

ASX Announcement

Thursday, 26th of April 2018

IOT signs first clients for the IOT Blockchain Applications Complex

Highlights

- ✓ IOT has signed Binding Term Sheets with its initial two Blockchain clients to operate within the proposed IOT Blockchain Applications Complex (**BAC**) behind the Grid at the Hunter Energy Power Station in the Hunter Valley.
- ✓ These agreements are for 3 + 3 + 3 years for supply of approximately 2.5-megawatt load for more than 1000 machines. Both clients wish to grow their operations further with this opportunity to benefit from low cost power, reliability of power supply and scalability.
- ✓ Demand to secure space and contract power within the BAC has been very high.
- ✓ Subject to satisfaction of the conditions precedent and the Terms Sheets or the Power Purchase Agreements being implemented, the Terms Sheets will secure long term revenue and a profit streams for The IOT Group.

Important Note: Investors should note that the Terms Sheets are subject to and conditional upon the satisfaction or waiver of certain conditions precedent, including the completion by Hunter Energy Pty Ltd (**Hunter**) of its proposed acquisition of all right, title and interest in the Redbank Power Station to the absolute satisfaction of IOT, and also completion occurring under the binding terms sheet between IOT and Hunter (or the formal agreements contemplated by the terms sheet) pursuant to which Hunter Energy has agreed to granted IOT the right to develop a Blockchain Applications Centre (**BAC**) behind the grid with direct transmission of power. Further, the Terms Sheets contemplate that the parties will enter into commercial negotiations in respect of long form definitive agreements. Further, investors should also note that Hunter is still working to recommission the power station and acquire all of the associated assets, and IOT's agreement with Hunter remains subject to the satisfaction or waiver of certain conditions precedent, and also 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. Investors should note that, without

limitation, if Hunter does not complete its acquisition of the Redbank Power Station to the absolute satisfaction of IOT, or if completion does not occur under the terms sheet between IOT and Hunter (or the formal agreements contemplated by the terms sheet), the transaction the subject of the Terms Sheets described above will not proceed.

IOT BLOCKCHAIN APPLICATION COMPLEX

The IOT Group Limited (ASX: IOT) (“IOT” or “the Company”) is pleased to announce that its subsidiary IOT Blockchain Pty. Ltd has signed binding Term Sheets to house two initial clients’, Abacus Mercantile Pty Ltd (ACN 621 059 470) and Crypto Mining Australia Pty Ltd (ACN 621 117 137) machines at the proposed BAC which is planned to be located behind the Grid at the Hunter Energy Power Station site in the Hunter Valley – NSW.

IOT will locate its Blockchain clients at the proposed BAC which will be established behind the Grid at the Redbank Power Station for a monthly fee per machine and under a long term Power Purchase Agreement (PPA).

IOT has signed Terms Sheets with each client for an initial 3 years with an option for a further 3 + 3 years offering clients long term security for their investment.

The Terms Sheets are subject to the following conditions precedent: completion by Hunter of its proposed acquisition of all right, title and interest in the Redbank Power Station; completion occurring under the binding terms sheet between IOT and Hunter for the establishment of the BAC; all necessary shareholder and regulatory approvals being obtained; and the parties entering into formal definitive Power Purchase Agreements.

Subject to satisfaction of the conditions precedent and the Terms Sheets or the Power Purchase Agreements being implemented, the Terms Sheets will secure long term revenue and a profit streams for The IOT Group.

COMMENTARY

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

“The interest in our Blockchain Applications Complex has been extremely high. We welcome both companies and look forward to working with them. These Terms Sheets are intended to generate a long term revenue and profit for IOT from the supply of power and the rental space within the BAC.

It is expected that IOT will secure agreements for at least 10 megawatts of Power in Q2 of this year with further expansion on this during Q3 and Q4 2018.

10 mw of Power with contracts for up to 9 years generates revenue and profit for IOT and builds long term shareholder value in the company.”

Annexure

The following information is provided in relation to the Terms Sheets:

- The Terms Sheets are subject to the following conditions precedent: the completion by Hunter of its proposed acquisition of all right, title and interest in the Redbank Power Station; completion occurring under the binding terms sheet between IOT and Hunter for the establishment of the BAC; all necessary shareholder and regulatory approvals being obtained; and the parties entering into formal definitive Power Purchase Agreements. There are no further conditions precedent.
- Subject to the satisfaction of the conditions precedent, pursuant to the Terms Sheets,
 - IOT will use its best endeavours to procure the provision to the client of a certain amount of power from the Redbank Power Station;
 - IOT agrees to supply commercial buildings, container modules and any other equipment at the BAC required to enable the client to house its machines for a monthly cost;
 - the client has agreed to purchase from IOT, a certain amount of power consumption for a period of 3 years, with an option for an additional 3 X 3 years (9 years in total), with further options to be on terms to be agreed; and
 - IOT shall provide to the client technical and administration support upon request for a fee and upon terms to be agreed.
- In terms of the timetable for implementing the transaction, the parties have agreed to negotiate and enter into one or more formal legally binding Power Purchase Agreements as soon as practicable, and in any event not later than 1 October 2018, to more fully document the terms of the Agreement.
- The Agreement does not contemplate the issue or securities or any changes to the board or senior management of IOT.
- The material conditions that needs to be satisfied before the parties become legally bound to proceed with the agreement are set out in the first bullet point above.
- No consideration is payable or was paid by or to IOT for entering into the Term Sheets.



EVERYTHING IS CONNECTED

Website: www.theiotgroup.com

Company Information

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| Sean Neylon | Founder and Executive Director |
| John Forder | Non-Executive Director |
| Steven Kayalicos | Non-Executive Director |
| Ron Hollands | Company Secretary |

Investor Enquiries: investors@theiotgroup.com

All references to IOT Group includes its subsidiaries.

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