

IOT Group Limited
ACN 140 475 921
Suite 902, Level 9,
100 William Street
EAST SYDNEY NSW 2010

19th November 2018

George Tharian
Adviser, Listings Compliance (Sydney)
ASX Limited
20 Bridge Street
Sydney NSW 2000

via email

Dear George

IOT Group Limited ('IOT'): Appendix 4C Query

I refer to your letter dated 14 November 2018 in relation to the above matter. IOT's responses to the queries raised in the 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 move to positive operating cash flows in the quarter ending 31st December 2018 and onwards due to the:

- Realisation of a security deposit (into inventory) held by a manufacturer (AEE).
As of the 14th of November, IOT has received \$31,398.74 in sales receipts from this security deposit to contribute to cash inflows. The balance, in the sum of \$491,616, is being sold through retailers and IOT is working to receive these receipts this quarter.
- Receipt of consultancy fees.
As per the IOT Business Update dated the 31st of October 2018, IOT has been further developing its Internet of Things (IoT) full service consulting capabilities to provide clients with a fully integrated offering of IoT devices, including the implementation of smart IoT services. IOT employed Mark Roper to assist in the development of these services.

The Company is currently working on a test pilot case that it will be able to showcase and leverage off to build sales for the 4th Quarter 2018. IOT is invoicing consultancy fees for the development of this test pilot of between \$50,000 to \$100,000 per month (based on an hourly fee) that will be receipted in this 4th Quarter.

It is envisaged that on conclusion of the test pilot, these services will be offered to other

clients, increasing IOT's consultancy cash inflows.

- Revenue generation from its web-based Blockchain Application Centre business. As noted in the October 31st Business update, the Blockchain Applications Centre (BAC) proposed operations in the Hunter Valley has been delayed. In the meantime, IOT has been developing a web-based BAC service. Currently in test mode, this platform will allow users to process their Blockchain based activities through the web.

Once released, the global online upfront payment and subscription service platform is expected to generate immediate cash inflows. IOT will provide an update once the platform is fully tested and functional.

- Lower costs compared to the September 2018 quarter. IOT has reduced cash outflows by reducing its current monthly office rental outflows by 75% and also reduced marketing spend and corporate administration 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?

IOT has a demonstrated track record of its ability to raise capital.

In additional, IOT Management are continually in discussions with new IOT clients for revenue generation.

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, it expects to be able to continue its operations and to meet its business objectives based on:

- realisation of the AEE Security deposit through sales of inventory;
- improved December 2018 quarter cash inflows from its IOT consulting services;
- subscription revenue from its soon to be launched web-based Blockchain Applications Centre business; and
- reduced costs.

IOT also has the ability to raise further cash to fund the operations.

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 confirms that the content of this letter is in accordance with the Company's continuous disclosure policy.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Elissa Hansen', with a long horizontal flourish extending to the right.

Elissa Hansen
Company Secretary



14 November 2018

Ms Elissa Hansen
Company Secretary
IOT Group Limited
Level 9
100 William Street
East Sydney NSW 2011

By email:

Dear Ms Hansen

IOT Group Limited ('IOT'): Appendix 4C Query

ASX refers to IOT's Appendix 4C quarterly report for the period ended 30 September 2018 lodged with the ASX Market Announcements Platform and released on 31 October 2018 (the 'Appendix 4C').

ASX notes that IOT has reported:

- negative net operating cash flows for the quarter of \$222,000;
- cash at the end of the quarter of \$3,000; and
- estimated cash outflows for the next quarter of \$270,000.

It is possible to conclude, based on the information in the Appendix 4C, that if IOT were to continue to expend cash at the rate indicated by the Appendix 4C, IOT may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks IOT to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does IOT expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has IOT 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 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 is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that IOT'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 with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that IOT considers may be relevant to ASX forming an opinion on whether IOT is complying with Listing Rule 12.2 that 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 Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEDT Monday, 19 November 2018**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in IOT'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'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 email. 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 and 3.1A

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'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'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's securities under Listing Rule 17.1. If you wish to request 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*.

Enquiries

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

Yours sincerely

George Tharian
Adviser, Listings Compliance (Sydney)