RULE 4.2A

APPENDIX 4D

Interim Report for the half-year ended 31 December 2019

1. Name of entity

CONNECTED IO LIMITED

ABN	Reporting Period	Previous Corresponding Period
99 009 076 233	Half-year ended 31 December 2019	Half-year ended 31 December 2018

2. Results for Announcement to the Market

	Change	31 Dec 2019 $A	31 Dec 2018 $A
Revenues from ordinary activities	Up 147%	2,046,421	827,883
Net loss for the period attributable to members	Up 31%	(1,701,581)	(1,303,248)
Loss from ordinary activities after tax attributable to members	Up 31%	(1,701,581)	(1,303,248)
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. Net loss during the period includes a director share based payment of $600,000.	

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share	(0.04) cents	(0.03) 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 2019

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

Directors

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

Company Secretary

Nicki Farley

Registered & Principal 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 2019.

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

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 2019 was $1,701,581 (2018 loss: $1,303,248).

Review of Operations

During the half-year period, the Company has achieved the following milestones:

1. Significantly increased the Company's revenues;
2. Continued to expand its operations in the Internet Service Provider and Multiple Service Provider space;
3. Completed a capital raising totalling $1.25m to accelerate purchase order completion; and
4. Expanded sales and marketing team to multiply revenues across new vertical markets.

Operational Review

The Company previously announced its expansion into the US Internet Service Provider and Multiple Service Provider space. These relationships continue to develop, and there are currently numerous other trials underway.

Close to 80% of all purchase order for the period were obtained from existing customers indicating the strength of its customer relationships.

During the period, the Company completed several "white-label" deals with enterprise customers where customers sell CIO products under their own brand. There are several new original equipment manufacturer (OEM) deals in the pipeline, some introduced to CIO by its operator partners in North America.

During December 2019, the Company announced the completion of capital raising totalling $1.25m to accelerate purchase order completion. This additional capital enables the Company to improve relationships with the suppliers and continue increasing revenues.

CIO hired several experienced sales and marketing professionals as part of its strategy to kick off its SaaS product offering. New sales and marketing people are focusing on service provider markets that would allow the Company to generate recurring revenues through additional services facilitated by the Company's hardware products.

Directors' report

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 2019.

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 28 day of February 2020

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 2019, 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	**B G McVeigh**
28 February 2020	**Partner**

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Condensed statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated half-year ended 31 Dec 2019 $	Consolidated half-year ended 31 Dec 2018 $
Sales revenue	2	2,046,421	827,883
Cost of goods sold		(1,419,257)	(298,835)
Gross profit		627,164	529,048
Interest revenue		459	1,748
Director fees, salaries and wages expense		(983,587)	(821,808)
Share based payments – director compensation	10	(600,000)	-
Professional fees		(88,729)	(205,443)
Depreciation		(54,224)	(18,386)
Interest and facility fee expenses		(217,022)	(82,447)
Administration expenses		(385,642)	(705,960)
Loss before income tax		**(1,701,581)**	**(1,303,248)**
Income tax expense		-	-
Loss for the period		**(1,701,581)**	**(1,303,248)**
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		13,551	21,422
Other comprehensive income/(loss) for the period, net of tax		13,551	21,422
Total comprehensive loss for the period		**(1,688,030)**	**(1,281,826)**
Basic loss per share (basic and diluted) (cents per share)	9	(0.09)	(0.10)

The accompanying notes form part of these financial statements

Condensed statement of financial position
as at 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		1,280,948	435,524
Trade and other receivables		208,075	359,856
Inventory		514,896	265,293
Total Current Assets		**2,003,919**	**1,060,673**
NON-CURRENT ASSETS			
Plant and equipment		20,019	21,845
Right-of-use assets	3	153,887	-
Goodwill	4	2,418,610	2,418,610
Other intangibles	5	187,392	143,300
Other assets		9,451	23,125
Total Non-Current Assets		**2,789,359**	**2,606,880**
Total Assets		**4,793,278**	**3,667,553**
CURRENT LIABILITIES			
Trade and other payables		1,047,603	740,342
Borrowings	6	690,547	286,706
Convertible notes	7	1,341,777	1,280,345
Lease liabilities	3	48,748	-
Total Current Liabilities		**3,128,675**	**2,307,393**
NON-CURRENT LIABILITIES			
Lease liabilities	3	108,547	-
Total Non-Current Liabilities		**108,547**	**-**
Total Liabilities		**3,237,222**	**2,307,393**
Net Assets		**1,556,056**	**1,360,160**
EQUITY			
Issued capital	8	70,711,722	68,827,796
Reserves		1,336,242	1,322,691
Accumulated losses		(70,491,908)	(68,790,327)
Total Equity		**1,556,056**	**1,360,160**

The accompanying notes form part of these financial statements

Condensed statement of changes in equity
for the half-year ended 31 December 2019

Consolidated	Issued Capital $	Convertible Notes Reserve $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
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 income, 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**
Balance at 1 July 2019	**68,827,796**	**96,456**	**1,081,349**	**144,886**	**(68,790,327)**	**1,360,160**
Net loss for the period	-	-	-	-	(1,701,581)	(1,701,581)
Other comprehensive loss, net of tax	-	-	-	13,551	-	13,551
Total comprehensive loss	-	-	-	13,551	(1,701,581)	(1,688,030)
Shares issued	1,949,926	-	-	-	-	1,949,926
Share issue costs	(66,000)	-	-	-	-	(66,000)
Balance at 31 December 2019	**70,711,722**	**96,456**	**1,081,349**	**158,437**	**(70,491,908)**	**1,556,056**

The accompanying notes form part of these financial statements

**Condensed statement of cash flows
for the half-year ended 31 December 2019**

	Consolidated half-year ended 31 Dec 2019 $	Consolidated half-year ended 31 Dec 2018 $
Cash flows from operating activities		
Receipts from customers	2,093,442	978,558
Payments to suppliers and employees	(2,743,581)	(2,819,820)
Interest received	459	1,748
Interest paid	(14,906)	(18,954)
Income tax paid	(1,201)	-
Net cash outflows from operating activities	**(665,787)**	**(1,858,468)**
Cash flows from investing activities		
Payments for plant and equipment	(1,467)	(23,591)
Payments for other intangibles	(74,027)	-
Net cash outflows from investing activities	**(75,494)**	**(23,591)**
Cash flows from financing activities		
Proceeds from share issue	1,250,000	2,530,560
Costs of capital raising	-	(39,215)
Proceeds from borrowings	770,000	232,000
Repayment of borrowings	(416,140)	(251,000)
Payments of lease liabilities	(17,588)	-
Net cash inflows from financing activities	**1,586,272**	**2,472,345**
Net increase in cash and cash equivalents	844,991	590,286
Effect of movement in exchange rates on cash held	433	1,476
Cash and cash equivalents at the beginning of the period	435,524	69,707
Cash and cash equivalents at the end of the period	**1,280,948**	**661,469**

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 2019 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 2019
In the period ended 31 December 2019, 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 2019.

As a result of this review, the Group has applied AASB 16 from 1 July 2019. The effect of the application is detailed below.

AASB 16 Leases
AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases-for the lessee – effectively treating all leases as finance leases. AASB 16 is applicable to annual reporting periods beginning on or after 1 July 2019.

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

Adoption of new and revised standards (continued)

Impact on operating leases
AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet. On initial application of AASB 16, for all leases (except as noted below), the Group will:

- Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss.
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right- of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has applied AASB 16 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2019 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2018 and 30 June 2019 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 other new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

Reconciliation of operating lease commitments to lease liabilities

	2019 **$**
Operating lease commitments disclosed as at 30 June 2019	201,171
Discounted using the lessee's incremental borrowing rate at the date of initial application	(26,766)
Lease liability as at 1 July 2019	174,405

The Directors have used an incremental borrowing rate of 7% p.a. in calculating the lease liability as at the date of initial application.

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 2019.

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.

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

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 2019.

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 2019, the Group recorded a loss of $1,701,581 (31 December 2018: loss of $1,303,248) and had net cash outflows from operating and investing activities of $741,281 (31 December 2018: $1,882,059). As at 31 December 2019, the Group had a working capital deficit of $1,124,756 (30 June 2019: deficit of $1,246,720).

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.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

Notes to the condensed 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 12).

	Consolidated half-year ended 31 Dec 2019 $	Consolidated half-year ended 31 Dec 2018 $
Product sales	2,046,421	827,883
Total revenue	**2,046,421**	**827,883**

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

	Six months to 31 December 2019 Development and manufacture of wireless technologies $	Six months to 31 December 2018 Development and manufacture of wireless technologies $
Segment revenue (*i*)	2,046,421	827,883
Adjustments and eliminations	-	-
Total revenue from contracts with customers	**2,046,421**	**827,883**

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

NOTE 3 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
Right-of-use assets		
Premises	174,405	-
Accumulated amortisation	(20,518)	-
Net carrying value of right-of-use assets	**153,887**	**-**
Lease liabilities		
Current	48,748	-
Non-current	108,547	-
Total lease liabilities	**157,295**	**-**

Notes to the condensed financial statements

NOTE 3 LEASES (CONTINUED)

Reconciliation of right-of-use assets:

31 December 2019	**Premises** **$**
Opening balance	-
Initial adoption	174,405
Foreign currency differences	478
Acquisitions through business combinations	-
Disposals	-
Disposals – discontinued operation	-
Disposals or classified as held for sale	-
Impairment expense	-
Depreciation expense	(20,996)
Closing balance	**153,887**

AASB 16 has been adopted during the period, refer Note 1 for details.

Recognition of lease liabilities:

31 December 2019	**Premises** **$**
Opening balance	-
Initial adoption	174,405
Foreign currency differences	478
Principal repayments	(17,588)
Disposals	-
Disposals – discontinued operation	-
Disposals or classified as held for sale	-
Closing balance	**157,295**

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated 31 Dec 2019 $	**Consolidated 31 Dec 2018 $**
Depreciation charge of right-of-use assets		
Buildings	(20,996)	-
Total	**(20,996)**	**-**
Interest expense (included in interest and facility fee expenses)	(5,859)	-

Notes to the condensed financial statements

NOTE 4 GOODWILL

	Consolidated half-year ended 31 Dec 2019 $	Consolidated year ended 30 June 2019 $
Opening balance	2,418,610	2,418,610
Impairment	-	-
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.

NOTE 5 OTHER INTANGIBLES

	Consolidated half-year ended 31 Dec 2019 $	Consolidated year ended 30 June 2019 $
Certifications		
Opening balance	143,300	-
Additions	74,027	154,998
Amortisations	(29,935)	(11,698)
Closing balance	**187,392**	**143,300**

Certifications represent costs incurred in obtaining certification that the Group’s products conform to the regulations of the Federal Communications Commission (USA). Costs of obtaining a certification are amortised over the useful life of the certification, which management has assessed as being 3 years.

NOTE 6 BORROWINGS

	Consolidated half-year ended 31 Dec 2019 $	Consolidated year ended 30 June 2019 $
Loans – unsecured	690,547	286,706
Closing balance	**690,547**	**286,706**

During May 2019, the Company obtained further short-term funding through a loan of $120,000. The loan incurred interest at a rate of $3,000 per month (30% p.a.) whilst the balance was outstanding. The loan, along with $9,000 in interest was repaid in full on 5 July 2019.

During the half-year ended 31 December 2019, the Company 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. At the election of the lender, the interest component can be paid by either cash or shares. Interest of $46,500 was accrued during the period.

The Company has arranged a further short term funding facility under which a USD$123,500 advance was provided. Under the terms of the facility the Company is to make weekly repayments of USD$3,399 until a total of USD$176,605 is repaid. The balance outstanding balance at 31 December 2019 was USD$63,437 (AUD$90,547). Interest is calculated at a specified rate of 7% p.a. as detailed in the agreement. Interest of USD$41,907 (AUD$61,210) was accrued during the period. The lender has been granted a security interest over the assets of CIO Technology, Inc.

NOTE 7 CONVERTIBLE NOTES

	Consolidated half-year ended 31 Dec 2019 $	Consolidated year ended 30 June 2019 $
Opening balance	1,280,345	-
Conversion of loan to notes	-	1,351,000
Recognition of extension to notes – equity component	-	(70,655)
Accrued interest expense	95,617	-
Conversion of notes to ordinary shares	(34,185)	-
Closing balance	**1,341,777**	**1,280,345**

At the 2018 Annual General Meeting, shareholders approved the conversion of the Company's $1.37m loan facility with Gorilla Pit Pty Ltd into convertible notes. On 28 February 2019 the Company issued convertible notes with a face value of $1,351,000. Each note entitles the holder to convert to ordinary shares at a cost of $0.003 per share.

Conversion may occur at any time between the date of issue and 30 June 2020 at the election of the holder. Interest of 9% will accrue daily on the face value from the issue date until the maturity date and be paid six monthly on the anniversary of the issue date. Holders may elect to convert their interest to shares at the same issue price ($0.003 per share). Noteholders are entitled to secure the loan by registration on the Personal Property Securities Register (PPSR).

On 8 July 2019 the Company announced that they had successfully extended the maturity date of the convertible notes from 30 June 2019 to 30 June 2020.

Notes to the condensed financial statements

NOTE 8 ISSUED CAPITAL

Movements in issued and paid up capital

	Consolidated 31 Dec 2019 $	Consolidated 30 June 2019 $
Issued and paid up capital		
Ordinary shares fully paid (a)	70,711,722	68,827,796
	70,711,722	**68,827,796**

Movements in issued and paid up capital

	Number	Consolidated $
(a) Ordinary shares fully paid		
Balance as at 1 July 2018	887,916,052	66,345,419
Placement (4 Sep 2018, $0.003 per share)	133,187,333	399,562
Rights Issue – Application shares (28 Sep 2018, $0.003 per share)	131,594,009	394,782
Rights Issue – Shortfall shares (11 Oct 2018, $0.003 per share)	578,738,659	1,736,216
Placement fee shares (20 Dec 2018, $0.003 per share)	6,682,030	20,046
Underwriting fee shares (20 Dec 2018, $0.003 per share)	36,633,643	109,901
Loan agreement shares (20 Dec 2018, $0.003 per share)	5,000,000	15,000
Director shares – in lieu of fees (20 Dec 2018, $0.003 per share)	33,333,333	100,000
Costs directly attributable to issue of share capital	-	(293,130)
Balance as at 30 June 2019	**1,813,085,059**	**68,827,796**
Balance as at 1 July 2019	1,813,085,059	68,827,796
Conversion of convertible notes (20 Sep 2019, $0.003 per share)	11,394,998	34,185
Placement of fully paid ordinary shares (20 Dec 2019, $0.003 per share)	416,666,667	1,250,000
Director shares – reward compensation (20 Dec 2019, $0.004 per share) (refer to Note 10(b))	150,000,000	600,000
Director shares – in lieu of fees (20 Dec 2019, $0.004 per share)	16,435,333	65,741
Costs directly attributable to issue of share capital	-	(66,000)
Balance as at 31 December 2019	**2,407,582,057**	**70,711,722**

(b) Performance Shares

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. As the milestones were not satisfied, the Performance Shares will be cancelled on 15 March 2020, being the date 4 years from being readmitted to quotation.

NOTE 8 ISSUED CAPITAL (CONTINUED)

(c) Options

As at 31 December 2019, 75,000,000 unlisted options were on issue. The options are exercisable at 1 cent and expire on 20 December 2022.

(d) Performance Rights

As at 31 December 2019, 100,000,000 Class A Performance Rights and 100,000,000 Class B Performance Rights were on issue. The Performance Rights were granted at nil consideration, do not have an exercise price and will expire on 31 December 2023. Refer to Note 10(c) for further details on the issue.

NOTE 9 EARNINGS PER SHARE

	Consolidated half-year 31 Dec 2019 $	Consolidated half-year 31 Dec 2018 $
	Cents	**Cents**
Basic and diluted loss per share	(0.09)	(0.10)

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	(1,701,581)	(1,303,248)
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	1,844,016,889	1,305,237,148

NOTE 10 SHARE BASED PAYMENTS

(a) In December 2019, the following shares were issued for services provided to the Group:

	Value per share $	Number	Value $
Reward compensation (Note 10(b))	0.004	150,000,000	600,000
Outstanding directors fees (Notes 11(a) and 11(b))	0.004	16,435,333	65,741

(b) In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 150,000,000 ordinary shares were issued to Mr Temov in recognition of his efforts to date and compensation for discounting his salary to preserve the Company's cash reserve during the 2019 financial year.

The total fair value of these shares granted to Mr Temov was $600,000 based on the Company's closing share price of $0.004 as at the date of the Company's 2019 Annual General Meeting.

NOTE 10 SHARE BASED PAYMENTS (CONTINUED)

(c) In December 2019, following shareholder approval granted at the Company's 2019 Annual General Meeting, 100,000,000 Class A Performance Rights and 100,000,000 Class B Performance Rights were granted to Mr Temov as an incentive to provide ongoing dedicated services to the Company.

The Performance Rights were granted at nil consideration, do not have an exercise price and will expire on 31 December 2023.

Each Performance Right will vest and convert to one fully paid ordinary share subject to the satisfaction of certain Performance Milestones, completion of a vesting period of 12 months and Mr Temov's continued engagement as Managing Director.

The Performance Milestones are:

1. Class A Performance Rights – The Company and its subsidiaries achieve aggregate gross revenue of greater than AUD $4 million during any calendar year ending on or before 31 December 2022.

2. Class B Performance Rights – The Company and its subsidiaries achieve aggregate gross revenue of greater than AUD $8 million during any calendar year ending on or before 31 December 2022.

As at 31 December 2019, no value has been attributed to the Performance Rights as it is unlikely that the Performance Milestones will be met.

NOTE 11 RELATED PARTY TRANSACTIONS

During the half-year ended 31 December 2019, the following related party transactions occurred:

(a) On 20 December 2019, Mr Sierakowski's outstanding Director fees up to 30 September 2019 of $29,806 was satisfied via the issue of 9,935,333 ordinary shares at an issue price of $0.003 per share following shareholder approval granted at the 2019 Annual General Meeting held on 27 November 2019. For accounting purposes, the shares issued have been valued at $39,741, using the closing share price of $0.004 the Company's share price at the date of the Annual General Meeting, with the difference recognised as an expense.

(b) On 20 December 2019, Mr Bosio's outstanding Director fees up to 30 September 2019 of $19,500 was satisfied via the issue of 6,500,000 ordinary shares at an issue price of $0.003 per share following shareholder approval granted at the 2019 Annual General Meeting held on 27 November 2019. For accounting purposes, the shares issued have been valued at $26,000, using the closing share price of $0.004 the Company's share price at the date of the Annual General Meeting, with the difference recognised as an expense.

(c) On 20 December 2019, Mr Temov was issued 150 million ordinary shares, 100 million Class A Performance Rights and 100 million Class B Performance Rights to align the long term goals of shareholders with Mr Temov and to establish an incentive for providing ongoing dedicated services to the Company. Refer to Notes 10(b) and 10(c) for further details on the issue of the Shares and Performance Rights. No consideration was payable on the issue of the Shares or Performance Rights.

There were no other material changes to related party transactions since the last annual reporting date.

Notes to the condensed financial statements

NOTE 12 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 13 CONTINGENT LIABILITIES

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

NOTE 14 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 15 SUBSEQUENT EVENTS

There has not been any 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 2019 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 28 day of February 2020

Independent auditor's review report

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 2019, 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 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 consolidated entity's financial position as at 31 December 2019 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 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.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Independent auditor's review report

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 consolidated entity's financial position as at 31 December 2019 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.

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 2020

B M V

B G McVeigh
Partner