

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 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,079	15,325
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,048)	(10,217)
(c) advertising and marketing	(8)	(40)
(d) leased assets	(160)	(505)
(e) staff costs	(1,102)	(3,514)
(f) administration and corporate costs	(55)	(176)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(79)	(303)
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	627	574

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 (9 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	9	11
(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	9	11

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		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		(23)
3.5 Proceeds from borrowings		0
3.6 Repayment of borrowings		
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	-	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	(2,244)	(3,228)
4.2 Net cash from / (used in) operating activities (item 1.9 above)	627	574
4.3 Net cash from / (used in) investing activities (item 2.6 above)	9	11
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,035

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	(1,608)	(1,608)

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	300	258
5.2	Call deposits		
5.3	Bank overdrafts	(1,628)	(2,231)
5.4	Other – directors loans	(280)	(270)
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(1,608)	(2,243)

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
81
-

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	(1,636)	(1,628)
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 8.8%. Secured. The facility has a limit of \$4.0m; at 31 March 2017 based on the balance of trade debtors, the maximum draw down is \$1.636m.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(1,800)
9.3 Advertising and marketing	(25)
9.4 Leased assets	(160)
9.5 Staff costs	(1,200)
9.6 Administration and corporate costs	(60)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(3,245)

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: 27 April 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

27 April 2017

COMMENTARY ON CASH FLOW

Q Technology Group Limited (“QTG”) has today released its quarterly cash flow report for the quarter ended 31 March 2017 showing positive cash from operating activities of \$627k.

This is an encouraging result and consistent with the turnaround plan being pursued. Net inventory reduced a further \$415k as part of the balance sheet repair focus.

In late March we exclusively released the Sunell NVR range and in early April will release the new Sunell 4mp cameras to the Australian market. This will provide the QSS business with a quality, well priced low end off the shelf product offering which the business has lacked since a dispute with a major supplier in 2016 reduced our access to fast moving stock lines. This lack of product combined with our inventory reduction strategy and associated product substitution at lower margins has reduced sales and margins, resulting in losses in Q2 as disclosed in our announcement of 23 February.

During Q3 the delay in the planned release of the new Sunell product range resulted in a requirement to continue product substitution extending the period where losses have been generated. The delays in new product release has caused the planned business recovery to be slower than expected with declining losses forecast for Q4. Notwithstanding, we are projecting increased revenues and margin generating much improved results in FY18 due to new products, an improved supplier strategy and improved business processes.

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 fast moving products over Q4 and into next year.

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>