December 2018	**68,827,796**	**1,081,349**	**134,577**	**(68,093,609)**	**1,950,113**

The accompanying notes form part of these financial statements

Condensed statement of cash flows
for the half-year ended 31 December 2018

	Consolidated half-year ended 31 Dec 2018 $	Consolidated half-year ended 31 Dec 2017 $
Cash flows from operating activities		
Receipts from customers	978,558	1,013,938
Payments to suppliers and employees	(2,819,820)	(3,612,041)
Interest received	1,748	3,212
Interest paid	(18,954)	(51,799)
Net cash outflows from operating activities	**(1,858,468)**	**(2,646,690)**
Cash flows from investing activities		
Payments for plant and equipment	(23,591)	-
Net cash outflows from investing activities	**(23,591)**	**-**
Cash flows from financing activities		
Proceeds from share issue	2,530,560	2,850,000
Costs of capital raising	(39,215)	(195,826)
Proceeds from borrowings	232,000	780,000
Repayment of borrowings	(251,000)	-
Net cash inflows from financing activities	**2,472,345**	**3,434,174**
Net increase in cash and cash equivalents	590,286	787,484
Effect of movement in exchange rates on cash held	1,476	(1,237)
Cash and cash equivalents at the beginning of the period	69,707	639,457
Cash and cash equivalents at the end of the period	**661,469**	**1,425,704**

The accompanying notes form part of these financial statements

Notes to the condensed 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 2018 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.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018
In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2018.

As a result of this review, the Group has applied AASB 15 from 1 July 2018. The effect of the application is detailed in Note 13.

AASB 9 *Financial Instruments*
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

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

Adoption of new and revised standards (continued)

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI).

Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Company 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 2018.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

AASB 16 replaces AASB 117 Leases and related interpretations.

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a ‘right of use’ asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

This Standard will primarily affect the accounting for the Group’s operating lease commitments predominately relating to lease on office premises. The Group is considering available options to account for this transition which may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. This will however be dependent on the lease arrangements in place when the new Standard is effective, The Group has commences the process of evaluating the impact of the new Standard.

Notes to the condensed financial statements

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

Adoption of new and revised standards (continued)

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company 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 2018.

Going concern

The Interim Financial Report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the half-year ended 31 December 2018 the Group recorded an operating cash outflow of $1,858,468 (half-year ended 31 December 2017: outflow of $2,646,690 and at 31 December 2018 had a net working capital deficit of $517,780 (30 June 2018: deficit of $1,817,667).

The Group's cash flow forecast is dependent on forecasted revenues under existing contracts, conversion of inventory and balance of unpaid convertible note and placement funds being received. Convertible note funding is due and payable by 30 June 2019 for the amount of $1,351,000 plus accrued interest (with $19,000 redeemed during December 2018) in either cash or conversion to equity as directed by the note holders. Additional working capital may be required to meet manufacturing and cashflow requirements and as such the Group may seek access to additional working capital in the next 12 months.

The Directors are confident that the Group will convert inventory to cash, receive outstanding committed funds and access funds via increased sales revenue in the coming quarters. Additional funds may be required through the issue of new equity or securing of additional loan funding by way of manufacturing finance facility, should the need arise. However, should neither eventuate, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 9).

	Consolidated half-year ended 31 Dec 2018 $	Consolidated half-year ended 31 Dec 2017 $
Product sales	827,883	741,276
Total revenue	**827,883**	**741,276**

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

	Six months to 31 December 2018 Development and manufacture of wireless technologies $
Segment revenue (*i*)	827,883
Adjustments and eliminations	-
Total revenue from contracts with customers	**827,883**

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

NOTE 3 GOODWILL

	Consolidated half-year ended 31 Dec 2018 $	Consolidated year ended 30 June 2018 $
Opening balance	2,418,610	2,418,610
Closing balance	**2,418,610**	**2,418,610**

Goodwill represents an acquisition via a business combination.

The directors are required to test goodwill acquired in a business combination for impairment annually, which coincides with the annual reporting period.

As at balance date, the Directors are required to assess whether there is an indication that the asset may be impaired. If such indication exists an estimate is made of the recoverable amount based on a net present value calculation. Where the assets carrying value exceeds the recoverable amount a provision for impairment is recognised. The Directors do not consider that there has been any indication that the asset may be impaired as at balance date.

Notes to the condensed financial statements

NOTE 4 BORROWINGS

	Consolidated half-year ended 31 Dec 2018 $	Consolidated year ended 30 June 2018 $
Loan – secured	1,351,000	1,370,000
Closing balance	**1,351,000**	**1,370,000**

(a) The lender is entitled to and has secured the loan by the registration of a charge over the assets of the Company which has been subordinated to the Prior Existing Security. The Prior Existing Security is a security interest registered (or to be registered) by the National Bank Australia relating to an up to $1,000,000 loan facility.

(b) During the half-year ended 31 December, the Company obtained $201,000 in short-term financing facilities to provide working capital for the Company. The loans were interest free, unsecured and repaid during the period. An establishment fee of 5,000,000 ordinary shares were issued to the parties at an issue price of $0.003 per share. Refer to Note 7(a).

(c) During the half-year ended 31 December 2018, the Company obtained shareholder approval to convert its loan facility into convertible notes of which the convertible notes are to be issued to the investors upon the signing of the respective convertible note agreements. During the period, $50,000 of the loan facility was repaid and additional loan funds of $31,000 received resulting in a net repayment of $19,000.

The loan facility, which was due to expire on 30 June 2018, was extended to 30 June 2019, with interest payable at a rate of 9% p.a. from the date of issue until the maturity date. Accrued interest of $107,630 has been recorded to trade and other payables as at 31 December 2018.

As at balance, the signed convertible note agreements had not been received. Subsequent to balance date, all convertible note agreements were executed and the loan was converted into convertible notes, fully discharging the loan.

NOTE 5 ISSUED CAPITAL

	Consolidated 31 Dec 2018 $	Consolidated 30 June 2018 $
Issued and paid up capital		
Ordinary shares fully paid (a)	68,827,796	66,345,419
	68,827,796	**66,345,419**

Movements in issued and paid up capital

	Number	Consolidated $
(a) Ordinary shares fully paid		
Balance as at 1 July 2017	792,916,052	63,678,745
Issue of fully paid ordinary shares on 12 October 2017[1]	95,000,000	2,850,000
Costs directly attributable to issue of share capital	-	(183,326)
Balance as at 30 June 2018	**887,916,052**	**66,345,419**
Balance as at 1 July 2018	887,916,052	66,345,419
Placement	133,187,333	399,562
Rights Issue – Application shares	131,594,009	394,782
Rights Issue – Shortfall shares	578,738,659	1,736,216
Placement fee shares	6,682,030	20,046
Underwriting fee shares	36,633,643	109,901
Loan agreement shares	5,000,000	15,000
Director shares – in lieu of fees	33,333,333	100,000
Costs directly attributable to issue of share capital	-	(293,130)
Balance as at 31 December 2018	**1,813,085,059**	**68,827,796**
(b) Performance shares[2]		
Balance as at 1 July 2017	150,000,000	-
Shares issued during the year	-	-
Balance as at 30 June 2018	**150,000,000**	**-**
Balance as at 1 July 2018	150,000,000	-
Shares issued during the period	-	-
Balance as at 31 December 2018	**150,000,000**	**-**

[1] On 12 October 2017, the Company issued 95,000,000 fully paid ordinary shares at $0.03 having raised $2,850,000 from sophisticated investors.

[2] On 29 February 2016, 100 million Class A Performance Shares and 50,000,000 Class B Performance Shares were issued. Class A Performance Shares will convert on a 1:1 basis on the Company achieving aggregated gross revenue of $15,000,000 in any of the financial years ending on 31 December 2016, 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. Class B Performance Shares will convert on a 1:1 basis on the Company achieving aggregated gross revenue of $25,000,000 in any of the financial years ending on 31 December 2016, 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. No value had been attributed to the Performance Shares as it was considered unlikely that the milestones would have been achieved and as at 31 December 2018, the performance shares remained unconverted. If conversion has not occurred on or prior to the date that is 4 years from the date the Company was readmitted to quotation, the performance shares will be cancelled.

(c) Options

As at 31 December 2018, 75,000,000 unlisted options were on issue. The options are exercisable at 1 cent and expire on 20 December 2022. Refer to Note 7 for further details regarding the issue of the unlisted options.

Notes to the condensed financial statements

NOTE 6 EARNINGS PER SHARE

	Consolidated half-year 31 Dec 2018 $	Consolidated half-year 31 Dec 2017 $
	Cents	**Cents**
Basic and diluted loss per share	(0.10)	(0.31)

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	(1,303,248)	(2,627,553)
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	1,305,237,148	834,446,107

NOTE 7 SHARE BASED PAYMENTS

(a) In December 2018, the following shares were issued for services provided to the Group:

	Value per share $	Number	Value $
Placement and underwriting fees (Note 5(a))	0.003	43,315,673	129,947
Facility fee for financing arrangement (Note 4(b))	0.003	5,000,000	15,000
Outstanding directors fees	0.003	33,333,333	100,000

(b) In December 2018, 75,000,000 unlisted options were issued for corporate advisory and underwriting services in relation to a capital raising to unrelated parties.

During the half-year ended 31 December 2018, $112,500 was charged to share issue costs in Note 5(a).

The fair value of these options granted was calculated by using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	1 cent
Weighted average life of the options (years)	4.06
Weighted average underlying share price (cents)	0.3 cents
Expected share price volatility	100%
Risk-free interest rate	1.68%
Grant date	28 November 2018
Expiry date	20 December 2022
Value per option	$0.0015
Total value granted	$112,500

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the period:

NOTE 7 SHARE BASED PAYMENTS (CONTINUED)

	Number	Weighted average exercise price $
Outstanding at the beginning of the period	-	-
Granted during the period	75,000,000	0.01
Outstanding at the end of the period	75,000,000	0.01
Exercisable at the end of the period	75,000,000	0.01

NOTE 8 RELATED PARTY TRANSACTIONS

Changes in related-party employment contracts during the half-year were as follows:

(a) Mr Ferris resigned on 3 December 2018. His contract as Executive Chairman effective 1 July 2017 for 2 years, with remuneration of $240,000 per annum which was subsequently reduced to $120,000 per annum from 1 August 2018, is now finalised.

(b) Mr Sierakowski was appointed as a Non-Executive Director on 3 December 2018 and is entitled to a Directors fee of $36,000 per annum.

(c) Effective 1 August 2018, Mr Temov's remuneration as Chief Executive Officer was reduced from USD $225,000 per annum to USD $120,000 per annum.

(d) On 20 December 2018, Mr Temov's outstanding director fees of $100,000 was satisfied via the issue of 33,333,333 ordinary shares at an issue price of $0.003 per share following shareholder approval granted at the 2018 Annual General Meeting held on 28 November 2018.

(e) Effective 1 August 2018, Mr Blaise's remuneration as a Non-Executive Director was reduced from $60,000 per annum to $36,000 per annum.

During the half-year, there were no other material changes to related party transactions since the last annual reporting date.

NOTE 9 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.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of 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 10 CONTINGENT LIABILITIES

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

NOTE 11 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 12 SUBSEQUENT EVENTS

(a) Subsequent to balance date, secured loans totalling $1,351,000 plus accrued interest of $107,630 were converted to convertible notes, following shareholder approval in November 2018. Details on the convertible notes are included in Note 4(c).

There has not been any 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.

NOTE 13: AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 supersedes AASB 111 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of providing of providing certain hardware including routers, cellular enabled products and other related hardware products.

The Group generates revenue largely in the United States of America.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract fulfilment assets, capitalisation of costs to obtain a contract, trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions. This includes an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract.

NOTE 13: AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract.

For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

When using the output method the Group recognises revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract. Where the output method is used, in particular for long term service contracts where the series guidance is applied, the Group often uses a method of time elapsed which requires minimal estimation. Certain long term contracts use output methods based upon estimation of number of users, level of service activity or fees collected.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

The Group disaggregates revenue from contracts with customers by type of good or service as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows.

The nature of contracts or performance obligations categorised within this revenue type includes sales of hardware.

The service contracts in this category include contracts with either a single or multiple performance obligations.

The Group considers that the services provided meet the definition of a series of distinct goods and services as they are (i) substantially the same and (ii) have the same pattern of transfer (as the series constitutes services provided in distinct time increments and therefore treats the series as one performance obligation.

Sale of goods
The Group's contracts with customers for the sale of hardware generally include one performance obligation. The Group has concluded that revenue from sale of equipment should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition.

NOTE 13: AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Method of adoption

- The Group has elected to adopt AASB 15 using the modified retrospective method with an initial date of application of 1 July 2018.
- The comparative information for each of the primary financial statements is presented based on the requirements of AASB 111, AASB 118 and related Interpretations.
- The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 July 2018, either for all contracts or only for contracts that are not completed at the date of initial application, is recognised in the statement of changes in equity for the six months ended 31 December 2018 and has had a nil impact.
- The narrative above, describes the changes and impact of adopting AASB 15.
- The Group has elected to apply that method to all contracts at date of implementation.
- The disclosure of disaggregated revenue in Note 2 does not include comparative information under AASB 15.

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 2018 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

Yakov Temov
Director

Signed at Perth on this 28th day of February 2019

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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 statement of financial position as at 31 December 2018, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, 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 is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 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*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 31 December 2018 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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

B G McVeigh
Partner

Perth, Western Australia
28 February 2019