

ASX Announcement

Monday 7th of May 2018

IOT signs one of the World's largest Bitcoin miners for its Blockchain Application Complex.

Highlights

- ✓ IOT has signed a binding Term Sheet with Royalti Blockchain Group (RBG) to install Bitfurys (www.bitfury.com) Blockchain Hardware Solutions (Royalti Blockchain Group is BitFury's Authorised Australian Integrator and approved partner) to operate within the proposed IOT Blockchain Applications Complex (**BAC**) behind the Grid at the Hunter Energy Power Station in the Hunter Valley.
- ✓ Announces market leader BitFury's Blockchain Hardware entry into the Australian market.
- ✓ The Terms Sheet contemplates the parties entering into a Power Purchase Agreement (PPA) for 20 Megawatts of power over a ten-year term at an estimated cost of 11 cents (AUD) per KWh, which if completed will result in significant revenue for IOT.
- ✓ Bitfury's approved partner, Royalti Blockchain Group to build and supply the infrastructure and servers, IOT to provide land and power.

Important Note: Investors should note that the Terms Sheet is 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 grant IOT the right to develop a Blockchain Applications Centre (BAC) behind the grid with direct transmission of power. Further, the Terms Sheet contemplate that the parties will enter into commercial negotiations in respect of a long form definitive power purchase agreement. 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 Sheet described above will not proceed.

IOT BLOCKCHAIN APPLICATIONS COMPLEX

The IOT Group Limited (ASX: IOT) (“IOT” or “the Company”) is pleased to announce that its subsidiary IOT Blockchain Pty. Ltd has signed a conditional binding Terms Sheet with Royalti Blockchain Group, BitFury’s Authorised Australian Integrator, one of the world’s largest Blockchain providers, to house Bitfury’s servers in Australia at its Blockchain Applications Complex in the Hunter Valley. The key factors being; cost effective power, scalability and surety of sovereignty.

IOT will locate the Bitfury servers at the proposed BAC which will be established behind the Grid at the Redbank Power Station under a long-term Power Purchase Agreement (**PPA**).

The proposed PPA will be for an initial 5 years with an option for a further 5 years (at either party’s election) offering long term security for the investment.

The Terms Sheet is 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 Sheet or the Power Purchase Agreement being implemented, the Terms Sheet is anticipated to secure long term revenue for The IOT Group.

A summary of the Terms Sheet is contained in the Annexure to this announcement.

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

“This is a cornerstone Agreement for IOT Blockchain and, assuming completion, is expected to provide substantial revenue streams for the next ten years, thereby building Shareholder value. BitFury is one of the largest and most dominant in its global field, we are proud to have this prestigious brand allied to The IOT Group.”

ABOUT BITFURY



The BitFury Group develops and delivers both the software and the hardware solutions necessary for businesses, governments, organizations and individuals to securely move an asset across the Blockchain. The expertise of The BitFury Group ensures successful, easy, fast, secure and cost-effective connectivity to the Blockchain.

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Annexure

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

- The Term Sheet is 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 Sheet,
 - IOT providing to RBG a 4 or 6-inch Cement Platform/floor.
 - IOT providing to RBG sufficient land at the RedBank Power Station to incorporate RBG's Bitfury Blockchain Hardware facility, which is not to exceed 1 Hectare.
 - IOT providing to RBG 20 megawatts of power to RBG at an estimated cost of 11 cents (AUD) per KWh,
 - RBG will purchase from IOT 20 megawatts of power consumption for a period of 5 years, with an option for an additional 5 years (10 years in total), with further options to be on terms to be agreed.
- In terms of the timetable for implementing the transaction, the parties have agreed to negotiate and enter into a more formal legally binding Power Purchase Agreement 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 of 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

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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

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All references to IoT Group includes its subsidiaries.

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