

IOT Group Limited
ACN 140 475 921
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100 William Street
EAST SYDNEY NSW 2010

1st May 2019

George Tharian
Adviser, Listings Compliance (Sydney)
ASX Limited
20 Bridge Street
Sydney NSW 2000

via email

Dear George

IOT Group Limited ('IOT'): Query Letter

I refer to your query letter dated 1 April 2019. Using the numbering in that letter, IOT's responses to the queries raised in the letter as follows:

Question 1.

It appears the PropertyBay Agreement IOT provided ASX as requested by the First Query Letter was the incorrect agreement.

There were many draft agreements during the negotiations between PropertyBay and IOT in relation to how a possible IOT Devices and research and development agreement would operate. As PropertyBay was a start-up, the concept of PropertyBay paying upfront fees to IOT was burdensome to PropertyBay. A Consulting Agreement seemed to be the only pathway moving forward. The IOT Board finally approved a Consulting Agreement detailed in the December 5th release. The final executed Agreement is attached to this response. IOT apologises for the document error.

As the final Agreement with PropertyBay was a Consulting Agreement, the IOT Board took the view it should be announced once the agreement had generated a material receivable amount and that the agreement showed longevity.

- a) We confirm the following details in relation to the PropertyBay Agreement:
 - (i) The Agreement is dated 22 September 2018
 - (ii) The term is 1 year

- b) IOT did not receive a \$50,000 engagement fee in October 2018. IOT invoices PropertyBay on a per hour basis.
- c) IOT has received consulting fee's since it entered the Agreement with PropertyBay. Money received in the September and December quarters are detailed in question 2. PropertyBay currently owes IOT \$205,691.52. We expect payment over the next 90 days.

	IBAC		
	Revenue	GST	TOTAL
18-Jul	\$ 30,645.16	\$ 3,064.52	\$ 33,709.68
18-Aug	\$ 52,000.00	\$ 5,200.00	\$ 57,200.00
18-Sep	\$ 48,000.00	\$ 4,800.00	\$ 52,800.00
18-Oct	\$ 47,000.00	\$ 4,700.00	\$ 51,000.00
18-Nov	\$ 49,000.00	\$ 4,900.00	\$ 53,900.00
18-Dec	\$ 54,000.00	\$ 5,400.00	\$ 59,400.00
TOTAL	\$ 280,645.16	\$ 28,064.52	\$ 308,709.68
PAID TO DATE (reconciled at 31 Dec)	\$ 180,645.16	\$ 18,064.52	\$ 198,709.68
BALANCE	\$ 100,000.00	\$ 10,000.00	\$ 110,000.00

	OK IOT		
	Revenue	GST	TOTAL
18-Oct	\$ 53,000.00	\$ 5,300	\$ 58,300.00
18-Nov	\$ 49,000.00	\$ 4,900	\$ 53,900.00
18-Dec	\$ 48,000.00	\$ 4,800.00	\$ 52,800.00
TOTAL	\$ 150,000.00	\$ 15,000.00	\$ 165,000.00
PAID TO DATE (reconciled at 31 Dec)	\$ 63,007.71	\$ 6,300.77	\$ 69,308.48
BALANCE	\$ 86,992.29	\$ 8,699.23	\$ 95,691.52

The agreement dated the 11th of October, 2018 is one of many draft agreements that were produced in an effort to better define the relationship between IOT and PropertyBay. Although it was signed, it did not receive board approval and therefore has never been seen as valid.

- d) The 5 December 2018 Announcement refers to:
- (i) Average consulting fees of \$100,000 per month; and
 - (ii) Hourly rates for consulting services provided

As detailed in the attached consulting agreement. PropertyBay's Dunk Island Project will demand considerable time from IOT's CEO and related contractors. Based on the scope of work required by the Dunk Island Project, it was estimated that IOT would be invoicing PropertyBay at least \$100,000 per month.

- e) IOT did not disclose the issuance of a DKI Token in the 5 December 2018 Announcement as this was not contemplated in the final agreement.
- f) No DKI Tokens have been issued and IOT does not expect to receive any DKI tokens.

Question 2.

IOT received \$268,018.16 from PropertyBay to 31 December 2018. This amount was not confined to the December quarter. See below for a summary which should clarify:

	Sept Qtr 2018	Dec Qtr 2018
PropertyBay	\$ 138,058	\$ 130,923
Other Customers	\$ 82,515	\$ 35,036
TOTAL	\$ 220,573	\$ 165,958

Question 3

- a) The Agreement IOT entered with PropertyBay was a Consulting Term Sheet. Whilst at the time of entering the Agreement IOT hoped to receive consulting fees under the agreement, it wasn't until PropertyBay took on the DKI Project that IOT had the expectation of receiving material and long term revenues under the agreement. Though September 2018, October 2018 revenues were better than expected, the IOT Board was not confident of their longevity, so took the view until they can see the DKI project further develop, the Consulting agreement remained not material.

IOT took a view until PropertyBay secured the asset and the appropriate funding the project at any time could cease or finish. IOT took the view that until there was further certainty of longevity, this deal was not material and did not need to be announced. It was announced once the IOT Board started to see revenues and a future for IOT. IOT was not in control of the future of PropertyBay, it was simply consulting on the IOT devices and smart island requirements. The IOT Board approached the announcement of this agreement with caution. The IOT Board needed clarity that there was future in this ongoing arrangement.

With regards to IOT announcement approach for other IOT deals, in all other deals, the IOT board believed to have clarity of the future business and also had more control in the final outcome compared to the PropertyBay arrangement. With this in mind, the IOT Board would announce these deals based upon the plan to build upon each business opportunity. The PropertyBay consulting agreement is an ongoing consulting agreement regarding IOT device possibilities and the design of a futuristic island.

- b) The PropertyBay Agreement is a consulting agreement that IOT reviewed and looked at what IOT devices and programs could be used throughout each stage of the islands development. The IOT Board was concerned that this arrangement could cease as there was a chance PropertyBay may not finalise the purchase of the island and the funding for the development of the business. With this in mind, the IOT Board took a view that it was not material as there needed more clarity that this consulting agreement was going to be long term. Until PropertyBay secured the asset or had the appropriate funding, the IOT Board viewed this project as exciting, though not material. It would be viewed material once revenues showed longevity with long form agreements being put in place.

As this was a first step consulting agreement, there were no Conditions Precedents put in the Consulting Agreement. It was viewed to cautiously approach this arrangement and once the IOT Board were more confident with the business, it was expected to put together long form agreements between the parties, that would have included Conditions Precedents and the necessary approvals and further due diligence requirements. The consulting agreement with hourly rates seemed at the time the way to proceed with this working relationship.

Question 4

- a) IOT only became aware that Hunter Energy had exercised its option to acquire the Hunter Energy/Redback Power Station (the Option) when IOT asked Hunter Energy following the First Query Letter.
- b) IOT did not announce that Hunter Energy had exercised the Option as IOT was not made aware that Hunter Energy had exercised the Option at the time. IOT became aware Hunter Energy had exercised the Option in or around February 2019. IOT did not make an announcement advising Hunter Energy had exercised the Option once it became aware, as IOT did not believe it to be material at that time. The Project has been delayed. IOT considers the next likely material event in relation to the Project would be Hunter Energy receiving the required approvals to re-commission Power Station.
- c) IOT Confirms in relation to the Hunter Energy Agreement:
- i. No conditions have been waived or satisfied
 - ii. IOT has not entered into a definitive agreement in accordance with the Hunter Energy Agreement.
 - iii. No extension has been made in writing. The agreement ceased on December 31st at 2018.

As there has been delays in the restart of the power station IOT has let Hunter Energy focus on their build process. IOT has paused all planning and discussions with all Parties relating to this project until Hunter gives IOT a firm date or time period of when the Power Station will be operable. IOT regards this as an attractive opportunity to offer cost effective power to Blockchain companies and is following the progress of this operation. IOT is keen to move forward with Hunter Energy once they are functional.

IOT is working closely with the owner of Hunter Energy on a new implementation timeline and will update the market when this has been finalised.

d)

- i. IOT did not enter into definitive power purchase agreements with Abacus or Crypto Agreements on or before 1 October 2018. IOT was not in a position to enter these agreements as completion had not occurred under the Hunter Energy Agreement. As the Agreements have not been entered, they have not been announced.
- ii. These agreements ceased on March 31st, 2019 however once a date for the Redbank power station to become operational is identified, IOT will recommence discussions with both Abacus Mercantile and Australian Crypto Company.
- iii. No conditions precedent have been satisfied or waived

Question 5.

- a) The agreement with RBG is based on business development which includes making the appropriate introductions to technical expertise in the Blockchain domain. Whilst both parties understood that IBAC was to provide a blockchain protocol solution for the RBG Initial Coin Offering and to assist with RBG Blockchain Mining Services, the wording in the Agreement was general business development to encompass all that RBG may require from IBAC to achieve this.
- b) IOT confirms that the term of the RBG Agreement is 2 years from July 23rd.
- c) IBAC has provided basic advisory services under the RBG Agreement which has included the scope for identifying opportunities.
- d) There are no payments planned under the RBG Agreement other than the assignment of tokens, though if market conditions changed, there could be. When IOT entered the Agreement with RBG, 5 Million Tokens were seen to have value and IOT expected it would be able to trade them soon after the ICO had been completed. However, the ICO market collapsed shortly after the Agreement had been signed consequently. As a result, it was decided to put the proposed ICO on hold until market conditions become more favorable.
- e) Old Beams, an entity controlled by Mr. Sommers holds the other 49% of IBAC. The ownership changed to 51% IOT and 49% Old Beams Limited as an incentive for Mr. Sommers to build the Blockchain Advisory Service. Mr. Sommers was providing IOT with a formidable strategy for Blockchain Advisory and IOT deemed it appropriate to assign 49% ownership in IBAC to him to develop these opportunities. This was completed on the 21st of June, 2018.
- f) The IOT Board took the view to not announce the change in structure of IBAC as it did not see this at a Material event. IBAC was a complete startup venture with no revenues. IOT believed that doing a share equity deal would keep the parties incentivized to build a better business for IOT Shareholders. IOT believed that this approach would inject a proper performance arrangement. As there was no material revenue based event, or material deal, the IOT Board believed that this arrangement was not material and would not need to be announced.

Question 6.

- A. IOT's definition of a Regulated Exchange is an ASIC approved Exchange with all the appropriate ASIC licences.
- B. IOT cannot disclose its sources within the Australian Blockchain Industry underpinning IOT's understanding of the timeframes for the establishment of a Regulated Exchange as these discussions took place under Non-Disclosure Agreements. IOT will not pursue a Crypto exchange unless it has been approved by ASIC and the certain Currencies have been approved by ASIC.
- C. RGB and Enigma will not pursue a listing on an Australian exchange unless the Exchange is regulated by ASIC.
- D. The RGB and Enigma tokens are not interests in a managed investment scheme as defined by the Corporations Act. PropertyBay is an unregistered managed investment scheme.

Question 7.

The RGB, Enigma and Old Beams Agreements

At the stage of signing these three agreements, Crypto Currencies and Blockchain mining were on trend and becoming a large and extensive worldwide marketplace. Blockchain miners were generating substantial revenue and profits. The IOT Board believed IOT needed to be in this space. By offering mining solutions, cheaper power solutions, the alignment with one of the world's largest (Bitfury) Data Mining products, IOT believed it would be in a very unique position to increase value for its shareholders. Unfortunately, the Crypto/Blockchain market downturned delaying many of the projects IOT had planned. If the Crypto/Blockchain market had continued its upward direction, IOT believes all of the above Agreements mentioned would have benefited IOT and its Shareholders.

RGB and Enigma are Crypto mining ICO deals, which at that time were on trend and could have been very successful for IOT Shareholders. Mr. Sommers brought these two deals to IOT and IOT was keen to enter this Blockchain Space.

For due diligence purposes, IOT representatives met with a number of potential local and spoke to potential International partners and attempted to close other arrangements in this sector, though the IOT Board could not find a suitable working partner that was focused in this space. At the time, IOT determined that none of the other potential providers offered what Mr. Sommers could offer, so the IOT Board chose to work with Mr. Sommers.

Mr. Sommers brought a distribution deal with one of the largest Bitcoins miners in the World, though again due to the downturn, revenues did not materialise.

Hunter Energy Agreement

The Hunter Energy Agreement is a deal that was negotiated with an experienced Energy operator. IOT visited the Premises twice and spent some time with the Operators and developed business models and designs of the location. Offering cheaper "Base Load" power to Crypto Miners would be Australia's first. This Blockchain Applications Centre should be quite a profitable operation for IOT if the Crypto Market

returns to levels above \$10,000 per Bitcoin.

In respect to this Agreement, IOT believes it spent the appropriate time and effort in Due Diligence to understand about the sector and the Power Station opportunity. IOT took the view that Hunter Energy was owned and operated by seasoned Energy Operators and believed that IOT would work well with Hunter Energy.

Abacus and Crypto Australia Agreements

The Abacus and Crypto Australia Agreements were to be clients for the Hunter Energy Project. The IOT Technical manager had spent some time with both Clients discussing operations and next steps once the Hunter Energy Power station was operational. At this stage the Hunter Energy Power Station is still not Operational though Hunter Energy are hoping the time frame is 2019 to be operational. IOT and Hunter Energy will revisit its plans once there is further clarity around start dates and the market will be informed once the IOT Board are informed.

In respect to this Agreement, IOT believes it spent the appropriate time and effort in Due Diligence to understand the opportunity and the possible returns it would generate for IOT. The owners of these companies had existing working operations and were seen to be experience operators in this sector by the IOT Board.

PropertyBay Agreement

The IOT Board to the view that an agreement with PropertyBay would allow IOT to develop devices and pilot IOT devices to hopefully use in other business cases. IOT by working with PropertyBay also discovered NetObjex and has been working with NetObjex to discover opportunities within the IOT devices sector. The IOT Board reviewed the PropertyBay opportunity as an opportunity for IOT to build on its skill set within the IOT devices sector. The work and research that was generated from this work hopefully will be used in future business opportunities.

In respect to this Agreement, IOT believes it spent the appropriate time and effort in Due Diligence to understand the opportunity and the possible returns it would generate for IOT.

In respect of all the above agreements IOT believes it spent the appropriate time and effort in Due Diligence and planning for all deals. Though factors for understanding the market, being a new industry for all players, there are new rules, regulation and difficulties of understanding by the Authorities such as the ASX, ASIC, ATO and FIRB which made these deals difficult to execute. IOT still believe that all the above mentioned deals can be operational if the Crypto/Blockchain positive momentum market returns.

Question 8.

IOT entered into other remuneration arrangements with Mr. Sommers. Terms of his arrangement are:

- IOT agreed to pay Mr, Sommers \$30,250 plus GST per month to act as an advisor to establish IOT devices and services for IOT on a rolling 12 month contract.
- IOT paid Mr. Sommers for one month of this contract.
- IOT has since terminated the contract.
- The advisor successfully introduced the NetObjex IOT platform partnership and the Clinitraq radiation IOT device during the contracted period

Question 9.

Mr. Neylon has received \$20,250 in costs reimbursement and fees from PropertyBay while he was a director of IOT.

Mr Neylon recused himself from any board deliberations in relation to PropertyBay.

Mr. Roper or any of his related entities has not received any remuneration from RBG or PropertyBay.

Mr. Roper is not and has never been, a Director of PropertyBay and has no relationship with PropertyBay or its entities. Mr. Roper has never received funds or goods from PropertyBay. Mr. Roper has never been a Director of RBG, though he co-founded the group.

IOT's services provided to both RBG and PropertyBay projects are managed by Mr. Roper as CEO and Executive Director.

The agreement with RBG has been put on standby as IOT is currently unable to allocate any resources to it. It expects this to change when market conditions improve.

IOT confirms no IOT personnel have been appointed as director or officers or in any other role in any of the following entities: Hunter Energy Pty Ltd; Abacus Mercantile Pty Ltd; Crypto Mining Australia Pty Ltd; PropertyBay Pty Ltd; RBG; Enigma Mining Limited; or Old Beams other than already disclosed.

Mr. Neylon is a director of PropertyBay. Remuneration received by Mr. Neylon in relation to PropertyBay is disclosed above.

Mr. Roper founded RBG but is not a director of RBG. He does not receive remuneration from RBG however he does have an interest in its success as co-founder.

Question 10.

The Company confirms that, to the best of its knowledge, it is compliance with the ASX Listing Rules, in particular Listing Rule 3.1.

Question 11.

IOT confirms that the content of this letter is in accordance with the Company's continuous disclosure policy and is authorised and approved by the majority of IOT Directors.

Yours sincerely

IOT GROUP PTY LTD

A handwritten signature in black ink, appearing to read 'M Roper', written in a cursive style.

Mark Roper
Director



1 April 2019

Ms Elissa Hansen

Company Secretary
IOT Group Limited
Level 9
100 William Street
East Sydney NSW 2011

By email

Dear Ms Hansen

IOT Group Limited ("IOT"): Query Letter

ASX Limited ("ASX") refers to its query letter to IOT dated 19 February 2019 (the "First Query Letter") and IOT's response dated 15 March 2019 (the "IOT Response") which were released together on the ASX Market Announcements Platform ("MAP") on 15 March 2019.

Defined terms in the First Query Letter have the same meaning in this letter.

More specifically, ASX refers to:

Hunter Energy Agreement and related arrangements

- A. The copy of the Hunter Energy Agreement provided to ASX pursuant to question 1 a. of the First Query Letter which includes:
- (i) A condition precedent requiring *"Confirmation by Hunter Energy that it has determined to proceed with the recommissioning and that Hunter Energy has exercised its right to acquire the Hunter Energy Power Station and owns and is in control of all relevant assets including the land."*
 - (ii) A provision that if the conditions precedent (including (i) above) are not satisfied or waived by the relevant party on or before 5:00pm (WST) on 31 December 2018 (or such later date that the parties agree in writing), the Hunter Energy Agreement will cease and the parties will be released from their obligations thereunder.
- B. Question 5 c. of the First Query Letter which asked whether Hunter Energy had exercised its right to acquire the power station.

IOT's answer to that question in the IOT Response was:

"IOT confirms that Hunter Energy has exercised its option to acquire the Redbank Power Station."

- C. The copies of the Abacus and Crypto Agreements provided to ASX pursuant to question 1 b. of the First Query Letter which include:
- (i) A condition precedent requiring completion occurring under the Hunter Energy Agreement.
 - (ii) A condition precedent requiring the parties to enter into a definitive power purchase agreement (by no later than 1 October 2018).
 - (iii) A provision that, if the conditions precedent (including (i) and (ii) above) are not satisfied or waived by 30 March 2019, the respective Abacus and Crypto Agreements will automatically terminate.

RBG Agreement

- D. The copy of the RBG Agreement provided to ASX pursuant to question 1 d. of the First Query Letter which states that *"IBAC will provide ongoing business development services of a general nature"* to RBG on a "reasonable use basis".
- E. IOT's announcement titled "IOT to act as Adviser to authorised Bitfury Blockchain Mining Partner" released on MAP on 23 July 2018 (and summarised in paragraph A. (iv) of the First Query Letter) regarding the RBG Agreement (the "23 July 2018 Announcement") which stated that IBAC would advise on:
- (i) *"the best Blockchain protocol solutions for the RBG Initial Coin Offering (ICO)";*
 - (ii) *"a Blockchain project to develop the RBG Blockchain Mining Services" in which IBAC's role "is to advise and introduce qualified technical management to complete the RBG Blockchain Mining Project".*
- F. Question 10 of the First Query Letter which asked IOT to explain the basis for arriving at its revised expected timeframe for the establishment of a regulated token exchange in Australia (the "Regulated Exchange"), name the "Australian Authorities" required to approve the Regulated Exchange, and indicate whether these authorities have published or provided representations regarding an indicative timeframe for approval.

IOT's answer to that question in the IOT Response stated:

"IOT's "6-month" and "mid-2019" timeframes for the establishment of a regulated token exchange in Australia were based on IOT's understanding at the time of what the Australian blockchain industry was predicting.

The "Australian Authorities" referred to in the announcement was predominantly the Australian Securities and Investment Commission. IOT has not seen any published representations regarding an indicative timeframe for establishment of a regulated token exchange in Australia."

- G. IOT's disclosure that it held:
- (i) a 100% interest in IBAC (previously known as "OTT Premium Pty Ltd") as at 31 December 2017 (per Annual Report released on MAP on 26 February 2018); and
 - (ii) a 51% interest in IBAC as at 30 June 2018 (per the Appendix 4D and Half Year Report released on MAP on 30 August 2018).

PropertyBay Agreement and Cash Receipts

- H. The copy of the PropertyBay Agreement provided to ASX in response to question 1 h. of the First Query Letter which is dated 11 October 2018, has a 3 year term, and provides that:
- (i) PropertyBay will issue a certificate for 10 million DKI tokens within 30 days of signing the PropertyBay Agreement.
 - (ii) *"IOT will receive a \$50,000 engagement fee for the development of the Internet of Things devices strategy to be paid \$25,000 upon signing of the agreement and the balance within 7 days of signing ..."*
 - (iii) *"IOT will receive a \$50,000 per month consulting fee for ongoing Internet of Things development, usage and maintenance ..."*
- I. Question 6 of the First Query Letter which asked IOT to provide a status update for various agreements and detail the revenue generated by IOT from each agreement.
- IOT's answer to that question in relation to the Property Bay Agreement (Item 6(xi) of the IOT Response) which stated that it had received \$268,018.16 under the PropertyBay Agreement to 31 December 2018.
- J. IOT's Appendix 4C for the quarter ended 31 December 2018 released on MAP on 31 January 2019 ("December Quarter 2018 Appendix 4C") which reported:
- (i) cash receipts from customers of \$166,000 for the quarter; and

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- (ii) cash receipts from customers of \$548,000 for the 12 months to December 2018.
- K. Question 11 of the First Query Letter which asked IOT why the PropertyBay Agreement was not announced on 22 September 2018 (being the day on which IOT had previously announced it had entered into the arrangement – see paragraph J below) and to comment specifically on when IOT believed it was obliged to release this information under Listing Rules 3.1 and 3.1A and what steps it took to ensure that this information was released promptly and without delay.
- IOT's answer to that question in the IOT Response was:
- "When IOT entered the agreement with PropertyBay in September 2018, IOT formed the view that entry into that agreement was not information that a reasonable person would expect to have a material effect on the price or value of IOT's securities as there was no reasonable expectation that the Company would generate any material revenues under the agreement at the time of signing.*
- On entering the agreement, the Company undertook a pilot program for PropertyBay to demonstrate its ability to develop devices and services that could be implemented on PropertyBay's potential projects. IOT advised the market of this pilot case in its business update released 31 October 2019 and again in its response to its Appendix 4C query response on 19 November 2018.*
- In early December 2018, PropertyBay entered into a contract to acquire Dunk Island, its first project. This would also be the first project that IOT would be working on with PropertyBay, and therefore the agreement with PropertyBay could now generate material revenue for IOT. At that time, IOT deemed the agreement with PropertyBay as information that a reasonable person would expect to have a material effect on the price or value of IOT's securities and therefore created an obligation for IOT to release the information under Listing Rule 3.1 ..."*
- L. The following announcements referred to by IOT in its response to question 11 of the First Query Letter (see paragraph K above):
- (i) IOT's announcement titled "IOT Business Update" released on MAP on 31 October 2018 which included the following statement:
- "The Company is currently working on a pilot case scenario that it will be able to showcase and leverage off to build sales for the 4th Quarter 2018."*
- (ii) ASX's query letter in relation to the September Quarter 2018 Appendix 4C and IOT's response which were released together on MAP on 19 November 2018 and included the following statements by IOT under the heading "Receipt of consultancy fees" (emphasis added):
- "The Company is currently working on a test pilot case that it will be able to showcase and leverage off to build sales for the 4th Quarter 2018. IOT is invoicing consultancy fees for the development of this test pilot of between \$50,000 to \$100,000 per month (based on an hourly fee) that will be receipted in this 4th Quarter."*
- M. IOT's announcement titled "IOT to Act as Exclusive Advisor" released on MAP on 5 December 2018 (and summarised in paragraph A(xi) of the First Query Letter) (the "5 December 2018 Announcement") which disclosed that:
- (i) OK IOT Group Pty Ltd, a subsidiary of IOT had completed a pilot program with PropertyBay that "established and developed a road map with regards to devices and services that could be implemented on PropertyBay's projects".
- (ii) IOT and PropertyBay had entered into a consulting agreement dated 22 September 2018 for a term of one (1) year under which IOT will exclusively co-ordinate PropertyBay's internet of things requirements including, but not limited to, all internet of things devices, environmental monitoring and energy management.
- (iii) "IOT will continue to provide consulting services to PropertyBay for an average fee of \$100,000 per month."
- (iv) IOT will receive consulting fees of \$375 per hour for an IOT Manager and \$675 per hour for an IOT Director.

(v) *“Mr. Sean Neylon, has also been appointed to the Board of PropertyBay Holdings Pty. Ltd.”*

- N. Paragraph D of the First Query Letter which noted that Mr Sean Neylon was listed as a founder of PropertyBay on its website.

Mr Neylon resigned as an IOT director on 5 February 2019.

- O. Paragraph D of the First Query Letter which noted that Mr Mark Roper is a founder of RBG.

Mr Roper was appointed IOT's General Manager in October 2018. He was subsequently appointed as Executive Director of IOT on 5 February 2019.

Due Diligence

- P. Question 3 of the First Query Letter which noted that counterparties to certain agreements entered into by IOT (namely those listed in paragraphs B and C of the First Query Letter) had been registered for less than 18 months and that Mr Timothy Summers appeared to be associated with several of those counterparties and, given the brief operating history of these counterparty entities, asked IOT to explain the due diligence undertaken by IOT's directors in determining that it was in IOT's best interests to enter into the respective agreements.

IOT's answer to that question in the IOT Response which:

- (i) confirmed that IOT had undertaken appropriate due diligence, including (amongst other activities) attending site visits and undertaking site appraisals; and
- (ii) included the following statements:
 - a. *“To counteract the difficulties associated with completing DD on a new entity, IOT supplements its DD process with reviewing and analysing the previous track record of the entrepreneur, assessing the current business proposal and weighing up the potential risk and benefits to the Company.”*
 - b. *“Mr. Timothy Sommers has brought various projects to the Company. Following appropriate DD, the Company identified some opportunities that it believes it can develop into revenue generating businesses and therefore entered agreements with the relevant entities ...”*

Questions and Requests for Information

Having regard to the above, ASX asks IOT to respond separately to each of the following questions and requests for information:

1. ASX notes that the PropertyBay Agreement:
 - is dated 11 October 2018, whereas the 5 December 2018 Announcement refers to this agreement being dated 22 September 2018;
 - has 3 year term (and PropertyBay has a termination right on 180 days written notice), whereas the 5 December 2018 Announcement refers to a 1 year term (and that PropertyBay has a termination right on 90 days written notice);
 - provides that IOT is to receive a \$50,000 engagement fee payable in 2 tranches (\$25,000 upon signing on 11 October 2018 and the balance within 7 days thereafter);
 - provides that IOT will receive a monthly consulting fee of \$50,000, and does not make any reference to hourly fees payable for consulting services provided by an IOT Manager and/or IOT Director. Meanwhile, the 5 December 2018 Announcement refers to average consulting fees of \$100,000 per month and hourly rates for consulting services provided by an IOT Manager and/or Director; and
 - provides that PropertyBay will issue a certificate for 10 million DKI Tokens to IOT within 30 days of signing (the “DKI Tokens”). However, the 5 December 2018 Announcement does not disclose this DKI Token issue.

In light of the above:

- a) Please confirm the following details in relation to the PropertyBay Agreement:

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- (i) date; and
- (ii) term.
- b) Did IOT receive the \$50,000 engagement fee in October 2018?
- If the answer to this question is “no”, when was it received or when is it expected to be received?
- c) Has IOT received the \$50,000 monthly consultancy fee since it entered into the PropertyBay Agreement?
- If the answer to this question is “no”, what amount is outstanding and when is it expected to be received?
- d) Please explain why the 5 December 2018 Announcement refers to:
- (i) average consulting fees of \$100,000 per month; and
- (ii) hourly rates for consulting services provided by an IOT manager and/or director.
- e) Why didn’t IOT disclose the DKI Token issuance in the 5 December 2018 Announcement?
- f) Have the DKI Tokens been issued to IOT?
- If the answer to this question is “no”, when are the DKI Tokens expected to be issued to IOT?
- If the answer to this question is “yes”, has IOT converted the DKI Tokens into cash? If not, when does IOT expect to convert the DKI Tokens into cash?
2. Please explain the apparent discrepancy between the \$268,018.16 received from PropertyBay during the December 2018 quarter (see paragraph H above) and the cash receipts from customers of \$166,000 reported in the December Quarter 2018 Appendix 4C .
3. ASX notes the following:
- IOT’s rationale for announcing the PropertyBay Agreement in the 5 December 2018 Announcement (rather than when it entered into the agreement on 22 September 2018), namely that it would only commence generating material revenue once PropertyBay had agreed to acquire Dunk Island (its first project).
 - Neither of the announcements referred to in paragraph L above disclose that IOT had entered into an agreement with PropertyBay.
 - Based on the PropertyBay Agreement, it appears that IOT should have generated \$150,000-\$200,000 of revenue and cash receipts in the December 2018 quarter, and should report \$650,000 of revenue and cash receipts in the first year.
 - The PropertyBay Agreement is not subject to any conditions precedent, and it makes no reference to the Dunk Island project or any other projects, or a “test pilot case”.
 - IOT reported \$548,000 cash receipts from customers in FY 2018.
 - IOT announced that it had entered into a number of agreements throughout 2018 including (but not limited to) the Hunter Energy Agreement, the RBG Agreement and the Enigma Agreement. In contrast to the PropertyBay Agreement, these agreements do not provide for cash payments to IOT (or they are yet to be agreed). Moreover, all of these agreements are subject to conditions precedent or contingencies.
- In light of the above:
- a) Please explain the inconsistency between IOT’s rationale for announcing the PropertyBay Agreement on 5 December 2018 and its various decisions earlier in 2018 to disclose agreements when they were executed.
- b) Please clarify why the PropertyBay Agreement was not considered to be material when it was executed, specifically referencing the lack of conditions precedent therein and IOT’s FY 2018 revenue/cash receipts.
4. ASX notes that IOT does not appear to have provided any updates in relation to the status of the Hunter Energy Agreement or the Abacus and Crypto Agreements.

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- a) When did IOT first become aware that Hunter Energy had exercised its option to acquire the Hunter Energy/RedbankPower Station (the “Option”)?
 - b) Please explain why IOT did not announce that Hunter Energy had exercised the Option, especially in light of the significance of its exercise for the Hunter Energy Agreement.
 - c) Please confirm the current status of the Hunter Energy Agreement, specifically referencing whether:
 - (i) it ceased on 31 December 2018 or was extended by mutual agreement in writing;
 - (ii) any of the relevant conditions precedent have been satisfied or waived; and
 - (iii) the parties have entered into a definitive agreement in accordance with the Hunter Energy Agreement (if all of the conditions precedent have been satisfied or waived).
 - d) Please confirm the current status of the Abacus and Crypto Agreements, specifically referencing whether:
 - (i) IOT entered into the respective definitive power purchase agreements on or before 1 October 2018, and, if it did, why IOT did not announce that it had entered into these agreements;
 - (ii) the respective agreements ceased on 30 March 2019 or were extended by mutual agreement in writing; and
 - (iii) any of the relevant conditions precedent have been satisfied or waived.

5. ASX notes that:

- The 23 July 2018 Announcement states that IBAC will provide “blockchain protocol solutions for the RBG Initial Coin Offering” and “RBG Blockchain Mining Services” to RBG, whereas the RBG Agreement states that IOT will provide “general business development services” and does not contain any reference to “blockchain protocol solutions for the RBG Initial Coin Offering” and “RBG Blockchain Mining Services”.
- The 23 July 2018 Announcement states that the RBG Agreement has a 2 year term, whereas the RBG Agreement does not specify a term.
- The RBG Agreement indicates that the only fee IBAC will receive is 5 million RBG ERC20 tokens.
- IOT’s ownership of IBAC moved from 100% to 51% during the June 2018 half.

In light of the above:

- a) Please explain the inconsistency between the description of the services to be provided by IBAC in the RBG Agreement and the 23 July 2018 Announcement.
- b) Please confirm the RBG Agreement’s term.
- c) Please clarify the services that IBAC has provided and is continuing to provide under the RBG Agreement.
- d) Will IBAC receive any payments (in addition to the 5 million RBG ERC20 tokens) for the provision of services to RBG?

If the answer to this question is “yes”, please provide the quantum and timing of these payments.

If the answer this question is “no”, please explain why IBAC entered into the RBG Agreement, specifically referencing why one upfront payment in the form of 5 million RBG ERC20 tokens which are not yet listed on a token exchange was considered to be adequate remuneration for its services.

- e) When did IOT’s ownership of IBAC move to 51%? Who holds the other 49% of IBAC?
- f) Please explain why IOT did not announce that IBAC’s ownership structure had changed.

6. ASX notes that:

- IOT has not seen any published representations regarding an indicative timeframe for the establishment of a Regulated Exchange.

- There are cryptocurrency exchanges operating in Australia on which ERC20 tokens are listed and trading.

In light of the above:

- a) What is IOT's definition of a Regulated Exchange?
- b) Please identify the sources of information and "Australian Blockchain Industry" participants underpinning IOT's understanding of the timeframes for the establishment of a Regulated Exchange.
- c) Why can't RBG and Enigma list their respective tokens on a cryptocurrency exchange that is currently operating in Australia?
- d) Are the tokens issued by RBG, Enigma or PropertyBay interests in a managed investment scheme as defined in the Corporations Act?

If the answer to this question is "yes", have they been registered with ASIC?

7. In relation to paragraph P above:

- a) Please outline the relevant and determining factors that IOT considered prior to completing due diligence investigations of the counterparties to each of the following agreements:
 - (i) agreements with entities associated with Mr Sommers, namely the RBG Agreement, the Enigma Agreement, the Old Beams Agreement and the PropertyBay Agreement;
 - (ii) the Hunter Energy Agreement; and
 - (iii) the Abacus and Crypto Agreements.
- b) For each due diligence process where IOT reviewed and analysed the previous track record of an entrepreneur, please outline the factors which IOT considered including (but not limited to) the relevant aspects of that entrepreneur's work history and track record.

8. ASX notes that:

- Mr Sommers was issued 30,000,000 IOT shares for introducing and assisting IOT with the RBG Agreement (see paragraph G of the First Query Letter); and
- RBG, a related entity of Mr Sommers, was issued 10,000,000 IOT Shares as a success fee for introducing the Bitfury Group and for corporate advisory and consulting services (see paragraph F of the First Query Letter).

In light of the above:

- a) Has IOT entered into any other remuneration (or similar) arrangements with Mr Sommers and/or his related entities?
- b) If the answer to (a) above is "yes", please detail the key terms of the arrangements.

9. ASX notes that:

- Mr Neylon is a founder of PropertyBay and was appointed as a director of Property Bay; and
- Mr Roper is a founder of RBG and PropertyBay.

In light of the above:

- a) Did Mr Neylon (or any of his related entities) receive any director's fees or other remuneration from PropertyBay while he was a Director of IOT?

If the answer to this question is "yes", please detail the director's fees and/or the key terms of the arrangements.

- b) Given his role as a founder of PropertyBay, was Mr Neylon excluded from IOT board deliberations pertaining to PropertyBay?

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- c) Does Mr Roper (or any of his related entities) receive any remuneration from RBG or PropertyBay?
If the answer to this question is “yes”, please detail the key terms of the arrangements.
- d) Given his role as a founder of RBG and PropertyBay:
- (i) Has Mr Roper been excluded from IOT board deliberations pertaining to RBG and PropertyBay (if any) since his appointment as an IOT director?
 - (ii) Please outline Mr Roper’s involvement in performing IOT’s obligations under the RBG Agreement and the PropertyBay Agreement since October 2018?
- e) Have any IOT personnel (including past and present directors and officers) been appointed as directors or officers or in other roles at any of the companies listed in paragraphs B and C of the First Query Letter?
- f) If the answer to (e) above is “yes”, do the relevant IOT personnel (or their related entities) receive any remuneration from the relevant companies?
- g) If the answer to (f) above is “yes”, please detail the key terms of each arrangement.
10. Please confirm that IOT is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that IOT’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IOT with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.00 a.m. AEST on Wednesday, 1 May 2019**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to IOT’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that IOT’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, IOT’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

George Tharian
Adviser, Listings Compliance (Sydney)