



28<sup>th</sup> July 2017

ASX Announcement / Media Release

## Quarterly Report for Period Ending 30 June 2017

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### HIGHLIGHTS

- **Cash Receipts from Customers show record growth to AUD\$846,196, up 1,963% from Q4 FY16 and 48.9% from Q3 FY17.**
- **Significant increase in recurring orders from Enterprise-level customers. 88% of orders in Q4 FY17 were from repeat customers.**
- **Number of Customer Accounts grew 11.4% from Q3 2017 to now total 986 customers that have purchased from CIO.**
- **Operating Expenses remain well controlled with a significant decrease in administration and corporate costs with increased funds being focused on product manufacturing and operating costs.**

Connected IO Limited ("CIO" or the "company") is pleased to announce the release of its results for the quarter ended 30 June 2017.

CIO achieved cash receipts from customers for the quarter of AUD\$846,196 (up 1,963% from Q4 FY16). The result for the full financial year delivered cash revenues of over AUD\$1,899,196 (up 776.9% from Full-Year FY16).

As previously announced on July 3, 2017, CIO achieved a key internal milestone in receiving Purchase Orders from two major hardware distributors. One, a Fortune 150 United States company with annual sales in excess of US\$23B as well as CNM, one of AT&T's largest wireless hardware distributors in the United States. These two companies demonstrate the mass-market appetite for the company's products in the United States.

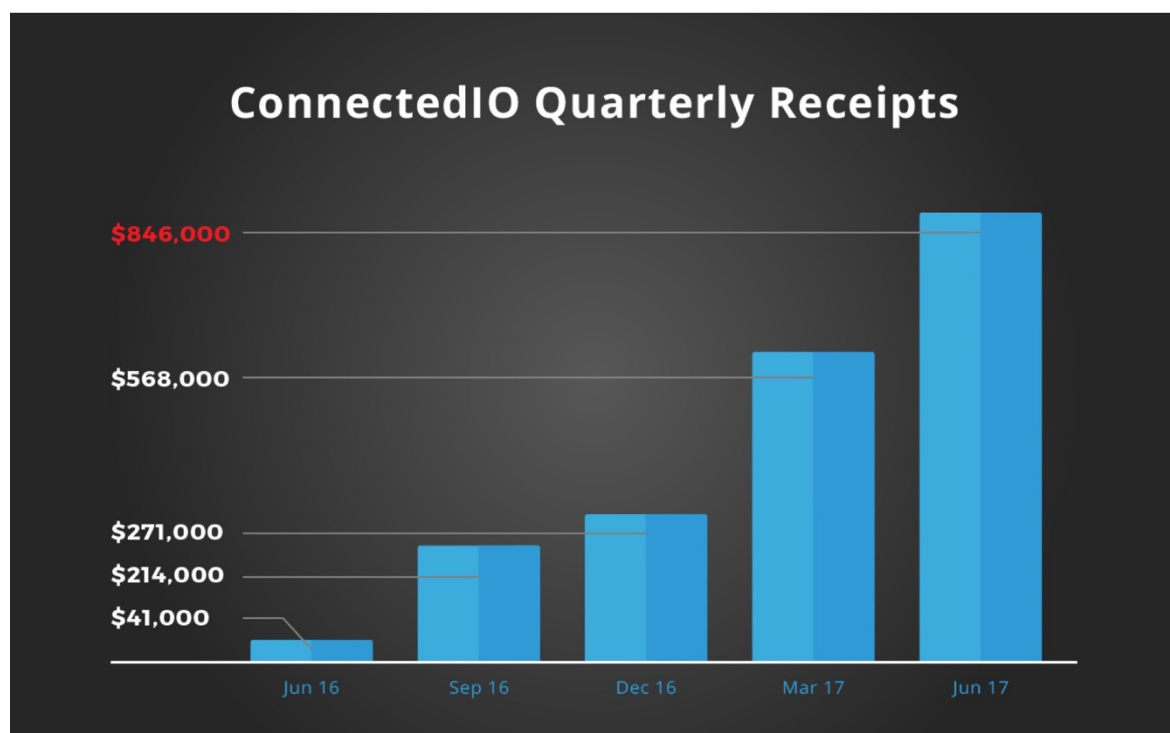
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The company continued to receive significant orders from Enterprise-customers, including a major Cyber-Security customer, under the LOI announced in early 2017. Orders from this customer alone now total 54% of the LOI over a 7-month period.

The company's relationship with AT&T and Verizon continues to strengthen with approximately 70 new revenue generating customers introduced respectively by the carriers over the period, and a further 20 customers commencing CIO product trials.

## Record Sales over the Period.

The company is pleased to report to shareholders that the Q4, 2017 period resulted in record cash receipts, further indicating a solid trend of growth that is anticipated to continue as carrier relationships continue to open. The graph below illustrates the company's quarterly growth since listing in March 2016.



During the Quarter, CIO received substantial orders from Verizon Enterprise customers totalling approximately AUD\$650,000. The growth in orders from this channel shows the increasing appetite from Verizon's enterprise accounts for CIO's products. CIO is pleased that existing customers continue to order product from CIO in addition to new customers being introduced by Verizon over the period.

## New-Product Rollout to satisfy industry developments

CIO launched a new product suite, named the "Category-1" or "Cat-1" lineup of modems which have been engineered to meet the evolving demands of the next generation of the IOT.

Cat 1 modems are designed to take advantage of a new low latency broadband cellular networks that has been designed and deployed by major mobile service companies around the world to provide an optimized, cost effective network specifically for IOT.

The product release follows Telstra's 2017 rollout of a dedicated Cat1 network specifically for ultra-low-power IOT devices that require minimal network bandwidth. A typical use case would be for battery operated remote asset tracking such as pallets or hired machinery.

Telstra's group Managing Director of networks, Mike Wright, commented: "Building Cat-M1 services for IOT using the scale and standardisation of the 3GPP roadmap allows the rapid rollout of Cat-M1 through a new network software activation and provides the ideal platform for a proliferation of IOT devices and applications."<sup>1</sup>

The creation of Cat1 compatible products demonstrates CIO's ability to remain at the forefront of the latest technology and industry advancements.

## Body Worn Live-Streaming Camera

Following the release of the latest version of the live streaming body camera on 7 March 2017, the company is pleased to report that it has received several enquiries from military and law-enforcement groups in the Asian region. The company has been encouraged by the interest in the updated body camera and is in the process of negotiating with these groups with expectations that in-field trials will commence over the coming quarter.

## Financial Position Comments

Cash received during the quarter was AUD\$846,196 and there are more significant purchase orders expected over the next quarter. CIO remain confident revenues will continue to increase aggressively throughout 2017. Inventory levels have increased to just over AUD\$1,070,000 through increased manufacturing, and will help meet immediate demand and deliver on confirmed purchase orders.

## Developing Opportunities

CIO CEO, Yakov Temov said "The last quarter was a further significant step forward for Connected IO. Not only has the company achieved record revenue growth, but it has also invested heavily into manufacturing and inventory to enable this growth to continue. As the industry continues to mature, CIO products are being used in more and more applications by increasingly more customers".

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<sup>1</sup> Reference<sub>1</sub> - <http://www.computerworld.com.au/article/614894/telstra-outlines-plans-its-network-future/>

## Gold-Asset Update

CIO continues the process of recovery of the Missions and Cables Gold Asset. Further developments will be announced to the market as and when they are received by the company.

### **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. CIO specializes in machine to machine ("M2M") connectivity, providing hardware and software solutions to some of the world's largest companies – including Coca Cola, Verizon and AT&T. CIO'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.

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Connect IO Limited (formerly G8 Communications Limited) and its controlled entities

**ABN**

99 009 076 233

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

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	846	1,899
1.2 Payments for		
(a) research and development	(24)	(176)
(b) product manufacturing and operating costs	(1,288)	(1,652)
(c) advertising and marketing	(23)	(63)
(d) leased assets	(4)	(4)
(e) staff costs	(486)	(1,733)
(f) administration and corporate costs	(123)	(2,165)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	11
1.5 Interest and other costs of finance paid	-	(49)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,001)</b>	<b>(3,932)</b>

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(4)	(4)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(4)</b>	<b>(4)-</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	3,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(224)
3.5 Proceeds from borrowings	500	500
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>500</b>	<b>3,276</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,237	1,296
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,101)	(3,932)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	500	3,276
4.5	Effect of movement in exchange rates on cash held	7	3
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>639</b>	<b>639</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	639	1,237
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>639</b>	<b>1,237</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	96
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

1. Director fees and director salaries.

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7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,500	500
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The loan facility included in 8.1 above is a secured 6 month facility arranged through a private lender at the rate of 9%p.a.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(24)
9.2 Product manufacturing and operating costs	(400)
9.3 Advertising and marketing	(25)
9.4 Leased assets	(7)
9.5 Staff costs	(480)
9.6 Administration and corporate costs	(160)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,096)</b>

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 28 July 2017

Print name: Jason Ferris - Director

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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