

IOT GROUP LIMITED
ACN 140 475 921

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 19 January 2018 (**Prospectus**), issued by IoT Group Limited (ACN 140 475 921) (**Company** or **IOT**).

This Supplementary Prospectus is dated 9 February 2018 and was lodged with ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be available with the Prospectus as an electronic prospectus and may be accessed on the Company's website at www.theiotgroup.com and the Company will send a copy of this Supplementary Prospectus to all Applicants who have applied for Securities under the Prospectus prior to the date of this Supplementary Prospectus.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

This Supplementary Prospectus is intended to be read with the Prospectus dated 19 January 2018 issued by IOT Group Limited (ACN 140 475 921).

1. REASONS FOR THE SUPPLEMENTARY PROSPECTUS

On 7 February 2018, the Company entered into a binding terms sheet with Run-a Australia Pty Limited (ACN 615 795 027) (**Runa**), pursuant to which the Company agreed to acquire 3,000,000 fully paid ordinary shares in the capital of Runa (**Runa Shares**) at a deemed issue price of \$0.20 per Runa Share and 1,500,000 performance options exercisable at \$0.25 on or before 30 December 2020 upon the satisfaction of certain performance milestones (**Runa Acquisition**) (**Runa Agreement**). On completion of the Runa Acquisition, the Company will hold a 25% interest in the fully paid ordinary shares on issue in Runa.

In consideration for the Runa Acquisition, the Company has agreed to:

- (a) advance Runa \$50,000 on execution of the Runa Agreement;
- (b) pay Runa \$200,000 in cash on or before 15 March 2018; and
- (c) pay Runa an additional \$350,000 in cash (the **Cash Payment**) or issue Runa \$350,000 in Shares. The deemed issue price for the Shares will be based on the VWAP of Shares for the 30 days immediately prior to the date of issue of the Shares (subject to a floor price of \$0.006 per Share).

The 30-day VWAP as at the date of lodgement of this Supplementary Prospectus is \$0.0095. Accordingly, for the purposes of this Supplementary Prospectus, it is assumed that the deemed issue price of the Shares to be issued under the Runa Agreement will be \$0.0095 unless otherwise stated. However, given the market price of the Company's Shares is likely to fluctuate, the deemed issue price may be different, which will result in a change to the number of Shares to be issued.

Set out below are worked examples of the number of Shares that may be issued to Runa based on deemed issue prices of \$0.006, \$0.0095 and \$0.012.

Assumed issue price	Number of Shares
\$0.006	58,333,334
\$0.0095	36,842,106
\$0.012	29,166,667

Full details of Runa and the Runa Acquisition were announced to the market on 7 February 2018.

This development necessitates various updates to the disclosures in the Prospectus, which is the purpose of this Supplementary Prospectus.

2. UPDATES TO PROSPECTUS

The changes referenced in Section 1 above necessitate various amendments, additions or updates to various disclosures outlined in the Prospectus. Those changes are summarised below and set out in more detail in Section 3:

- (a) Section 4: Details of the Offer – to insert an additional dilution table;
- (b) Section 5: Purpose and Effect of the Offer: to update the use of funds table, effect of the Offer and effect on capital structure;

- (c) Section 7: Risk Factors – to include new risk factors;
- (d) Section 8: Material Contracts – to update the summaries of the agreements and to insert a summary of the Runa Agreement; and
- (e) Section 10: Additional Information – to add in other information relating to the Offer.

Information updating each of those Sections is set out in Section 3 of this Supplementary Prospectus below. Investors are encouraged to read the information below, together with the Prospectus, and should you have any questions, you should contact your professional advisers.

3. AMENDMENTS TO THE PROSPECTUS

The following additional information or amendments are made to the Prospectus.

3.1 Section 4 – Details of the Offer

Section 4.8 – Dilution

Note 2 in Section 4.8 is removed and replaced with the following.

2. The total number of shares on issue of 1,284,230,658 is prior to the issue Shares to the Lead Manager in satisfaction of selling fees and management fees owing pursuant to the Lead Manager Mandate. The Company has issued 4,426,719 Shares in partial payment of the Management Fee. The Company will issue the balance of the Management Fee (being a maximum of 1,021,271 Shares at a deemed issue price of \$0.01) and the Selling Fee at the completion of the Offer. Refer to Section 8.1 of the Prospectus for further details on the Lead Manager Mandate.

Section 4.9 – Dilution as a result of the Runa Acquisition

A new Section 4.9 is inserted as follows:

Shareholders should note that if the Company elects to issue Shares to the value of \$350,000 pursuant to the Runa Agreement, their holdings are likely to be diluted. Examples of how the dilution may affect Shareholders is set out in the table below, based on an assumed issue price of \$0.006, \$0.0095 and \$0.012.

Assumed issue price	Shares to be issued to Runa	Shares on issue at the completion of the Offer	Shares on issue at the completion of the Runa Acquisition	Dilution effect on existing Shareholders
\$0.006	58,333,334	1,287,008,436	1,345,341,770	4.34%
\$0.0095	36,842,106	1,287,008,436	1,323,850,542	2.78%
\$0.012	29,166,667	1,287,008,436	1,316,175,103	2.22%

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer.
2. The total number of shares on issue of 1,287,008,436 is prior to the issue of the balance of Shares owing to the Lead Manager pursuant to the Lead Manager Mandate. The Company has issued 4,426,719 Shares in partial payment of the Management Fee. The Company will issue the balance of the Management Fee (being a maximum of 1,021,271

Shares at a deemed issue price of \$0.01) and the Selling Fee at the completion of the Offer. Refer to Section 8.1 of the Prospectus for further details on the Lead Manager Mandate.

3. Shareholders should note that, if that the Company elects to make the Cash Payment under the Runa Agreement, Shareholders will not be diluted by reason of the Runa Agreement.
4. The Company notes that the above workings are an example only and the actual issue price may differ. This will result in the maximum number of Shares to be issued and the dilution percentage to also differ.

3.2 Section 5 – Purpose and Effect of the Offer

Section 5.1 – Purpose of the Offer

The Runa Acquisition means additional expenditure is required. As a result, the table in Section 5.1 is replaced with the following table:

Item	Proceeds of the Offer	Full Subscription (\$)	%
1.	Marketing and advertising ¹	\$750,000	32.44%
2.	Product development ²	\$1,000,000	43.26%
3.	Expenses of the Offer being paid in cash ³⁴	\$52,293	2.26%
4.	Runa Acquisition ⁵	\$250,000	10.81%
5.	Working capital	\$509,322	22.03%
	Total	\$2,311,615	100%

Notes:

1. Funds allocated towards marketing and advertising include \$125,000 allocated to advance payment of commissions to international distributors for the 2018 product rollout, \$175,000 allocated to advertising and promotional costs for the launch of the 2018 product range and \$450,000 allocated to the development of online sales capability and channels.
2. Funds allocated towards product development include \$550,000 allocated to advance product payments to manufacturers to support the 2018 year roll out and \$450,000 allocated to the development or acquisition of new product lines. If the Company elects to make the Cash Payment, the funds allocated to the development or acquisition of new product lines will be reduced to \$100,000.
3. Expenses of the Offer are being partially paid in cash and partially by way of an issue of Shares by the Company. Refer to Section 9.7 of the Prospectus for further details relating to the estimated expenses of the Offer.
4. Note that a maximum of \$193,697 representing a \$55,000 management fee and a selling fee of 6% of the total funds raised pursuant to the Offer is payable through the issue of Shares to the Lead Manager at deemed issue prices of \$0.01 per Share in relation to the management fee and \$0.009 per Share in relation to the selling fee. Refer to Section 8.1 for further details relating to the payment of these fees.
5. The Company has the right to elect pursuant to the Runa Agreement, whether to make a cash payment of \$350,000 to Runa, or to issue Shares to the value of \$350,000 to Runa. If the Company elects to make the Cash Payment, the funds allocated to the development or acquisition of new product lines (falling under the broader category of the funds allocated to product development) will be reduced by \$350,000. Refer to Section 8.3 of the Prospectus for further details of the Runa Agreement.

Section 5.2 – Effect of the Offer

The following paragraphs are inserted at the end of Section 5.2:

Since the lodgement of the Prospectus, the Company has issued 2,777,778 Shares to the Lead Manager at a deemed issue price of \$0.009 per Share in partial payment of the Management Fee. The remaining balance of the Management Fee (\$10,212.71) will be settled via the issue of Shares at a deemed issue price of \$0.01 following completion of the Offer. The Selling Fee will also be settled via an issue of Shares at a deemed issue price of \$0.009 following completion of the Offer.

If the Company elects to pay the \$350,000 owing pursuant to the Runa Agreement via an issue of Shares, the Company will also issue a maximum of 58,333,334 Shares upon settlement of the Runa Acquisition. If the Company issues the maximum number of Shares pursuant to the Runa Agreement, there will be 1,345,341,770 Shares on issue following completion of the Offer and the Runa Acquisition (prior to the issue of Shares in payment for outstanding expenses of the Offer being paid via an issue of Shares).

Section 5.4 - Effect on capital structure

The paragraphs of Section 5.4 which relate to the share capital of the Company and the capital structure on a fully diluted basis are removed and replaced with the following:

The effect of the Offer and the Runa Acquisition on the capital structure of the Company, assuming all Entitlements are accepted, and no Options are exercised prior to the Record Date, is as follows:

Shares

	Number
Shares currently on issue ¹	1,030,162,304
Shares offered pursuant to the Offer	256,846,132
Shares issued pursuant to the Runa Acquisition ²	36,842,106
Total Shares on issue after completion of the Offer and the Runa Acquisition	1,323,850,542

Notes:

1. The total number of shares on issue of 1,030,162,304 is prior to the issue of a maximum of 15,410,767 Shares at a deemed issue price of \$0.009 and 1,021,271 Shares at a deemed issue price of \$0.01 per Share to be issued to the Lead Manager in satisfaction of selling fees and management fees owing pursuant to the Lead Manager Mandate. Refer to Section 8.1 for further details regarding the payment of these outstanding expenses.
2. In accordance with the terms of the Runa Agreement, the Company may elect to make a payment of \$350,000 or issue Shares to the value of \$350,000 with a deemed issue price equal to the 30-day volume weighted average price per Share immediately prior to the date of issue of the Shares (subject to a floor price of \$0.006 per Share). For the purposes of the table above it is assumed that the deemed issue price of the Shares will be \$0.0095 being the 30-day VWAP as at the date of lodgement of this Supplementary Prospectus.

The capital structure on a fully diluted basis as at the date of this Supplementary Prospectus is 1,318,275,319 Shares and on completion of the Offer and the Runa Acquisition (assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and the Shares issued pursuant to the Runa Acquisition

are issued at a deemed issue price of \$0.0095) would be 1,868,809,689 Shares (before payment of outstanding expenses of the Offer to be settled via an issue of Shares).

3.3 Section 7 – Risks

Section 7.1 – Potential for significant dilution

Paragraph 7.1(a) is removed and replaced with the following:

- (a) Upon implementation of the Offer and completion of the Runa Acquisition, (assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and the Shares issued pursuant to the Runa Acquisition are issued at a deemed issue price of \$0.0095) the number of Shares in the Company will increase from 1,030,162,304 currently on issue to 1,323,850,542 (before payment of outstanding expenses of the Offer to be settled via an issue of Shares). This means that each Share will represent a significantly lower proportion of the ownership of the Company.
- (b) It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.
- (c) The last trading price of Shares on ASX prior to the Supplementary Prospectus being lodged of \$0.008 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.

Section 7.2 – Risks associated with Runa

A new Section 7.2 is inserted as follows:

(a) **Completion Risk**

The Company has agreed to acquire 25% of the fully paid ordinary shares on issue in Runa, pursuant to the Runa Agreement, which is subject to the fulfillment of certain conditions. There is a risk that the conditions for completion of the Runa Agreement cannot be fulfilled and, in turn, that completion of the Runa Acquisition does not occur.

(b) **Liquidity risk**

Runa's shares are not quoted on the ASX or any other securities exchange and there is no public market for these shares. Therefore, no readily accessible market exists in which securities in the Runa can be bought or sold. At present, trading in the Runa's shares, if any, can only be effected by private negotiation and there is no guarantee that any market in the securities will develop or of the price at which shares may trade.

(c) **Business strategy risk**

Runa's future growth, profitability and cash flows depend on the ability of its management to successfully execute its business strategy. There can be no assurance that Runa can successfully achieve any or all of these initiatives or anticipated time frames. The failure by Runa to successfully execute its business strategy could have a material adverse effect on its business, financial condition and result of operations.

(d) **Industry risk**

There are a number of industry risk factors that may affect the future operational performance of Runa. These factors are outside the control of Runa. Such factors include increased regulatory and compliance costs, unforeseen government legislation, and collapse in equity markets.

3.4 Section 8 – Material Contracts

Section 8.1 – Lead Manager Mandate

The paragraph which follows 8.1(b) is removed and replaced with the following:

The Company has paid the Lead Manager a portion of the Management Fee, via an issue of 1,648,941 Shares at a deemed issue price of \$0.012 per Share and 2,777,778 Shares at a deemed issue price of \$0.009 per Share. The remaining balance of the Management Fee (\$10,212.71) will be settled via the issue of Shares at a deemed issue price of \$0.01 following completion of the Offer.

Section 8.3 - Acquisition Agreement

A new Section 8.3 is inserted as follows:

On 7 February 2018, the Company entered into a binding term sheet with Runa pursuant to which, subject to satisfaction (or waiver) of certain terms and conditions, the Company will acquire 3,000,000 fully paid ordinary shares in the capital of Runa (**Runa Shares**) and 1,500,000 performance options exercisable at \$0.25 on or before 30 December 2020 upon the satisfaction of certain performance milestones (**Performance Options**) (**Runa Agreement**).

The material terms of the Runa Agreement are set out below:

(a) (**Conditions Precedent**): Settlement of the Runa Agreement is conditional on the satisfaction or waiver of the following outstanding conditions precedent:

- (i) completion of due diligence within seven days by the Company on the Runa business and operations to the satisfaction of the Company;
- (ii) IoT obtaining all regulatory, shareholder and third-party approvals necessary to undertake the Runa Agreement; and
- (iii) the execution of the of the definitive share subscription agreement between the parties and any other ancillary documents required in order to effect the transaction.

If the conditions set out above are not satisfied (or waived by the Company) on or before 5.00pm (WST) on 30 March 2018, the Runa Agreement will be at an end and the parties will be released from their obligations.

(b) (**Consideration**): The consideration to be paid by the Company will be satisfied as follows:

- (i) \$250,000 in cash, payable as follows:

- (A) The Company will pay a cash advance of \$50,000 upon execution of the Runa Agreement;
- (B) The Company will subscribe for the Runa Shares upon execution of the Runa Agreement and provide the balance of \$200,000 in cash before 15 March 2018; and
- (ii) \$350,000 to be satisfied through the issue of Shares with a deemed issue price equal to the 30-day volume weighted average price per Share immediately prior to the date of issue of the Shares (subject to a floor price of \$0.006 per Share). Alternatively, the Company may elect to make a \$350,000 cash payment to Runa (the **Cash Payment**).
- (c) **(Right of First Refusal)**: In the event the Company wishes to sell its shares in Runa prior to a listing, they shall be offered to the existing shareholders of Runa on a pro rata basis prior to offering the shares to any third parties, on a first and last right of refusal basis.

The Runa Agreement otherwise contains provisions considered standard for an agreement of its nature (including representations and warranties, termination and confidentiality provisions).

3.5 Section 9 – Additional Information

Section 9.5 – Interests of Experts and Advisers

The paragraphs referring to Sirius Capital in Section 9.5 are removed and replaced with the following:

- (a) The Lead Manager (Sirius Capital Pty Ltd) has been paid, via an issue of 1,648,941 Shares at a deemed issue price of \$0.012 per Share, and 2,777,778 Shares at a deemed issue price of \$0.009, representing \$44,787.29 of the \$55,000 Management Fee in respect of the Offer. Subject to the completion of the Offer, Sirius Capital Pty Ltd will be issued:
 - (i) a maximum of 15,410,767 Shares at a deemed issue price of \$0.009 per Share in satisfaction of the Selling Fee; and
 - (ii) 1,021,271 Shares at a deemed issue price of \$0.01 per Share in satisfaction of the remaining balance of the Management Fee,
 payable pursuant to the Lead Manager Mandate. During the 24 months preceding lodgement of this Prospectus with the ASIC, Sirius Capital Pty Ltd has not been paid any other fees by the Company.
- (b) Sirius Capital Pty Ltd (including its related entities) is a Shareholder of the Company and currently has a relevant interest in 7,126,142 Shares and 10,536,810 Options exercisable at \$0.07 each and expiry date of 30 June 2019. In addition, Sirius Capital Pty Ltd currently has a direct interest in 4,426,719 Shares of which 1,648,941 Shares which were issued at a deemed issue price of \$0.012 and 2,777,778 Shares were issued at a deemed issue price of \$0.009 in partial payment of the Management Fee.
- (c) Sirius Capital Pty Ltd has indicated its intention to subscribe for its full Entitlement under the Offer in respect of all the Shares in which it has a relevant interest at the Record Date.

The paragraph referring to Steinepreis Paganin is removed and replaced with the following:

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$20,000 (excluding GST) for these services associated with the Prospectus and the Supplementary Prospectus. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of the Prospectus with ASIC, Steinepreis Paganin has not received fees from the Company for any other service.

Section 9.7 – Expenses of the Offer

The table at Section 9.7 is removed and replaced with the following:

Payment for	Payable in cash	Paid or payable in Shares	\$ Total
ASIC fees	2,400		2,400
ASX fees	19,893		19,893
Lead Manager fees ¹	-	193,697	193,697
Legal fees	20,000		20,000
Printing and distribution	10,000		10,000
Total	52,293	193,697	245,990
GST payable	5,229	19,370	24,599
Total expenses of the Offer (including GST)	57,522	213,067	270,589

¹ Please refer to Section 8.1 for a summary of terms of the Lead Manager Mandate.

4. TREATMENT OF EXISTING APPLICATIONS FOR SECURITIES UNDER THE OFFER

The Directors believe that the changes set out in this Supplementary Prospectus are not materially adverse from the point of view of an investor because:

- (a) the Directors believe that the benefit of the Runa Agreement outweighs any costs to the Company or to investors generally; and
- (b) the effect of the Runa Agreement is not material to the success of the Offer.

Accordingly, no action needs to be taken if you have already subscribed for Securities under the Prospectus. A copy of this Supplementary Prospectus will be available on the Company's website and the Company will send a letter to all Applicants who have subscribed for Securities under the Prospectus to the date of this Supplementary Prospectus advising them of the Supplementary Prospectus.

5. CONSENTS

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

Run-a Australia Pty Limited has given its written consent to being named in this Supplementary Prospectus and to the inclusion of the information and statements contained in Sections 2 and 3 of this Supplementary Prospectus in the form and context in which the information and statements are included. Run-a Australia Pty Limited has not withdrawn its consent prior to the lodgement of this Supplementary Prospectus with the ASIC

6. DIRECTORS' AUTHORISATION.

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

SEAN NEYLON
Managing Director
For and on behalf of IoT Group Limited