

ASX Announcement

Wednesday 3 May 2017

OPERATIONAL UPDATE

1. Highlights

The IOT Group Limited (ASX: IOT) (“IOT Group” or “the Company”) is pleased to update its shareholders on its activities.

The key points are:

- ✓ **Trial Purchase Orders being converted into commercial quantities**
 - Confirmed Purchase Orders of 2,600 ROVA for immediate delivery
 - Expect further and larger Purchase Orders over next month
- ✓ **Positive discussions with other US retailers**
 - Accounts being opened with additional Major Big-Box retailers
 - Expect up to 20,000 stores carrying ROVA and Air-Selfie by end of CY2017
- ✓ **ROVA & AirSelfie receiving extremely favourable response**
 - Most retail accounts plan to stock both products

2. Background

IOT was formed and listed in March 2016 by combining a number of entities with various IOT related products. IOT’s initial feature product was the ROAM-e.

By 4Q CY2016 it was clear to the IOT Board that the ROAM-e unique concept of coaxial exposed blades was being impacted by a trend towards “safe drones” with enclosed blades. As such IOT sought to re-orientate its product line with the introduction of ROVA. At this stage ROAM-e is still in development, to be re-positioned and compete with conventional outdoor quadcopters.

The market opportunity and the distribution network created by the introduction of the ROAM-e is now being exploited by the launch of the ROVA and AirSelfie

Over the last 6 months as part of its restructure, IOT has undertaken a number of steps including:

- Discontinuation of non-core products;
- Cleaning up outstanding legacy issues from previous strategy; as well as
- Reducing staff numbers by nearly two thirds.

The recently released March 2017 Quarterly Results includes a number of significant impairments and redundancies but leaves the company “legacy free”, with a heavily reduced cash burn going forward.

The objective is to allow IOT to concentrate on what it believes to be one of the most significant opportunities in the IOT market place.

3. Products

IOT is currently focussing on two products - ROVA and AirSelfie.

In summary, ROVA's features include:

- Positioned as a selfie drone for lifestyle use vs a technical drone for enthusiasts;
- Designed with safety in mind. Enclosed propellers and unique obstacle avoidance technology allow consumers to fly with confidence;
- Easy to fly from the bespoke ROVA app, ROVA provides superb photography with it's 12mp camera and 1080 @60fps recording;
- ROVA is priced at a very accessible price point for new users to enter the drone market. It is almost half the price of the most serious competitor; and
- ROVA's unique features and benefits are currently being marketed in a way that focuses on the role it can play in people's lives vs the technical specs of a drone



In summary, AirSelfie's key features are:

- The only portable flying camera that can be integrated into a mobile phone cover;
- A portable power bank allows 20 charges. Each charge provides 3 minutes of flying time;
- Small and lightweight – fits into the palm of your hand;
- Stable flying and hovering due to its sophisticated sensors;
- Easy to fly from the bespoke app; and
- Stylish Italian design with an anodised aluminium frame



4. IOT USA

Over the last 6 months IOT has sought to put in place a business model and practices consistent with its move from being a “tech innovator” to being a “profit focused” company.

The previous arrangement with TopTech LLC for US sales and marketing created an unprofitable multi commission structure within the transaction process between the US agents, Top-Tech LLC and IOT.

During the March 2017 Quarter IOT re-negotiated its agreement with Top Tech LLC to build the distribution channels in the US. This arrangement simultaneously cancels all other agreements with TopTech LLC and Terrapin Ventures.

The new US distribution arrangements benefit IOT and its shareholders, by focussing the US team on margins and profitability rather than solely upon sales commission. IOT have established the US entity, IOT Group USA LLC (“IOT USA”). The original Top-Tech team are now 30% shareholders of the IOT USA.

Bryan Corlett has become Chief Executive Officer of the US sales office and now works exclusively for IOT USA. IOT USA's Managing Members are majority controlled by IOT Group Ltd representatives.

5. Distribution Network

IOT is building a significant network of distribution outlets in North America. The table below details the scale and scope of IOT’s current clients with Purchase Orders and “in progress” potential retail accounts.

| Retailer | Scale |
|---------------------|-------------------------------------------------------------------|
| Amazon | On-line |
| Apple Stores | Over 400 Stores |
| B&H Photo | Large online presence |
| Barnes and Noble | 640 Stores |
| Bed Bath & Beyond | 1504 Stores |
| Best Buy Canada | Over 200 stores |
| Best Buy US | Over 1000 Stores |
| Brookstone | Over 200 stores |
| Hammacher Schlemmer | Over 50 million catalogues per annum and an Online presence |
| Macy’s | 728 Stores |
| Sam’s Club | 660 Stores |
| Target | 1807 Target Stores |
| T-Mobile Stores | 5,000 Stores |
| Walmart | 4,200 Consumer Electronics ranging stores. |
| Wynett | Large distributor in US for smaller chains and single CE outlets. |

To date IOT have received confirmation of purchase orders for 2,600 ROVA. These are for immediate delivery. IOT expects further and larger Purchase Orders in the immediate future.

All Accounts are now ranging for the pre-Christmas period and Purchase Orders are now being received for Q3 delivery. IOT believes it is well positioned by having a range of highly anticipated mass market consumer electronic products at an affordable gift price point.

Based on the Accounts that have been opened with a number of large North American retailers, ROVA and the AirSelfie are expected to be ranged up to 20,000 retail outlets plus three major online retailers across North America by the end of 4Q CY2017.

Meetings with other major retailers are being held across North America. IOT will announce Purchase Orders once they have been received.

6. Product Pipeline

IOT are currently exploring new opportunities for Consumer Tech Products to take advantage of its growing North American sales distribution network. IOT will be announcing these new products over the next 6 months.

The growing relationship with the US retailers is already providing valuable input towards the development of our new product pipeline and guiding us to what they see will work within their marketplace. This relationship provides vital market intelligence and is critical for the successful launch of any new product.

All references to IOT group includes subsidiaries.

About IOT Group Limited

www.theiotgroup.com



(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 in particular, the IOT Group is designing and developing a range of flying selfie cameras that looks to create a completely new category in the retail space.

Company Information

IoT Group Limited (ABN 66 140 475 921)
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| | |
|----------------|------------------------|
| Scott Brown | Non-executive Chairman |
| Tod McGrouther | Non-executive Director |
| Ian Duffell | Executive Director |
| Ron Hollands | Company Secretary |

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Forward Looking Statements

All statements other than statements of historical fact including, without limitation, statements regarding projections, future plans and objectives of IOT Group, are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘future’, ‘intend’, ‘may’, ‘opportunity’, ‘plan’, ‘in principle’, ‘potential’, ‘project’, ‘seek’, ‘will’ and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of IOT Group that could cause IOT Group’s actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by these forward-looking statements will actually occur and investors are cautioned not to place any reliance on these forward-looking statements.

IOT Group does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained above, except where required by applicable law and securities exchange listing requirements.