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

13th February 2019

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 11 February 2019 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 does not expect to continue to have negative operating cash flows for the time being and expects to move to positive operating cash flows in the quarter ending 31st March 2019 due to the following:

    - As per the IOT Business Update dated the 31st of January 2019, IOT has been developing its Internet of Things (IoT) full service consulting capabilities to provide clients with a fully integrated offering of IoT devices, together with the implementation of smart IoT services. IOT completed a successful pilot program with PropertyBay Holdings Pty Ltd and has begun to provide them with an initial technology and infrastructure framework for an innovative "Smart Island" project. It is expected that this will introduce cash inflows of between $100,000 to $150,000 per month from IoT consultancy. It is expected that the piloting of IoT devices with this project will be able to be on-sold to many other clients, increasing IOT's cash inflows through the sale of devices, smart services and consultancy services.

    - Following the successful CryptoFreeway pilot the Company has designed an initial marketing campaign using internal resources to commence in late February/early March. It is expected this will increase the user base and subscription cash inflow from CryptoFreeway for the Quarter

ending March 31st and going forward.

- Lower costs (compared to the December 2018 quarter). IOT has reduced cash out flows by taking action to reducing staff and Director costs and, as previously mentioned in the Business Update released January 31st, by performing an audit of current business areas within IOT and to remove the non- performing businesses. These measures will immediately reduce cash outflows from the Company.

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. Following the recent Business Update, IOT has received interest from shareholders to inject funds via scrip purchase or convertible note.

   In additional, IOT Management are continually in discussions with new IOT clients for revenue generation. The sales process can be somewhat lengthy; however the onboarding of each additional client will create significant revenues.

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

   - Improved March 2019 quarter cash inflows from its current invoicing for Advisory Services to its first client, PropertyBay Holdings Pty. Ltd, and user subscriptions from its CryptoFreeway business. IOT has also reduced cash out flows by taking action to reduce its current monthly wage and contractual commitments, reduced marketing spend and reduced corporate admin costs and;

   - Its 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 and is authorised and approved by all IOT Directors.

Yours sincerely

Elissa Hansen
Company Secretary

11 February 2019

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 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019 (the 'Appendix 4C').

ASX notes that IOT has reported:

- negative net operating cash flows for the quarter of $167,000;

- cash at the end of the quarter of $1,000; and

- estimated cash outflows for the next quarter of $280,000.

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 Thursday, 14 February 2019**.

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 e-mail at **ListingsComplianceSydney@asx.com.au**. 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)