

December 2016 – Quarterly Report

Highlights

- Focused and pursued Sales for the Company's Drone products, presented Rova, Roam-e and Vecta to 30 US agents and buyers and prepared for the Consumer Electronics Show in Las Vegas.
- Executed a successful "cost reduction program" of closure of non-core operations to reduce monthly cash burn and to increase operational runway.
- Closed OTT Premium business and OK Smartwatches to focus entirely on scaling up drone business and delivering sales.
- Resolved legal and Board issues to focus on adding value to shareholders.
- Solid cash balance of \$7.1 million at end of quarter

IOT Group's Rova



About IOT Group Limited (Internet of Things)

IOT Group has tapped into global niche markets by adapting and enhancing existing trend products and making them more affordable, useful and innovative for consumers. The IOT Group is designing and developing a range of drones including ROAM-e, our flying selfie camera, facial recognition and tracking software and much more; as we look to create a complete IoT ecosystem.

IOT Group Limited

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Scott Brown Non-executive Chairman

Ian Duffell Executive Director

Tod McGrouther Non-executive Director

Ron Hollands Company Secretary

Business Update

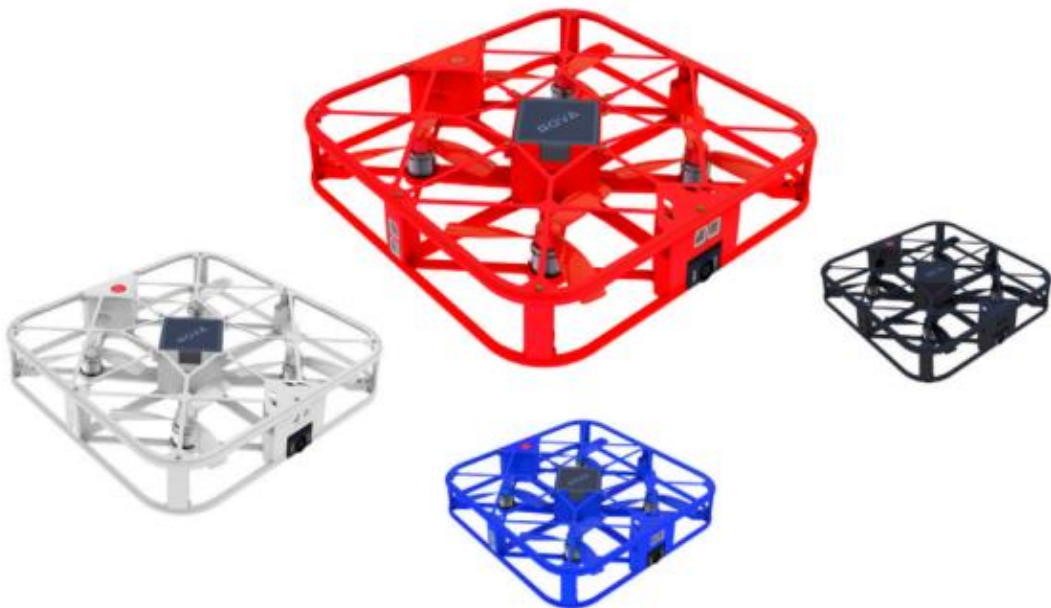
IOT Group Limited (ASX: IOT) (IOT Group) (the Company) is pleased to provide this update to shareholders for the quarter ended 31 December 2016. During the period, the Company made significant progress both operationally and corporately.

Solid Operational Progress

- **During the Quarter**, the Company made significant changes to the operational business and refocused the business to fast-track revenues. IoT Group developed and implemented the go-to-market strategy to clearly focus on marketing its range of world leading drone products.
- As a result of this focused approach on the Company's drone business, the Board of IoT Group closed the non-core businesses which has reduced staff numbers by over 50%. This refocus has dramatically reduced costs and now allows the team to focus on sales of its Drones business.
- Over the last quarter, the Company made several strategic decisions and achieved necessary milestones to ensure that business focus remains on the Company's Drones business.

Drone Business Update

- During the Quarter, IOT Group's marketing team worked to finalise websites, packaging and branding for the Rova, Roam-e, Vecta for sales presentations for December, the Consumer Electronics Show in January and their product launches in 2017.
- In December, the US distribution IOT Team presented to over 30 agents and buyers to start the sales/order process in the US. These presentations took the team across the US and is building a sizeable order book for delivery Q2 onwards of 2017. Presentation were made of the Rova, Roam-e and Vecta with rollout programs being put in place for each IOT Drone product to be launched in 2017.



IOT Group's ROVA personal drone with initial orders of 40,000 units placed with manufacturer AEE

- Since the balance date, the Company announced that it had received a favourable customer reaction to the ROVA personal drone product. IoT Group has placed an order for the manufacturer (AEE) for 40,000 units funded by the Company's current cash reserves.
- As a result of placing the order, the Company has been extended its distribution exclusivity rights from Australia, New Zealand and Japan by including the USA, Canada and Mexico.
- The Company is expecting USA orders will be processed in February and expected in stores through March – April 2017.
- By refocusing the IOT Group's core business this quarter, it has resulted in a significant reduction in the operating costs, tied in with the aggressive Sales program of its Drones business, IOT Group is confident that significant sales of drone products will occur in the following quarters.



Corporate

- As at 31 December 2016, IOT Group had \$7.1 million in cash. During the December Quarter, the Company continued to develop its business with net expenditure on operations being \$2.9 million.
- During the quarter the Company strengthened the Board with Mr. Tod McGrouther joined the Board as non-executive director.
- During the quarter the Company ended the legal proceedings with Mr Kantor and his former business Co shareholders (Co - shareholders) in Roam Systems Pty Limited as detailed in the ASX announcement of 10 November 2016. The Company intends to call a meeting of shareholders to approve the cancellation of 27,715,610 shares in the Company.

Issued and quoted securities at end of current quarter

	Total number	Number quoted
Fully Paid Ordinary Shares on issue	742,666,883	483,828,419
Unlisted options exercisable at \$0.07 (7.0 cents) per option expiring on 30 June 2019	57,199,825	-
Unlisted options exercisable at \$0.07 (7.0 cents) per option expiring on 30 June 2019 upon achieving sales targets	4,000,000	-
Unlisted Employee and Director Options (various exercise prices).	51,700,000	-
Unlisted Options exercisable at 9 cents 31/12/22	7,750,000	-
Unlisted Options exercisable at \$0.036 (3.6 cents) expiring 31 December 2017	5,833,286	-

For further information, please contact:

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IOT's products at the Consumer Electronics Show



+Rule 4.7B

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

IOT GROUP LIMITED

ABN

66 140 475 921

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	426
1.2 Payments for		
(a) research and development	(521)	(2,262)
(b) product manufacturing and operating costs	(190)	(1,252)
(c) advertising and marketing	(484)	(1,586)
(d) leased assets	-	-
(e) staff costs	(704)	(2,067)
(f) administration and corporate costs	(649)	(2,770)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	47	115
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(438)	(292)
1.9 Net cash from / (used in) operating activities	(2,920)	(9,688)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows from investing activities		
Payments to acquire:		
(a) property, plant and equipment	(73)	(94)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	(170)
(e) other non-current assets	-	-
Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
Cash flows from loans to other entities	(182)	(182)
Dividends received (see note 3)	-	-
Other (provide details if material)	-	-
Net cash from / (used in) investing activities	(255)	(446)
Cash flows from financing activities		
Proceeds from issues of shares	-	16,838
Proceeds from issue of convertible notes	-	-
Proceeds from exercise of share options	-	369
Transaction costs related to issues of shares, convertible notes or options	-	(1,763)
Proceeds from borrowings	-	-
Repayment of borrowings	-	(183)
Transaction costs related to loans and borrowings	-	-
Dividends paid	-	-
Other (provide details if material)	-	-
Net cash from / (used in) financing activities	-	15,261
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	10,316	
Ardent Resources Limited		1,944
OK IOT Group Pty Ltd		70
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,920)	(9,688)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(255)	(446)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	15,261

4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	7,141	7,141
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	7,141	10,316
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)	7,141	10,316

Payments to directors of the entity and their associates

Aggregate amount of payments to these parties included in item 1.2
Aggregate amount of cash flow from loans to these parties included in item 2.3

Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director's fees, wages and salaries.

**Current quarter
\$A'000**

99

-

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	(90)
9.2	Product manufacturing and operating costs	(1,222)
9.3	Advertising and marketing	(434)
9.4	Leased assets	-
9.5	Staff costs	(524)
9.6	Administration and corporate costs	(498)
9.7	Other (provide details if material)	
	Kantor Settlement	(227)
	US Subsidiary	(287)
9.8	Total estimated cash outflows	(3,282)

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: 31/1/2017
(Director/~~Company secretary~~)

Print name: Scott Brown

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.