

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Q Technology Group Ltd

ABN

27 009 259 876

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,364	11,246
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,490)	(8,168)
(c) advertising and marketing	(15)	(32)
(d) leased assets	(178)	(345)
(e) staff costs	(963)	(2,418)
(f) administration and corporate costs	129	(121)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	(99)	(224)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	751	(52)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	2	2
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	2	2

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,058	1,058
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(5)	(23)
3.5	Proceeds from borrowings		0
3.6	Repayment of borrowings	(592)	
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	461	1,035

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	(3,457)	(3,228)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	751	(52)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2	2
4.4	Net cash from / (used in) financing activities (item 3.10 above)	461	1,035

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	(2,243)	(2,243)

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	258	585
5.2	Call deposits		
5.3	Bank overdrafts	(2,231)	(3,102)
5.4	Other – directors loans	(270)	(940)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(2,243)	(3,457)

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
101
-

Salaries and leave payments paid to executive director and directors fees paid to non executive directors.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other – invoice discounting facility	(2,231)	(3,102)
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Invoice discounting facility with Classic Funding Group. Interest rate 9%. Secured.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(3,500)
9.3 Advertising and marketing	(15)
9.4 Leased assets	(178)
9.5 Staff costs	(940)
9.6 Administration and corporate costs	(61)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(4,694)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
Company Secretary

Date: 31 January 2017

Print name: Andrew Phillips

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

ASX AND MEDIA RELEASE

31 January 2017

COMMENTARY ON CASHFLOW

Q Technology Group Limited ("QTG") has today released its quarterly cash flow report for the quarter ended 31 December 2016 showing a positive cash movement of \$1.21m overall including positive cash from operating activities of \$751k and \$1.06m from a 1 for 1 rights issue.

This is a very encouraging result and consistent with the turnaround plan implemented by the board and management as previously advised. The current phase of the plan is focused on balance sheet repair and so it is pleasing to announce gross inventory reduced a further \$1.9m in Q2, taking the first half reduction to \$3.1m, an excellent result.

The positive funds generated were used to repay outstanding creditors, short term loans and reduce the bank overdraft. Trade creditors reduced \$1.6m during the quarter to be \$2.5m at 31 December, the bank overdraft reduced \$900k from \$3.1m down to \$2.2m at 31 December and short term loans reduced \$590k to \$270k during the quarter.

First half sales of \$10.2m were 3% higher than the first half last year and overall the board will continue to closely monitor the implementation of the next phase of the plan to continue to streamline the operating model and continue with actions to repair the balance sheet in order to deliver improved results in FY2017.

Notwithstanding key business metrics heading in the right direction we continue to actively manage a dispute with a major supplier who applied payments for new deliveries against debts outstanding reducing our access to fast moving stock lines in the first half. This combined with working capital management initiatives has seen margins decline over the 1st half due to our inventory reduction strategy and associated product substitution. Should supply of product not continue into the second half we have a contingency plan in place and will shortly release a new range of product to assist the sales shortfall.

Finally, the board and management continue to explore a number of options to place equity in line with the placement approved at the last AGM or raise short term loans in order to support the remainder of the turnaround plan including the projected growth in volumes of the new range fast moving products over the 2nd half.

Rob Rosa
Managing Director and CEO

About Q Technology Group Limited

Q Technology Group Limited is based in Melbourne, Victoria. The Group has annualised revenues of approximately \$22 million as a leader in the supply and support of high quality CCTV, video switching, networking, alarm and access control products.

For more information on the Company please visit

<http://www.qtechnologygroup.com.au>

<http://www.qsecuritysystems.com.au>