

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

12 May 2017

ASX Limited
20 Bridge Street
Sydney NSW 2000

Transmission via email

IOT Group Limited ('IOT') Appendix 4C Query (quarter ended 31 March 2017)

Dear Sirs

Thank you for your letter of 10 May 2017 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 is targeting a significant improvement in sales over the next 12 months, and if this is achieved, cash flow is likely to turn positive in the second half of the 2017 calendar year. IOT expects a significant improvement in the cash flows for the June 2017 quarter also.

IOT expect sales receipts from customers in the June Quarter between \$0.5Million and \$1Million. In addition, the company expects lower (compared to the March 2017 quarter) advertising, marketing, staff and administrative and corporate costs and will not outlay funds to build up inventory. Finally, the company expects to receive its 2016 Research and Development tax incentive of \$0.961Million in the June 2017 quarter.

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 IOT Board are regularly considering various debt and equity alternatives for the company including trade finance and sales invoice factoring. All of these alternatives are incomplete as at the date of this letter.

In additional, IOT Management are 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 on the basis of:

- June 2017 Quarter cash inflows and reduced cash out flows.
- One or more of the above mentioned alternatives to raise further cash to fund the operations being realised.
- Sound orders for the company's products coming locally and abroad.

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 Company policy and authorised and approved by all IOT Directors.

Yours sincerely



Ron Hollands
Company Secretary



10 May 2017

Mr Ron 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 ("IOT Group"): Appendix 4C Query

I refer to IOT Group's Appendix 4C quarterly report for the period ended 31 March 2017 lodged with ASX Market Announcements Platform and released on 28 April 2017 (the "Appendix 4C").

ASX notes that IOT Group has reported:

- negative net operating cash flows for the quarter of \$4,145,000;
- cash at the end of the quarter of \$2,997,000; and
- estimated cash outflows for the next quarter of \$1,013,000.

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 Monday 15 May 2017. 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.

Yours sincerely,

[Sent electronically without signature]

George Tharian

Adviser, Listings Compliance (Sydney)