

September 2016 – Quarterly Report

Highlights

- ❖ Completed \$11.975 million placement
- ❖ Established and strengthened key distribution, logistics and sales arrangements for IOT’s product suite across a number of key markets
- ❖ US retailer network strengthened in readiness for product sales with an emphasis on the Roam-e ‘flying selfie’ product
- ❖ Investment in R&D and Technical teams
- ❖ Strong progress made with OTTP division
- ❖ Solid cash balance of \$10.3 million at end of quarter

Roam-e Product Samples being assembled



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 consumer useful. The IOT Group is designing and developing a range of smart wearables, a range of flying selfie drones, augmented reality, virtual reality, home automation products and much more.

ROAMe FLYING SELFIES

Utilising industry specific innovation and our own technology, we’ve created the first facial recognition flying selfie device operated through smartphones and vision control systems, called ROAM-e. Built with the world’s first dual-axis collapsible blades means that ROAM-e’s light, compact and easy to carry and ready for any occasion but most importantly not weigh you down. Selfies have reached new heights!



OUTDOOR KONNECT

Outdoor Konnect (OK) focus on designing and developing a range of affordable innovative wearable devices, accessories and outdoor products using the latest technology with unique features. Our devices include a variety of smart watches with some already available through retailers and from our website.



The key to global streaming

OTT Premium will provide leading telcos, broadcasters, TV & film production companies and content owners with unsurpassed OTT software delivering content that can be viewed on multiple devices and languages worldwide direct to the audience.

IOT Group Limited

ABN 66 140 475 921

Level 14

39 Martin Place

SYDNEY NSW 2000

Phone: [1300 205 955](tel:1300205955)

Email: info@theiotgroup.com

www.theiotgroup.com

Scott Brown	Non-executive Chairman
Ian Duffell	Executive Director
Nigel Harvey	Non-executive Director
Tod McGrouther	Non-executive Director
Simon Kantor	Non Executive Director
Ron Holland	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 30 September 2016. During the period, the Company made significant progress both operationally and corporately.

Solid Operational Progress

- IOT further developed and strengthened its European, United Kingdom, Scandinavian and Asian distribution and logistics channels for the ROAM-e and other AEE/IOT products.
- The Company also strengthened the US retailer network in readiness for Roam-e and other AEE/IOT product sales.
- The technical team have been working solidly on delivering the Roam-e drone and the full suite of functionality for the product. As previously announced, due to recent management changes, the IOT Group Board commissioned an independent status report of the Roam-e production cost, production schedule and facilities. The change in management and this critical review process have resulted in a slight delay in the expected delivery of the product and its global launch. Notwithstanding, the Board has confidence in the Roam-e product, its functionality, and its future consumer appeal.
- IOT Group ordered the first range of Roam-e samples. The samples are expected to be subject to final testing with the goal being for the product to be dispatched to Australian, Japanese and US retail buyers very shortly.
- IOT Group's marketing team continued to develop an outstanding public relations and marketing program for the release of the upcoming products for the US, Japan and Australia.
- IOT Group continues to advance its research and development capability with the building of a strong team of technical team. One of the areas that IOT Group believes it has a competitive advantage in is facial recognition and control software. IOT Group has developed revolutionary software for facial recognition in drones and other smaller electronic devices. The facial recognition and control software has been separated so that in the future, IOT Group could license this software and deliver additional revenue streams.
- After the end of the quarter and as reported on 12 October, IOT Group signed a term sheet to acquire 100% of Cutting Edge Products which is commercialising the Mozzie HoverBoard product. The transaction is subject to due diligence and various approvals and IOT Group looks forward to updating shareholders on this transaction.
- The Company continued to advance the OTT Premium (OTTP) division during the quarter. OTTP will provide leading telecommunication providers, broadcasters, TV and film production companies, and content owners with unsurpassed OTT (Over the Top Television) software which delivers content that can be viewed on multiple devices and languages worldwide and direct to the audience. OTTP is seeking to partner with the biggest players in streaming, content provision, cloud storage, analytics, billing gateways and application development to provide a complete end-to-end content delivery solution. This end-to-end service provision reflects a B2B strategy for OTT Premium.
- IOT Group commenced development strategies for business-to-consumer OTT businesses in the education, recreational and commerce sectors. This included the appointment of Bob Morrison as

Director of OTT and the active pursuit of OTT Platforms in the United States, Denmark and Finland. The Company also appointed Stu Levin to assist in establishing a suitable OTT platform.



Corporate

- As at 30 September 2016, IOT Group had \$10.3 million in cash. During the September Quarter, the Company continued to develop its business with net expenditure on operations being \$2.8 million.
- During the quarter the Company strengthened the Board with Mr. Nigel Harvey joining the Company as a non-executive director. Mr. Tod McGrouther joined the Board as non-executive director after the end of the quarter.
- As shareholders are aware, IOT Group has been engaged in a legal dispute with Mr. Simon Kantor, a director of the Company, and his former business partners. Details of this dispute are outlined in previous statements IOT Group has issued on the matter. Certain shareholders have called for a shareholder meeting to remove Mr. Kantor from the board of IOT Group. A shareholder meeting to consider Mr. Kantor's removal will be held on 16th November 2016.
- During the quarter the Company raised \$11.975 million in funds (before costs) by issuing 171,074,680 ordinary fully paid shares.

Issued and quoted securities at end of current quarter

	Total number	Number quoted
Fully Paid Ordinary Shares on issue	722,666,883	463,828,419
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 \$0.036 (3.6 cents) expiring 31 December 2017	5,833,286	-

For further information, please contact:

Ian Duffell – Executive Director of IOT Group on 0488 024 000 Website www.theiotgroup.com

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

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

Name of entity

IOT Group Limited

ABN

66 140 475 921

Quarter ended ("current quarter")

30 Sept 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows from operating activities		
Receipts from customers	54	407
Payments for		
(a) research and development	(903)	(1,741)
(b) product manufacturing and operating costs	(238)	(1,062)
(c) advertising and marketing	(714)	(1,102)
(d) leased assets	-	-
(e) staff costs	(631)	(1,363)
(f) administration and corporate costs	(532)	(2,121)
Dividends received (see note 3)	-	-
Interest received	36	68
Interest and other costs of finance paid	-	-
Income taxes paid	-	-
Government grants and tax incentives	-	-
Other (provide details if material)	130	146
Net cash from / (used in) operating activities	(2,798)	(6,768)
Cash flows from investing activities		
Payments to acquire:		
(a) property, plant and equipment	(5)	(21)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

(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	-	-
Dividends received (see note 3)	-	-
Other (provide details if material)	-	-
Net cash from / (used in) investing activities	(5)	(191)
Cash flows from financing activities		
Proceeds from issues of shares	11,975	16,838
Proceeds from issue of convertible notes	-	-
Proceeds from exercise of share options	3	369
Transaction costs related to issues of shares, convertible notes or options	(754)	(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	11,224	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	1,895	
Ardent Resources Limited		1,944
OK IOT Group Pty Ltd		70
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,798)	(6,768)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(191)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	11,224	15,261
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	10,316	10,316
5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

5.1	Bank balances	10,316	1,895
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)	10,316	1,895

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

184

-

7. Payments to related entities of the entity and their associates

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

Current quarter
\$A'000

-

-

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

Total facility amount
at quarter end
\$A'000

Amount drawn at
quarter end
\$A'000

-

-

-

-

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(559)
9.2 Product manufacturing and operating costs	(83)
9.3 Advertising and marketing	(604)
9.4 Leased assets	-
9.5 Staff costs	(470)
9.6 Administration and corporate costs	(485)
9.7 Other (provide details if material)	
Settlement costs & associated legal fees	(895)
9.8 Total estimated cash outflows	(3,096)

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: 31/10/2016

(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.