

March 2017 – Quarterly Report

Highlights

- ✓ **Opening major North American retail accounts for ROVA.**
 - *Receiving Purchase Orders from opened accounts*
 - *Delivering ROVA units to Purchase Orders.*
- ✓ **Building a North American Distribution network.**
 - *Allows sales of additional relevant products.*
- ✓ **Agreement to sell AirSelfie in United States and Australia.**
 - *Complementary to 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 in particular, the IOT Group is designing and developing a range of drones that looks to create a complete new category in the retail drones space.

IOT Group Limited

ABN 66 140 475 921

Level 9

100 William Street

EAST 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 |
| Tod McGrouther | Non-executive Director |
| Ron Hollands | Company Secretary |

IOT Quarterly Update

Business Update

IOT Group Limited (ASX:IOT) (“IOT” or “the Company”) would like to update the market regarding its activities for the 3 months ended 31 March 2017.

The March 2017 Quarter has seen a maturing of IOT as a company. In particular, following the announcement of various changes to IOT’s strategy and personnel, IOT have focused on becoming a profit-making business rather “a tech innovator”.

IOT’s products are consumer electronics - based:

- ROVA: a selfie drone with camera, launched in March 2017; and
- AIRSelfie: a portable flying selfie camera, available for delivery from June 2017.

IOT is opening North American retail accounts for the retail distribution of the Rova Selfie drone, the AIRSelfie Camera and future IOT products. Purchase Orders are now being received from these accounts.

To date Purchase Orders have been received from the following US retailers:

- Amazon;
- B&H Photo;
- Brookstone;
- Best Buy Canada;
- Hammacher Schlemmer.

In summary

i. ***Amazon***

IOT have received several Purchase Orders from Amazon. As these orders are fulfilled, further orders have been received.

ii. ***B&H Photo***

In Q1 an account was opened with B&H Photo and a Purchase Order was received. Delivery of this initial order is in process. B&H Photo Online is the online shop of B&H Photo, whose New York based retail outlet is the largest non-chain photo and video equipment store in the United States.

iii. ***Brookstone:***

An account was opened with Brookstone. This was followed by a Purchase Order in April 2017. Brookstone has over 200 stores.

iv. **Best Buy Canada**

An account was opened with Synnex – the IOT distributor for Canada. IOT started working with Synnex Canada following discussions at CES - Vegas in January 2017. As a result of which IOT received a Purchase Order from Best Buy Canada in April. The delivery of this order is in process.

IOT and Best Buy Canada are working together on a national roll out of the ROVA across Best Buy's ~200 stores.

v. **Hammacher Schlemmer**

An account has been opened and Purchase Order received from Hammacher Schlemmer in April 2017. Hammacher Schlemmer's executive panel made a decision to place the ROVA on their June catalogue front cover at no cost to IOT.

Delivery of Rova units to Hammacher Schlemmer is in process. This followed a preview of the ROVA at CES in Vegas January 2017.

Corporate

In the 3 months to 31 March 2017, IOT have invested over US\$1 million in ROVA inventory. This stock is expected to be sold during the course of the June 2017 Quarter.

During the March 2017 Quarter IOT completed its claim for Research & Development incentive refund. The company expects to receive AU\$961,100 within the June 2017 Quarter.

IOT has arrangements in place with a commercial group to extend Trade Finance to fund upcoming Purchase Orders. This will reduce the reliance on IOT cash to fund future product manufacturing.

There are no current legal issues outstanding.

Further Purchase Orders for new accounts plus large purchase orders for existing accounts will be announced as they are received.

IOT will give a detailed investor briefing to shareholders in May.

Commentary

Ian Duffell, IOT's Executive Director said

"The March 2017 Quarter evidenced a turnaround in IOT. Whilst not yet complete, IOT has been diligent in implementing its strategy of creating value for its shareholders."

The initial sales of the ROVA to large retailers such Amazon, Best Buy Canada, B&H, Brookstone and Hammacher Schlemmer are a part of that process. The June 2017 Quarter should see the ROVA sales increase due to distribution gains and consumer demand. In addition, AIRSelfie sales will begin.

For IOT to be able to open direct accounts with these major US retailers is an achievement in its own right, as they only open direct accounts if they can see a long term business relationship."

All references to IOT group includes subsidiaries.

Issued and quoted securities at 31 March 2017

| | Total number | Number quoted |
|--|--------------------|--------------------|
| Fully Paid Ordinary Shares on issue | 742,669,905 | 564,970,983 |
| Unlisted options exercisable at \$0.07 (7.0 cents) per option expiring on 30 June 2019 | 46,663,015 | - |
| Unlisted options exercisable at \$0.07 (7.0 cents) per option expiring on 30 June 2019 upon achieving sales targets | 4,000,000 | - |
| Unlisted options exercisable at \$0.03505 (3.505 cents) Per option expiring on 31 December 2018 conditional upon the total value of all orders of any product received by the Company for calendar years 2017 and 2018 is at least AUD\$100 million OR at the end of the Vesting Period, the Company has a market valuation of at least AUD\$200 million | 23,000,000 | - |
| Unlisted Employee and Director Options (various exercise prices). | 63,000,000 | - |
| 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 | 5,756,095 | - |

+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 MARCH 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2 | 2 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (1,351) | (1,351) |
| (c) advertising and marketing | (887) | (887) |
| (d) leased assets | - | - |
| (e) staff costs | (1,010) | (1,010) |
| (f) administration and corporate costs | (368) | (368) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 11 | 11 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | 139 | 139 |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | | |
| Kantor settlement | (681) | (681) |
| 1.9 Net cash from / (used in) operating activities | (4,145) | (4,145) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--|---|----------------------------|---------------------------------------|
| 2. Cash flows from investing activities | | | |
| 2.1 | Payments to acquire: | | |
| | (a) property, plant and equipment | (4) | (4) |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.2 | Proceeds from disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) businesses (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) intellectual property | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (4) | (4) |
| 3. Cash flows from financing activities | | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | 4 | 4 |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 4 | 4 |

| | | | |
|------------|--|--------------|--------------|
| 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 | 7,141 | 7,141 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (4,145) | (4,145) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (4) | (4) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4 | 4 |
| 4.5 | Effect of movement in exchange rates on cash held | 1 | 1 |
| 4.6 | Cash and cash equivalents at end of quarter | 2,997 | 2,997 |

| | | | |
|------------|---|------------------------------------|-------------------------------------|
| 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 | 2,997 | 7,141 |
| 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) | 2,997 | 7,141 |

6. Payments to directors of the entity and their associates

**Current quarter
\$A'000**

6.1 Aggregate amount of payments to these parties included in item 1.2

120

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

-

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

Director's fees, wages and salaries.

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

Add notes as necessary for an understanding of the position

**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.

| 9. | Estimated cash outflows for next quarter | \$A'000 |
|-----|--|--------------|
| 9.1 | Research and development | - |
| 9.2 | Product manufacturing and operating costs | 373 |
| 9.3 | Advertising and marketing | 416 |
| 9.4 | Leased assets | - |
| 9.5 | Staff costs | 602 |
| 9.6 | Administration and corporate costs | 583 |
| 9.7 | Other (provide details if material) – R & D tax refund | (961) |
| 9.8 | Total estimated cash outflows | 1,013 |

| 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: 28/4/2017

(Director/~~Company secretary~~)

Print name: Scott Brown

Notes

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.