

## ASX Announcement

### **IOT to acquire US headquartered HoverBoard business Cutting Edge Products**

- IOT to create strategic partnership under which IOT has the option to acquire 100% of Cutting Edge Products (CEP) – a business specialising in Personal Mobility Devices (PMD)
- CEP's first product is the Mozzie HoverBoard ([www.mozzieride.com](http://www.mozzieride.com))
- US HoverBoard market generates sales of \$1.5 to \$2.5 billion annually
- Acquisition paid for in IOT scrip progressively commencing at a 7.5 cent per share floor price through to 15 cents per share
- IOT to also provide working capital through a US\$1 million convertible note payable in tranches
- CEP is one of only a few approved HoverBoard manufacturers approved to sell through US Big Box retailers which account for 80% of product sales in the US
- CEP business highly complementary to IOT's Roam-e business
- IOT continues to work on Roam-e with solid progress being made

**Sydney: 12 October 2016, IOT Group Limited (ASX:IOT)** today announced that it has signed a Term Sheet to create a strategic partnership under which IOT has the capacity to acquire 100% of Personal Mobility Device business Cutting Edge Products LLC, California.

Cutting Edge Products has developed and filed patents on a Hoverboard called Mozzie ([www.mozzieride.com](http://www.mozzieride.com)). The business designs, manufactures and distributes electric-powered personal mobility vehicles that will address both the near-term recreational market and medium-term transportation market.

Through this agreement, IOT secures the exclusive distribution rights for the United States, Asia Pacific, China, India and Japan, Africa, the Middle East and parts of Europe.

IOT will commit US\$1 million via a convertible note in tranches, and through the issue of IOT scrip, the Company has the capacity to acquire up to 100% of CEP based on agreed sales targets being met.

Cutting Edge Products' is one of only a few approved HoverBoard manufacturers that can sell through Big Box retailers, with Big Box retailers accounting for 80% of US retail sales.

Cutting Edge Products' major shareholder is Mr. Bryan Corlett who is IOT's US distributor for ROAM-e. The synergies between ROAM-e and the Mozzie Hover Board products allows Mr Corlett and his team to deliver a strong product range to the US Big Box retailers. First orders for the Mozzie will be obtained in Q1 of 2017. Bryan's team has experienced an overwhelming response from retailers in the US and across multiple international markets.

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“The two hottest retail categories in the US are PMD’s and Drones, and IOT will have fully patented products with significant consumer appeal in both categories. Having both the ROAM-e and the Mozzie HoverBoard being sold into Big Box retailers across North America and globally allows IOT to build absolute credibility amongst global retailers,” Bryan Corlett said.

“This transaction with IOT gives us the necessary financial flexibility to capitalise on this market opportunity and achieve scale with Big Box retailers in the United States and other international markets where HoverBoard’s and ‘flying selfie’ products are growing in popularity.”

The transaction is subject to Due Diligence and the issue of shares to finance the transaction may require shareholder approval in the future. The following sales hurdles will be set to allow IOT to purchase CEP and all associated IP. This will include any other PMD developments that CEP is developing and or will develop in the future.

- **Tranche One:** Immediately after due diligence and contracts: IOT will purchase 10% of CEP at US\$11 million USD valuation. IOT will use IOT stock at a 7.5 cents floor or higher.
- **Tranche Two:** IOT will have the option to increase its shareholding to 20% and purchase an additional 10% of CEP after US\$10 million of HoverBoard sales are achieved at a valuation of 2.5 times USD gross revenues. IOT will use IOT stock at a 10 cents floor or higher.
- **Tranche Three:** IOT will have the option to increase its shareholding to 40% and purchase an additional 20% of CEP after US\$20 million of cumulative sales at a Valuation of 2.5 times these gross revenues. IOT will use IOT stock at a 15 cents floor or higher.
- **Tranche Four:** IOT will have the option to increase its shareholding to 51% and purchase an additional 11% of CEP after US\$50 million of cumulative sales at a Valuation of 2.5 times these USD gross revenues. IOT will use IOT stock at a 15 cents floor or higher.
- IOT will have the option to purchase up to an additional 49% of CEP at a 2.5 times multiple. This option can be exercised any time after the first 51% has been purchased. IOT may accelerate the purchases earlier at its option.

The launch product, the Mozzie Hoverboard, will be delivered in the first half of 2017. Hoverboard demand is currently underfilled because of US regulatory constraints and safety concerns, creating a unique opportunity that Mozzie is ideally positioned to capture.

Safety concerns and the lack of clarity around intellectual property rights with existing HoverBoards led to major retailers refusing to carry the currently existing models. Safety concerns have brought about the requirement for all HoverBoards to be UL certified. The Mozzie Hoverboards solve both problems. They will be UL certified, with unique SafeEdge battery technology, and Mozzie Hoverboards avoid existing IP concerns through a redesigned one-piece board providing greater stability.

Early adopters, teenagers and young adults were already buying Hoverboards as toys and early-majority buyers will purchase them for transportation. CEP is positioned between the Razor (marketing to children) and Segway products (high priced and sold to rental and professional markets). CEP will sell through Big Box retailers in the United States, Europe and Asia. Walmart has estimated that it could sell \$700M+ per year in this category.

The competitive advantage for Mozzie is superior and proprietary technology. The Mozzie Hoverboard utilizes enhanced features such as “stability loading” and SafeEdge Battery Technology for added safety.

The competitive advantage for Mozzie is superior and proprietary technology that has been designed around both the Inventist patent and relevant Segway patents. The Mozzie HoverBoard uses enhanced features such as “stability loading” and SafeEdge Battery Technology for added safety.

IOT’s Chairman Scott Brown said: “IOT recognises the synergies between ROAM-e and the Mozzie HoverBoard and this positions the company as pioneers in the two hottest categories in consumer electronics retail.

“We have an excellent working relationship with Bryan Corlett. He is a trusted and recognised distributor in the United States and we believe that this transaction will deliver considerable upside to shareholders.”

IOT continues to work on the Roam-e product. In relation to recent changes in management, the IOT Board commissioned an independent status report of the Roam-e production cost, schedule and facilities. The change in management and the review have resulted in a delay in the expected delivery of the product and its global launch.

The ROAM-e facial recognition is in full testing mode this week and there are ongoing efforts to perfect what IOT believes is a first and revolutionary software for facial recognition in drones and other smaller electronic devices. This revolutionary facial recognition software has been developed at the IOT Laboratories in Sydney.

The ROAM-e samples from AEE are on schedule to arrive over the next two weeks. After final testing, these first Production Sample products will be shipped straight to retailers who maintain significant interest in what they believe will open up the ‘flying selfie’ drone market beyond the extreme sports and tech enthusiasts into the wider, mass market.

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## About IOT Group Limited

[www.theiotgroup.com](http://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 and useful to consumers. 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 a universal computing device as we look to create a complete IoT ecosystem over the next 24 months.

## 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. With unique follow me truly functionality, a flight time of up to 20 minutes and the capacity to charge in just two hours! You will always capture perfectly uninterrupted panoramic shots with ROAM-e's 360 degree 1080p HD camera. And you will never miss a moment with ROAM-e's live streaming capabilities, so the action is always in real time whenever, where ever. ROAM-e is your personal companion who will always be within 5m of you, so you never have to worry about invading anyone's personal space. 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) is focused on designing and developing a range of affordable innovative wearable devices, accessories and outdoor products combining the latest technology with unique features. Our devices include a variety of smart watches with some already available through retailers and from our website.

## Company Information

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Scott Brown	Non-Executive Chairman
Nigel Harvey	Non-Executive Director
Tod McGrouther	Non-Executive Director
Ian Duffell	Executive Director
Simon Kantor	Executive Director
Ron Hollands	Company Secretary

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