

IOT Group Limited  
Level 9,  
100 William Street  
EAST SYDNEY NSW 2010

10 May 2018

ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Transmission via email

**IOT Group Limited ('IOT') Appendix 4C Query (quarter ended 31 March 2018)**

Dear Sirs

Thank you for your letter of 7 May 2018 concerning the above matter. IOT responds to this letter as follows:

**1. Does IOT Group expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

IOT expects to have negative operating cash flows in the quarter ending 30 June 2018 but expects to have positive operating cash flows in the quarter ending 30 September 2018 and onwards due to the following reasons:

- Launch of Air Selfie II
- Realisation of a security deposit (into inventory) held by manufacturer (AEE). This inventory will then be sold.
- Collection of receivables.
- Commencing to generate revenues from its Blockchain business
- The company expects lower (compared to the March 2018 quarter) ongoing advertising, marketing, staff, administrative and corporate costs.

**2. Has IOT Group taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?**

The company raised \$0.245M of new capital in the quarter ended 31 March 2018 and believe they have a demonstrated track record to raise capital. As at the date of this letter, the company have finalised a share placement with an existing shareholder that will result in over \$1M of new capital to the business.

The IOT Board and Management are regularly considering various debt and equity alternatives including trade finance and sales invoice factoring. These alternatives are incomplete as at the date of this letter.

In additional, IOT Management are continually in discussions with their product manufacturer concerning extended payment terms and regularly review operating costs.

**3. Does IOT Group expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

To the best of the company's knowledge and belief, they expect to be able to continue its operations and to meet its business objectives based on:

- Improved June 2018 (and beyond) quarter cash inflows and reduced cash out flows specifically sourced from the company's Blockchain business.
- One or more of the above-mentioned alternatives to raise further cash to fund the operations being realised.

**4. Please confirm that IOT Group is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.**

The company confirms that it is compliance with the ASX Listing Rules, in particular Listing Rule 3.1.

**5. Please confirm that IOT Group's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IOT Group with delegated authority from the board to respond to ASX on disclosure matters.**

IOT confirm that the content of this letter is in accordance with the Company's continuous disclosure policy and authorised and approved by all IOT Directors.

Yours sincerely

A handwritten signature in blue ink that reads "R Hollands". The signature is written in a cursive, flowing style.

Ron Hollands



7 May 2018

**Mr Ronald Hollands**

Company Secretary  
IOT Group Limited  
Suite 902, Level 9  
100 William Street  
East Sydney NSW 2011

By email

Dear Mr Hollands

**IOT Group Limited (the “IOT Group”): Appendix 4C Query**

I refer to IOT Group’s Appendix 4C quarterly report for the period ended 31 March 2018 lodged with ASX Market Announcements Platform and released on 30 April 2018 (the “Appendix 4C”).

ASX notes that IOT Group has reported:

- negative net operating cash flows for the quarter of \$1,009,000;
- cash at the end of the quarter of \$91,000; and
- estimated cash outflows for the next quarter of \$750,000.

It is possible to conclude, based on the information in the Appendix 4C, that if IOT Group were to continue to expend cash at the rate indicated by the Appendix 4C, IOT Group may not have sufficient cash to continue funding its operations. In view of that, ASX asks IOT Group to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does IOT Group expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has IOT Group taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does IOT Group expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that IOT Group is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that IOT Group’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IOT Group with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that IOT Group considers may be relevant to ASX forming an opinion on whether IOT Group is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

**When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEST on 10 May 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in IOT Group’s securities under Listing Rule 17.3.

---

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, IOT Group's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to IOT Group's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that IOT Group's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in IOT Group's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

If you have any further enquiries in relation to this matter, please do not hesitate to contact me.

Kind regards

*[Sent electronically without signature]*

---

**George Tharian**

Adviser, Listings Compliance (Sydney)