

## ASX Announcement

Monday 9<sup>th</sup> of April 2018

# IOT to connect pre-Grid power to Blockchain Application Centre

## Highlights

- ✓ IOT signs Agreement with Hunter Energy granting it the right to develop a Blockchain Applications Centre (BAC) behind the grid with direct transmission of power. The power is to be provided at wholesale pricing upon completing the recommissioning of the Power Station located in NSW. Hunter Energy is proposing to recommission the Power Station over the next 12 months. Power at wholesale cost would make Blockchain related operations attractive in Australia.
- ✓ IOT to be the first in Australia to offer pre-Grid cost effective power prices to Blockchain operators.
- ✓ IOT has established IOT Blockchain Advisory Service Pty. Ltd. to monetise Blockchain opportunities within Australia.

## IOT BLOCKCHAIN

The IOT Group Limited (ASX: IOT) (“IOT” or “the Company”) is pleased to announce that it has commenced development of a Blockchain strategy to gain an exposure to this rapidly developing Internet of Things sector.

As an initial step in this Blockchain strategy, IOT has signed a binding agreement to partner with Hunter Energy Pty Ltd ([www.hunterenergy.com.au](http://www.hunterenergy.com.au)). Subject to the satisfaction of certain conditions precedent, Hunter Energy has granted IOT the right to establish a proposed “Blockchain Applications Complex” (BAC) behind a grid and directly into a power station. A summary of the terms of the Agreement are set out in the Annexure to this Announcement.

Hunter Energy is currently working to recommission an existing power station in the Hunter Valley and to acquire all of the associated assets, with a target date to commence generation of Q1 - 2019. If this is successfully achieved, IOT may be able to obtain power at wholesale cost, which will assist clients to operate and manage their Blockchain businesses on a more cost-effective basis as the cost of power is likely to be more economical. This arrangement would be a first for Australia and may entice international operations to also house their

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Blockchain operations at the proposed IOT BAC in the Hunter Valley, approximately 2 hours from Sydney.

Subject to successful completion of the transaction with Hunter Energy and IOT locating its proposed Blockchain services and infrastructure business at the Hunter Energy power station, it would have direct access to power at wholesale cost and without the additional charges and costs associated with power transmission, including grid costs, poles and wires, and electricity retailer margins.

To develop revenue streams in Blockchain, IOT has incorporated IOT Blockchain Advisory Service Pty. Ltd. (A 100% owned subsidiary of IOT Group Limited) and will seek to partner with Blockchain specialists to monetise the Blockchain opportunities in light of the proposed IOT Blockchain Applications Centre.

IOT has also incorporated IOT Blockchain Pty Ltd as a 100% owned subsidiary of IOT, to develop the BAC Strategy, which includes developing the above IOT Blockchain complex within the Hunter Energy power station.

IOT is also currently in negotiation with a major data complex builder/developer and service provider, to co-locate a data complex at the Hunter Energy site. IOT's intention is that buildout costs and development costs of the proposed BAC and data centre would be borne substantially by a third-party developer, so as to minimise costs to IOT to develop the BAC.

IOT is also negotiating with suppliers to deploy Australia's first BAC to facilitate various Blockchain based applications at the Hunter Energy power station, in the event that the above conditions precedent are satisfied and Hunter Energy is able to successfully recommission the power station and acquire all of the associated assets.

### **Blockchain Overview**

To use conventional banking as an analogy, the Blockchain is like a full history of a financial institution's transactions, and each block is like an individual bank statement. As it is a distributed database system, serving as an open electronic ledger, a Blockchain can simplify business operations for all parties. For these reasons, the technology is attracting not only financial institutions and stock exchanges, but many others in the fields of music, diamonds, gold, power, insurance, and Internet of Things (IOT) devices. Advocates have also suggested that this kind of electronic ledger system could be usefully applied to voting systems, weapon or vehicle registrations by state governments, medical records, or even to confirm ownership of valuable items such as artwork.

While banks and financial institutions were initially hesitant to explore these technologies, they have now started looking into how the Blockchain might provide generous cost savings by allowing back-office settlement systems to process trades, transfers and other transactions much faster.

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## Investing in Australia – examples of some benefits

As Australia has a stable democratic Government, banks are backed by the Australian Government, international Blockchain companies are likely to seek out Australia as a destination to build their operations due to Australia's sovereignty. Australia is safe, secure and our political system is stable. The Australian banking system is one of the best in the world and Australia has reasonable social living standards.

Assuming the completion of the transaction with Hunter Energy and the development of the proposed BAC, having access to power at wholesale cost combined with Australia's sovereign benefits is likely to be attractive to domestic and international blockchain operators.



(Picture (Left) Actual photo of Hunter Energy (Right) example of Data Centre)

## Commentary

**Executive Director and Founder of IOT Group Limited: Sean Neylon comments:**

*"IOT needs to follow the Internet of Things (IOT) trends and develop IOT businesses and opportunities to benefit IOT Shareholders. By locating IOT BLOCKCHAIN operations at the Hunter Energy power station in the Hunter Valley with proposed access to electricity at wholesale cost, this will be a first in Australia and has good prospects of attracting interest from Australian and international Blockchain operations, looking to locate where they have surety of Sovereignty and the benefits of low cost power"*

Investors should note that Hunter Energy is still working to recommission the power station and acquire all of the associated assets, and IOT's agreement with Hunter Energy remains subject to the satisfaction or waiver conditions precedent, and contemplates that the parties will enter into commercial negotiations in respect of long form Definitive Agreements. Accordingly, there is a significant risk associated with the completion of the proposed transaction/s and investors should be aware of these risks.

## Annexure

The following information is provided in relation to the Agreement:

- The parties to the Agreement are IOT and Hunter Energy Pty. Ltd. ([www.hunterenergy.com.au](http://www.hunterenergy.com.au))
- Subject to the satisfaction of certain conditions precedent, pursuant to the Agreement Hunter Energy grants to IOT a right to establish the BAC at the site of the Power Station Project in consideration for 10% of the net profits of the IOT BAC housed on the above site, which is to be up to 2 hectares in size.
- In terms of the timetable for implementing the transaction, IOT and Hunter Energy agree to use their best endeavours to finalise and execute long form Agreements over the next 90 days.
- In terms of the likely effect of the transaction on IOT's financial position, the Agreement provides that electricity for the BAC will be supplied at "wholesale cost", which should be no more than one third of current business and consumer power costs, making IOT Blockchain a cost-effective opportunity, due to the relatively low cost of power. However, at this stage the significance of the Agreement to IOT is exploratory, with the goal to build a long term business in Blockchain for IOT Shareholders. This is to add to the RUNA deliveries and Drones business.
- The Agreement does not contemplate the issue or securities or any changes to the board or senior management of IOT.
- The material conditions precedent that need to be satisfied before the parties become legally bound to proceed with the transaction include:
  - confirmation by IOT that it has satisfied itself of the suitability of the land and Power Station Project for a BAC to its absolute satisfaction;
  - confirmation by Hunter Energy that it has determined to proceed with the recommissioning and that Hunter Energy has exercised its right to acquire the Hunter Energy Power Station and owns and is in control of all relevant assets including the land;
  - IOT obtaining all necessary regulatory and shareholder approvals pursuant to the ASX Listing Rules, Corporations Act or any other law or regulatory requirement to allow the parties to lawfully complete the matters the subject of the agreement; and
  - execution of any other ancillary documents required in order to affect the transactions contemplated by the agreement.
- The conditions precedent must be satisfied on or before 31<sup>st</sup> December 2018 or otherwise the agreement will automatically terminate.
- The Agreement also contemplates the negotiation of long form Definitive

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Agreements with Hunter Energy, including the finalisation of the Hunter Energy Power Station supply contracts. In addition, although Hunter Energy is planning to recommission the power station and acquire all of the associated assets, this has not yet been completed.



EVERYTHING IS CONNECTED

Website: [www.theiotgroup.com](http://www.theiotgroup.com)

### Company Information

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All references to IOT Group includes its subsidiaries.

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