

31 January 2017

Quarterly Report for the Period Ending 31 December 2016

HIGHLIGHTS

- CIO receives significant order via a Letter of intent for AUD\$1.6m+.
- CIO receives substantial product order of AUD\$320,000 from cutting edge, North American energy management solution provider.
- CIO recruits three high profile, proven sales professionals with 75+ years of combined industry specific experience and expertise.
- CIO continues to work with Coca-Cola to provide solutions for its Freestyle machines, developed by Coca-Cola to replace millions of vending machines and 75%+ of the worlds soda fountains.
- City of Nashville expands Smart City pilot program using CIO.
- CIO receives initial order for 1,000 units to provide connectivity for a leading-edge solution provider in the Oil and Gas Industry.
- Sales and technical training of key Hills Limited personnel completed prior to official Australian launch.
- Successful recovery of significant Gold asset Missions and Cables. Technical review commenced to consider commercialisation options.

Connected IO Limited ("CIO") is pleased to provide this market update regarding its activities during the three months ended 31 December 2016.

During the quarter, CIO continued to grow its customer base via close strategic relationships with major cellular service providers and key channel partnerships that increased CIO's exposure to the market and successfully lead to an accelerated velocity of purchase orders through both new and established relationships.

CIO further expanded its sales team (as announced 24 November) with three key additions whose 75+ years of combined experience and expertise further extend CIO's network and reach into the IOT market.

US based cyber security company signed a **letter of intent for AUD\$1.6m+** of CIO product (announced 15 December) **along with initial guaranteed orders of AUD\$550,000** (to date), to provide managed security services for some of the largest restaurant, retail, grocery and healthcare franchises in the US.

Xcspec (Economiser Pro) North America **placed an initial purchase order of AUD\$320,000+** with CIO (announced 21 October) and agreed to resell product bundles including **CIO's recurring data management services**. Xcspec has begun integration and installation of CIO products to collect data via electronic monitors in heating and cooling systems throughout the United States and Canada, and expect an average data usage rate of 250mb per month per device.

Level Ops Energy United States (in cooperation with Kelvin Inc.) **placed an initial purchase order for 1,000 units/AUD\$129,000+** (announced 8 November) and will **require between AUD\$12,000 and AUD\$19,000 of CIO product per month** to integrate next generation asset tracking solutions for just one of the many Oil and Gas industry opportunities they are pursuing.

The **City of Nashville** has **placed several orders with CIO** (announced 11 November) **as they roll out cellular monitoring solutions throughout the metropolitan area** as part of an ongoing effort that exemplifies smart city initiatives across the US.

CIO continues to work with **Coca-Cola** to provide hardware and consultation for reliable cellular connectivity to Coke's **Freestyle Fountain machines**. **Freestyle machines** have been slow to roll out, however are expected to **replace millions of vending machines** and **the 75%+ share of the world's soda fountains owned by Coca-Cola**. **Coca-Cola's objective is to "think big early in the IoT world"** as quoted by Chris Dennis, the Head of Global product strategy for Coca-Cola Freestyle.

Sales training commenced with Hills Limited (announced 6 October) on all CIO products **ahead of launch and roll out of product in Australia** via Hills significant network. This included Hills sales team, account managers, business development managers, and service teams. Separate technical training was also undertaken with Hills technical team for technical and service support of products once installed.

As announced on 20 December, CIO was **successful in recovering the company's original asset**, the Missions and Cables gold asset in Western Australia. This is a significant milestone for CIO shareholders as the gold tenement represents a significant asset for the company. The board will review its options with regard to the asset and the impact on the company and will seek direction from its experienced mining directors Jason Ferris and Eric De Mori as well as engaging external mining consulting services with regard the asset.

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Cash Receivables for the quarter were AUD\$263,000+ and with the above outlined opportunities it is anticipated revenues will grow aggressively throughout 2017.

CIO CEO, Yakov Temov said “The company is really starting to develop as a leader of the M2M space as has become evident via the diversified application we are delivering to our customers across all data providers, and around the world. Relationships continue to develop and increased sales momentum is expected to follow throughout 2017. The company is very motivated to deliver unbeatable CIO wireless product solutions to the market as the IOT industry continues to grow.”

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.

For further information please contact:

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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

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

ABN

99 009 076 233

Quarter ended ("current quarter")

31 December 2016

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|-----------------------------------------------------------|------------------------------------|------------------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 271 | 485 |
| 1.2 Payments for | | |
| (a) research and development | (123) | (128) |
| (b) product manufacturing and operating costs | (479) | (221) |
| (c) advertising and marketing | (23) | (39) |
| (d) leased assets | - | - |
| (e) staff costs | (408) | (759) |
| (f) administration and corporate costs | (227) | (1,374) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 8 |
| 1.5 Interest and other costs of finance paid | (44) | (49) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,029) | (2,077) |

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| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---------------------------------------------|-----------------------------------------------------------------------------|------------------------------------|------------------------------------------------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | - | - |
| | (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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |
| 3. | Cash flows from financing activities | - | |
| 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 | (10) | (224) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---------------------------------------------|-------------------------------------------------------|------------------------------------|------------------------------------------------|
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | (10) | 2,776 |

| | | | |
|------------|------------------------------------------------------------------------------|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of quarter/year to date | 3,024 | 1,296 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,029) | (2,077) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (10) | 2,776 |
| 4.5 | Effect of movement in exchange rates on cash held | 27 | 17 |
| 4.6 | Cash and cash equivalents at end of quarter | 2,012 | 3,024 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 2,012 | 3,024 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,012 | 3,024 |

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| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|----------------------------------------------------------------------------------------------------------|------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 102 |
| 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 salaries; and 2. Reimbursements. | |

| 7. Payments to related entities of the entity and their associates | 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. Financing facilities available <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 | - | - |
| 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. | | |
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| 9. Estimated cash outflows for next quarter | \$A'000 |
|-----------------------------------------------|----------------|
| 9.1 Research and development | (133) |
| 9.2 Product manufacturing and operating costs | (534) |
| 9.3 Advertising and marketing | (40) |
| 9.4 Leased assets | (7) |
| 9.5 Staff costs | (467) |
| 9.6 Administration and corporate costs | (314) |
| 9.7 Other (provide details if material) | - |
| 9.8 Total estimated cash outflows | (1,495) |

| 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

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



Sign here:
(Director)

Date: 31st January 2017

Print name: Jason Ferris

Notes

- 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

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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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