

ASX AND MEDIA RELEASE

18 October 2017

COMMENTARY ON CASH FLOW

Q Technology Group Limited ("QTG") is pleased to release its quarterly cash flow report for the quarter ended 30 September 2017 showing positive cash from operating activities of \$8k.

This is another encouraging result and consistent with the continued improvement in business operations. Net inventory reduced by a further \$591k in the September quarter. This was partly used to reduce trade and other payables by \$203k. During Q1 \$450k of loans were received from Helmsman Capital, the major shareholder who continue to support the QTG business during the recovery phase of the turnover plan being implemented by management. The use of these funds included reducing the bank overdraft by \$441k, with the overdraft now down to \$789k at 30 September.

The Company is very pleased to announce we have placed a significant purchase order with one of the world's top CCTV manufacturers and will re launch our own brand of "QAlumia" network video recorders and 4mp cameras in November 2017. This quality and well priced NVR in particular will give the company the ability to compete with the top two major suppliers of CCTV product in Australia and will provide the opportunity to recover lost market share in the economical end of the market.

At the higher end of the market QSS secured some major orders and sales of FLIR and Bosch cameras and continues to focus on this market segment. QSS continues to have strong infrastructure project sales in the eastern States.

The company will shortly announce to the market the capital management plan in conjunction with the 2017 AGM notice of Meeting.

Andrew Phillips
Acting Chief Executive Officer

About Q Technology Group Limited

Q Technology Group Limited is based in Melbourne, Victoria. The Group has annualised revenues of approximately \$17 million as a leader in the supply and support of high quality CCTV, video switching, networking and alarm products.

For more information on the Company please visit

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

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

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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,630	3,630
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,375)	(2,375)
(c) advertising and marketing	(21)	(21)
(d) leased assets	(147)	(147)
(e) staff costs	(959)	(959)
(f) administration and corporate costs	(57)	(57)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(64)	(64)
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	8	8

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17)	(17)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
2.2	(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	(17)	(17)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
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		
3.5	Proceeds from borrowings	450	450
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	450	450

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	(1,230)	(1,230)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	8	8
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(17)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	450	450

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	(789)	(789)

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	278	302
5.2	Call deposits		
5.3	Bank overdrafts	(1,067)	(1,532)
5.4	Other		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(789)	(1,230)

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	165
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	

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

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

	Current quarter \$A'000
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	

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	(1,289)	(1,067)
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.		

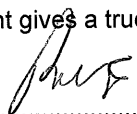
Invoice discounting facility with Classic Funding Group. Interest rate 8.8%. Secured. The facility has a limit of \$4.0m; at 30 September 2017 based on the balance of trade debtors, the maximum draw down is \$1.289m.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(2,375)
9.3 Advertising and marketing	(31)
9.4 Leased assets	(129)
9.5 Staff costs	(884)
9.6 Administration and corporate costs	(57)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(3,476)

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: 18 October 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.