

Q Technology Group Limited

Notice of Annual General Meeting and Explanatory Memorandum

**Annual General Meeting to be held at
Unit 5, 435 Williamstown Road, Port Melbourne, 3207 on Thursday, 30 November 2017
commencing at 2.00pm AEDT**

Q TECHNOLOGY GROUP LIMITED

ABN 27 009 259 876

This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Corporate Directory

Directors

Mr Douglas Potter (Non-Executive Director, Chairman)
Mr Rob Rosa (Non-Executive Director)
Mr Edmond Tern (Non-Executive Director)
Mr Howard Whitesmith (Acting Managing Director)

Secretary Mr Andrew Phillips

Registered Office

Unit 5, 435 Williamstown Road
Port Melbourne VIC 3207
Telephone: +61 3 9676 7054
Email: enquiries@qtechnologygroup.com.au
Website: www.qtechnologygroup.com.au

Auditor

RSM Bird Cameron & Partners
Level 21, 55 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9286 8000

Lawyers

CBW Partners
1/159 Dorcas Street
South Melbourne VIC 3205
Telephone: +61 3 8646 3833

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

ASX Code QTG (Shares)

Notice of Annual General Meeting

Notice is hereby given that the 2017 Annual General Meeting (**AGM** or **Annual General Meeting** or **Meeting**) of Shareholders of Q Technology Group Limited (ABN 27 009 259 876) (ASX: QTG) (**QTG** or the **Company**), will be held at Unit 5, 435 Williamstown Road Port Melbourne 3207 on Thursday, 30 November 2017 commencing at 2.00pm (AEDT) for the purpose of transacting the following business.

The Explanatory Memorandum and Proxy Form accompanying this Notice of Annual General Meeting are hereby incorporated in and comprise part of this Notice of Annual General Meeting.

AGENDA

1 FINANCIAL STATEMENTS, DIRECTORS' REPORT AND AUDITOR'S REPORT

Period 1 July 2016 to 30 June 2017

To receive and consider the financial statements, the Directors' Report, and the Independent Auditor's Report for the Company for the financial year ended 30 June 2017.

Note: There is no requirement for Shareholders to approve these reports.

2 RESOLUTION 1: ADOPTION OF REMUNERATION REPORT (NON-BINDING)

To consider and, if thought fit, to pass, with or without amendment, the following **non-binding resolution**:

"That, for the purposes of section 250R (2) of the Corporations Act 2001(Cth) and for all other purposes, the Remuneration Report as included in the Directors' Report of the Annual Report of the Company for the financial year ended 30 June 2017 be adopted."

The vote on this Resolution 1 is advisory only and does not bind the Company or the Directors.

Voting Exclusion Statement

In accordance with Section 250(R) of the *Corporations Act 2001* (Cth), a vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member.

However, a person described above may cast a vote on this Resolution if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1 (as set out above), and either:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- (b) the person is the Chairman of the Meeting, and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on Resolution 1; and

- (ii) expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The Chairman intends to vote all available proxies **in favour** of Resolution 1.

3 RESOLUTION 2: RE-ELECTION OF DIRECTORS

To consider, and if thought fit, to pass, the following resolution as an **ordinary resolution**:

"That, Mr Robert Rosa, non-executive director who retires in accordance with ASX Listing Rule 14.4, and Rule 53 of the Company's Constitution, and being eligible for re-election, be re-elected as a Director of the Company."

Further details in respect of Resolution 2 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Recommendation: The Directors (other than the relevant Director in relation to his own re-election) unanimously recommend that Shareholders vote **in favour** of Resolution 2.

4 RESOLUTION 3: RATIFICATION OF ISSUE OF PLACEMENT SHARES

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 151,154,827 fully paid ordinary shares in the capital of the Company to sophisticated and professional investors under the placement to be announced on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting, be ratified and approved."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution 3 by:

- (a) any person or persons who participated in the issue; and
- (b) any associate of that person (or those persons).

However, the Company need not disregard a vote cast on Resolution 3 if it is cast by:

- (c) a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the Proxy Form; or
- (d) the Chairman of the Annual General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction of the Proxy Form to vote as the proxy decides.

The Chairman intends to vote all available proxies **in favour** of Resolution 3.

5 RESOLUTION 4: APPROVAL OF ISSUE OF FULLY PAID ORDINARY SHARES TO MR HOWARD WHITESMITH (ACTING MANAGING DIRECTOR OF THE COMPANY) UNDER THE PLACEMENT

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the allotment and issue of 50,000,000 fully paid ordinary shares in the capital of the Company to Mr Howard Whitesmith (a Director of the Company) (or his nominee), under the placement to be announced on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 4 by:

- (a) Mr Howard Whitesmith; and
- (b) an associate of Mr Howard Whitesmith.

However, the Company need not disregard a vote cast on Resolution 4 if it is cast by:

- (c) a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the proxy form; or
- (d) the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction of the proxy form to vote as the proxy decides.

The Chairman intends to vote all available proxies **in favour** of Resolution 4.

6 RESOLUTION 5: APPROVAL OF THE CONVERTIBILITY OF CONVERTIBLE NOTES ISSUED TO MR EDMOND TERN (NON-EXECUTIVE DIRECTOR OF THE COMPANY)

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11, and for all other purposes, Shareholders approve the convertibility of the Convertible Notes issued to Mr Edmond Tern, the conversion of which to be calculated in accordance with section 6.4(d) of the Explanatory Memorandum, and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 5 by:

- (a) Mr Edmond Tern; and
- (b) an associate of Mr Edmond Tern.

However, the Company need not disregard a vote cast on Resolution 5 if it is cast by:

- (c) a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the proxy form; or
- (d) the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction of the proxy form to vote as the proxy decides.

The Chairman intends to vote all available proxies **in favour** of Resolution 5.

7 RESOLUTION 6: APPROVAL AND RATIFICATION OF ISSUE OF 500,000 CONVERTIBLE NOTES TO HELMSMAN FUNDS MANAGEMENT LIMITED AS TRUSTEE FOR THE HELMSMAN CAPITAL FUND TRUST IIA

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue, to Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA, of 500,000 Convertible Notes."

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 6 by:

- (a) Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA; and
- (b) an associate of Helmsman Funds Management Limited.

However, the Company need not disregard a vote cast on Resolution 6 if it is cast by:

- (c) a person as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions on the proxy form; or
- (d) the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction of the proxy form to vote as the proxy decides.

The Chairman intends to vote all available proxies **in favour** of Resolution 6.

8 RESOLUTION 7: APPROVAL FOR CONSOLIDATION OF SHARES

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

"That, with effect from 12 December 2017, the share capital of the Company will be consolidated through the conversion of every twenty fully paid ordinary shares in the Company into one fully paid ordinary share in the Company, and that any resulting fractions of a share be rounded up to the next whole number of shares."

Further details in respect of Resolution 7 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

The Chairman intends to vote all available proxies **in favour** of Resolution 7.

9 RESOLUTION 8: APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY UNDER LISTING RULE 7.1A

To consider, and if thought fit, to pass, with or without amendment, the following **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A, and for all other purposes, approval is given for the issue of equity securities of up to 10% of the Company's share capital, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, and on the terms and conditions set out in the Explanatory Statement."

Further details in respect of Resolution 8 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

The Chairman intends to vote all available proxies **in favour** of Resolution 8.

Notes to Notice of Meeting

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and forms part of this Notice of Annual General Meeting.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes (disregarding fractions).

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

Proxy appointments (and any necessary supporting document) must be received by the Company no later than **48 hours before the commencement of the Meeting**. Proxies received after this deadline will not be effective for the scheduled meeting. Instructions for the lodging proxies are on the proxy form.

Under the *Corporations Act 2001* (Cth):

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the chairperson of the AGM, who must vote the proxies as directed.

Section 250BB of the *Corporations Act 2001* (Cth) provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;
- (b) if the proxy has two or more appointments that specify different ways to vote on a resolution – the proxy must not vote on a show of hands;
- (c) if the proxy is the chairperson of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chairperson of the meeting – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining the entitlement of Shareholders to vote at the meeting.

The Company’s Directors have determined that, for the purposes of determining voting entitlements at the Annual General Meeting, only those persons registered as holding Shares at 7.00pm (AEDT)

on Tuesday, 28 November 2017 shall be entitled to vote at the meeting. This means that if you are not the registered holder of a Share at that time you will not be entitled to attend and vote in respect of that Share at the Meeting.

Voting Exclusion

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Annual General Meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

Undirected Proxies and Voting Restrictions

Where permitted, the Chairman of the Annual General Meeting will vote undirected proxies in favour of all the Resolutions. This will be on the basis that the Proxy Form expressly authorises the Chairman to vote undirected proxies even if the resolution is connected directly or indirectly with the remuneration of the Company's Key Management Personnel.

If you appoint a Director (other than the Chairman of the meeting), or any of the Company's other Key Management Personnel or a Closely Related Party of that person, as your proxy and do not direct your proxy how to vote on Resolutions 1, 2, 4 and 5 the proxy will not be permitted to vote as your proxy on those resolutions. Accordingly, if you want your vote to be counted on those Resolutions, you should direct your proxy how to vote in respect of those Resolutions.

Corporate representation

A corporation which is a member, or which has been appointed a proxy, may appoint an individual to act as a representative to vote at the Annual General Meeting. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth). The representative should bring to the Annual General Meeting evidence of his or her appointment unless it has previously been provided to the Share Registry.

By Order of the Board,

Andrew Phillips

Company Secretary

Q Technology Group Limited

27 October 2017

Explanatory Memorandum

This Explanatory Memorandum accompanies and forms part of the Q Technology Group Limited (ABN 27 009 259 876) (ASX: QTG) (**QTG** or the **Company**) Notice of Annual General Meeting to be held at Unit 5, 435 Williamstown Road Port Melbourne 3207 on Thursday, 30 November 2017 commencing at 2.00pm (AEDT).

The purpose of this Explanatory Memorandum is to provide Shareholders with information relevant to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Memorandum should be read together with the Notice of Annual General Meeting.

BUSINESS

1 FINANCIAL STATEMENTS, DIRECTORS' REPORT AND AUDITOR'S REPORT

1.1 Background

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the financial year ended 30 June 2017 will be laid before the Meeting.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about:

- the preparation and content of the Auditor's Report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about the content of the Auditor's Report and the conduct of the audit may be submitted no later than 5 business days before the meeting date to:

Q Technology Group Limited

PO Box 132

Port Melbourne VIC 3207

OR

email: enquiries@qtechnologygroup.com.au

The auditor will also be allowed a reasonable opportunity to answer written questions at the Annual General Meeting submitted to the auditor.

2 RESOLUTION 1: ADOPTION OF REMUNERATION REPORT (NON-BINDING)

2.1 Background

Pursuant to section 250R(2) of the *Corporations Act 2001* (Cth), at the Annual General Meeting, the Company must propose a resolution that the Remuneration Report be adopted.

The Remuneration Report for the financial year ended 30 June 2017 is contained in the Company's 2017 Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

The purpose of Resolution 1 is to lay before the Shareholders, the Company's Remuneration Report so that Shareholders may ask questions about, or make comments on, the management of the Company in accordance with the requirements of the *Corporations Act 2001* (Cth), and vote on a non-binding resolution to adopt the Remuneration Report for the financial year ended 30 June 2017.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Section 250R (3) of the *Corporations Act 2001* (Cth) provides that **Resolution 1 is advisory only and does not bind the Directors of the Company.**

However, the *Corporations Act 2001* (Cth) has been amended by the *Corporations Amendment (Improving Accountability on Director of the Company and Executive Remuneration) Act 2011* (**Director and Executive Remuneration Act**) which received Royal Assent on 27 June 2011 and came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the *Corporations Act 2001* (Cth), giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to shareholders at the second annual general meeting a further resolution (the 'spill resolution') on whether another meeting (known as a 'spill meeting') should be held (within 90 days) at which all Directors (other than the Managing Director and any directors appointed since the applicable Directors' Report was approved by the Board) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

If the spill resolution is approved at the annual general meeting by a simple majority of 50% or more of the eligible votes cast, the spill meeting must be held within 90 days of that second annual general to consider the composition of the Board.

The Company's 2015 and 2016 Remuneration Reports did not receive a "no" vote of 25% or more when they were tabled at the respective annual general meetings.

The Chairman of the Annual General Meeting, in accordance with section 250SA of the *Corporations Act 2001* (Cth), will give Shareholders a reasonable opportunity at the Meeting to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

2.2 Voting Exclusion Statement (Resolution 1)

For the purpose of the voting exclusion statement:

- (a) **Key Management Personnel** of the Company and its subsidiaries are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries either directly or indirectly. The Key Management Personnel of the Company and its subsidiaries during the year ended 30 June 2017 are listed in the Annual Financial Report of the Company.
- (b) A **Closely Related Party** of a member of the Key Management Personnel for the Company and its subsidiaries means:
 - (i) a spouse or child of the member;
 - (ii) a child of the member's spouse;
 - (iii) a dependant of the member or of the member's spouse;
 - (iv) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
 - (v) a company the member controls.

The Company will also apply these voting exclusions to persons appointed as attorney by a Shareholder to attend and vote at the Meeting under a power of attorney, on the basis that references to persons attending and voting are read as references to persons attending and voting and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

2.3 Directors Recommendation

Noting that each Director has a personal interest in their own remuneration from the Company as described in the Remuneration Report, the Directors unanimously recommend that Shareholders vote **in favour** of Resolution 1.

The Chairman intends to vote all undirected proxies **in favour** of Resolution 1. Please refer to the Proxy Form accompanying this Notice of Meeting for more information.

3 RESOLUTION 2: RE-ELECTION OF DIRECTORS

3.1 Background

In accordance with ASX Listing Rule 14.4, and section 53 of the Constitution, at every annual general meeting, one third of the Directors for the time being must retire from office and are eligible for re-election.

The following is the background of the Director who is seeking re-election:

Mr Robert Rosa

Rob Rosa joined Q Security Systems as the Chief Operating Officer in November 2013 and was later appointed Managing Director on 16 December 2014. Rob resigned as Managing Director on 30 May 2017, however, remains a Non Executive Director.

Rob has been involved in the security and investigative industry for over 29 years and has held numerous positions in Government, private and ASX listed companies. Rob came from Hills Limited having served as General Manager Sales and Operations. Prior to that he was Head of Security for Melbourne City Council.

Rob has a BA in Arts majoring in Criminal Justice, an Advanced Certificate in Sales Management and an Associate Diploma of Business Marketing

3.2 Directors Recommendation

The Directors (other than the relevant Director in relation to his own re-election) unanimously recommend that members vote **in favour** of Resolution 2.

The Chairman intends to vote all undirected proxies **in favour** of Resolution 2.

4 RESOLUTION 3: RATIFICATION OF ISSUE OF PLACEMENT SHARES

4.1 Background

The Company intends to raise \$242,771 via a placement offer to professional and sophisticated investors (**Placement**). A total of 101,154,828 fully paid ordinary shares will be issued, 40,461,932 of which will be issued at 0.3 cents (\$0.003) per Share, and 60,692,896 of which will be issued at 0.2 cents (\$0.002) per Share (**Placement Shares**). The Placement Shares will be placed with professional and sophisticated investors.

These Placement Shares were issued under the Company's 15% placement capacity available pursuant to ASX Listing Rule 7.1 and ASX Listing Rule 7.4.

Funds raised via the Placement have been used for general working capital requirements of the Company.

4.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that without the approval of shareholders, the Company must not issue or agree to issue more securities if such issue, when aggregated with the securities issued by the Company during the previous 12 months, would be an amount that would exceed 15% of the issued shares at the commencement of that 12 month period, unless an exception in ASX Listing Rule 7.2 applies.

In addition, ASX Listing Rule 7.1A provides that the Company can place a further 10% of its issued capital where it has prior approval from shareholders.

ASX Listing Rule 7.4 further provides that an issue of securities without approval of shareholders under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if:

- (a) the issue of securities did not breach ASX Listing Rule 7.1; and
- (b) holders of ordinary securities subsequently approve the issue.

Resolution 3, seeks the approval of the Company's Shareholders' under ASX Listing Rule 7.4 to ratify the prior allotment and issue of the Placement Shares, so as to refresh the Company's ability to issue up to 15% of its share capital (in a 12 month period) pursuant to ASX Listing Rule 7.1.

4.3 Technical information required by ASX Listing Rule 7.5

In compliance with ASX Listing Rule 7.5, the following information is provided:

(a) **Number of securities issued**

101,154,828 Placement Shares will be issued pursuant to ASX Listing Rule 7.1.

(b) **Issue price of securities**

The Placement Shares will be issued to the Placement recipients as follows:

(i) 40,461,932 Placement Shares will be issued at a price of \$0.003 per Share;

(ii) 60,692,896 Placement Shares will be issued at a price of \$0.002 per Share.

(c) **Terms of securities**

All Placement Shares were issued as fully paid ordinary shares ranking equally with existing Shares on issue. The Placement Shares are not subject to escrow restrictions and are subject to the rights and obligations set out in the Company's Constitution.

(d) **Names of allottees or the basis on which allottees were determined**

The Placement Shares were issued to professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the *Corporations Act 2001* (Cth)). The issue was managed by Red Leaf Securities Pty Ltd, a Corporate Authorised Representative (463051) of BR Securities Australia Pty Ltd (AFSL 456663).

(e) **Intended use of the funds raised**

Funds raised from the Placement have been used for the general working capital requirements of the Company.

4.4 Voting Exclusion Statement (Resolution 3)

A voting exclusion statement for Resolution 3 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

4.5 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 3.

The Chairman intends to exercise all undirected proxies **in favour** of Resolution 3.

5 **RESOLUTION 4: APPROVAL OF ISSUE OF FULLY PAID ORDINARY SHARES TO MR HOWARD WHITESMITH (ACTING MANAGING DIRECTOR OF THE COMPANY) UNDER THE PLACEMENT**

5.1 Background

Resolution 4 relates to the proposed participation by Mr Howard Whitesmith (a Director of the Company) in the Placement, by way of issue of 50,000,000 fully paid ordinary shares to Mr Howard Whitesmith on the same terms and conditions as the Placement made to unrelated parties the subject of Resolution 3.

5.2 Chapter 2E of the Corporations Act 2001 (Cth)

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the issue of fully paid ordinary shares in the Company) to a related party (which includes a director and former director) of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior Shareholder approval is obtained for the giving of the financial benefit.

Mr Howard Whitesmith is a Director, and therefore a related party of the Company. Accordingly, the proposed issue of Shares to Mr Howard Whitesmith involves the provision of a financial benefit to a related party of the Company.

Section 210 of the *Corporations Act 2001* (Cth) provides that an entity does not need to obtain Shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity are dealing at arm's length (or terms less favourable than arm's length).

Given that Mr Howard Whitesmith will be subscribing for shares under the Placement on the same terms as all other placement investors, the Board is of the view that the proposed issue is determined to be at arm's length and therefore that the exception in Section 210 of the *Corporations Act 2001* (Cth) is relevant to Resolution 4, and as such is not seeking Shareholder approval pursuant to Chapter 2E of the *Corporations Act 2001* (Cth).

Whist Shareholder approval is not being sought pursuant to Chapter 2E of the *Corporations Act 2001* (Cth), the following information is provided to allow Shareholders to assess the proposed issue of shares to Mr Howard Whitesmith.

- (a) Mr Howard Whitesmith is a related party of the Company to whom a financial benefit would be given.
- (b) The nature of the financial benefit to be given to Mr Howard Whitesmith is the issue of 50,000,000 fully paid ordinary shares in the capital of the Company, which would represent 10.18% of the expanded issued capital on an undiluted basis after the Placement.
- (c) The Shares will be issued to Mr Howard Whitesmith under the Placement at a price of \$0.0024 per Share, and on the same terms as was offered to all other Placement investors.
- (d) It is proposed that the Shares will be issued to Mr Howard Whitesmith within one (1) month after the Annual General Meeting.
- (e) As at the date of this Notice of Meeting, the capital structure of the Company is as follows:

Total No. Ordinary Shares on Issue: 604,619,310

Total No. Options on Issue: 0

If Shareholders approve Resolution 4, and all Shares are issued to Mr Howard Whitesmith as contemplated by this Notice, the issued capital of the Company would be as follows:

Total No. Ordinary Shares on Issue: 654,619,310

Total No. Options on Issue: 0

- (f) As at the date of this Notice of Meeting, Mr Howard Whitesmith holds the following securities in the Company, representing 8.27% of the capital of the Company on a fully diluted basis:

Shares held Directly: 0
Shares held Indirectly: 50,000,000
Options held Directly: 0
Options held Indirectly: 0

If Shareholders approve Resolution 4, and all Shares are issued to Mr Howard Whitesmith as contemplated by this Notice, Mr Howard Whitesmith will hold the following securities in the Company:

Shares held Directly: 50,000,000
Shares held Indirectly: 50,000,000
Options held Directly: 0
Options held Indirectly: 0

If Shareholders approve Resolution 4, and all Shares are issued to Mr Howard Whitesmith as contemplated by this Notice, Mr Howard Whitesmith will hold 10.18% of the issued share capital of the Company on a fully diluted basis.

- (g) Details of Mr Howard Whitesmith's remuneration for the financial year ended 30 June 2017 (based on information extracted from the Company's 2017 Annual Report) is as follows:

Cash	Superannuation	Value of Options Granted	Total
\$17,000	\$6,000	\$Nil	\$17,000

- (h) Mr Howard Whitesmith does not wish to make a recommendation to Shareholders in respect of Resolution 4 because he has a material interest in the outcome of the Resolution.
- (i) the Company will incur no liabilities or costs in respect of the proposed issue of the Shares to Mr Howard Whitesmith other than the fees payable to ASX for quotation, which fees are payable in respect of all Placement Shares.
- (j) Neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 4, other than as stated in this Explanatory Memorandum.

5.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that without the approval of shareholders, the Company must not issue or agree to issue equity securities to a related party of the Company, or, a person whose relationship with the Company or a related party is, in ASX's opinion such that approval should be obtained.

Mr Howard Whitesmith is a related party of the Company. Resolution 4, seeks the approval of the Company's Shareholders' under ASX Listing Rule 10.11 to approve the issue of 50,000,000 Placement Shares to Mr Howard Whitesmith pursuant to the terms of the Placement (as detailed in Resolution 3).

5.4 Technical information required by ASX Listing Rule 10.13

In compliance with ASX Listing Rule 10.13, the following information is provided:

(a) **Name of persons**

Mr Howard Whitesmith, who is a Director (and Acting Managing Director) of the Company. Therefore, pursuant to 228 of the *Corporations Act 2001* (Cth), Mr Howard Whitesmith is deemed to be a related party of the Company.

(b) **Maximum number of securities**

The number of Shares to be issued to Mr Howard Whitesmith is 50,000,000 fully paid ordinary shares.

(c) **Date by which the securities will be issued**

The Shares will be issued no later than one (1) month after the date of the Annual General Meeting (or such later date as may be permitted pursuant to any ASX waiver or amendment of the ASX Listing Rules) and it is anticipated that allotment will occur on the same date.

(d) **Issue price of securities**

The Shares will be issued at a price of \$0.0024 per Share.

(e) **The terms of the securities**

The Placement Shares will be issued as fully paid ordinary shares ranking equally with existing Shares on issue.

The Shares are not subject to escrow restrictions and are subject to the rights and obligations set out in the Company's Constitution.

(f) **Intended use of the funds raised**

Funds raised from the Placement (including the issue of Shares to Mr Howard Whitesmith) will be used for the general working capital requirements of the Company.

5.5 Voting Exclusion Statement

A voting exclusion statement for Resolution 4 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

5.6 Directors' Recommendation

The Directors (other than Mr Howard Whitesmith who abstains from making any recommendation in relation to Resolution 4) unanimously recommend that Shareholders vote **in favour** of Resolution 4.

The Directors are not aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 4, other than as stated in this Explanatory Memorandum.

The Chairman intends to exercise all undirected proxies **in favour** of Resolution 4.

6 RESOLUTION 5: APPROVAL OF ISSUE OF FULLY PAID ORDINARY SHARES TO MR EDMOND TERN (NON-EXECUTIVE DIRECTOR OF THE COMPANY) ON CONVERSION OF CONVERTIBLE NOTES

6.1 Background

On 31 May 2017, the Company entered into a Convertible Note Deed with Mr Edmond Tern (a Director of the Company) (the **Noteholder**).

Pursuant to the terms of previous Loan Agreements entered into between the Company and the Noteholder (in his capacity as 'Lender') dated 15 September 2015 and 20 October 2015 respectively, the Company was indebted to the Noteholder in the total amount of \$300,674 (**Outstanding Loan Amount**).

The Noteholder agreed to convert the Outstanding Loan Amount into a Convertible Note in accordance with the terms of the Convertible Note Deed. The Noteholder was issued with unsecured convertible notes each with a face value of \$1.00 of an aggregate principal amount of \$300,674 (**Convertible Notes**).

The terms of the Convertible Notes issued to Mr Edmond Tern under Resolutions 5 were subject to a condition that the Convertible Notes issued to him would not be convertible until such time that approval under ASX Listing Rule 10.11 had been granted. For this reason, the Convertible Notes to be issued under Resolutions 5 are classified as debt until such time that their conversion is approved under the ASX Listing Rules, and will be classified as securities on Shareholder approval being obtained.

6.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that without the approval of shareholders, the Company must not issue or agree to issue equity securities to a related party of the Company, or, a person whose relationship with the Company or a related party is, in ASX's opinion such that approval should be obtained.

Mr Edmond Tern is a related party of the Company. Resolution 5, seeks the approval of the Company's Shareholders' under ASX Listing Rule 10.11 to approve the issue of fully paid ordinary shares to Mr Edmond Tern subject to the terms of the Convertible Note Deed (which are detailed at Section 6.3 below).

6.3 Key terms of Convertible Note Deed

The terms and conditions of the Convertible Notes (as referenced under Resolution 5) are as follows:

- (a) The Convertible Notes have an aggregate principal amount of \$300,674.
- (b) The Convertible Notes are unsecured.

- (c) The Maturity Date of the Convertible Notes is 30 November 2019, being 18 months from Draw Down Date.
- (d) The Convertible Notes will accrue interest at a rate of 8% per annum. Subject to the Company:
 - (i) determining, acting reasonably, that the payment does not and will not violate any law, regulation, ASX Listing Rule or the Constitution of the Company; and
 - (ii) the Company determining, acting reasonably, that it has sufficient cash reserves to make such payment,

interest on the Convertible Notes must be paid:

- (iii) in arrears at the end of the first three months following the Draw Down Date; and
 - (iv) monthly in arrears thereafter.
- (e) The Convertible Notes shall convert into ordinary shares in the capital of Q Technology Group Limited at a fixed 'Strike Price' of \$0.005 per Share, at the election of the Noteholder:
 - (i) on the expiry of the Conversion Period; or
 - (ii) at any time during the Conversion Period, by the Noteholder serving a Conversion Notice on the Company.

The **Conversion Period** means the period commencing on the date the Company obtains approval from Shareholders for conversion under this Resolution 5 (**Approval Date**), and ending on the date that is one (1) month after the Approval Date.

- (f) The price at which each Convertible Note will convert into Shares is a fixed 'Strike Price' of \$0.005 per Share.
- (g) Subject to the Company obtaining all necessary approvals (including under the *Corporations Act 2001* (Cth), the ASX Listing Rules, and the Constitution of the Company (as applicable), and the conversion of the Convertible Notes not otherwise being a breach of any law or ASX Listing Rule, the Convertible Notes are able to be converted, at the election of the Noteholder, at any time during the Conversion Period.
- (h) The Noteholder may demand immediate repayment of the Convertible Notes and the Company must immediately make the total payment so requested in cash upon the occurrence of any of the following events (without limitation):
 - (i) any of the following occur:
 - A. a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed to the Company; or
 - B. a liquidator or provision liquidator is appointed to the Company;
 - (ii) the Convertible Note Deed becomes void, voidable, or unenforceable in whole or in part in breach of the ASX Listing Rules;
 - (iii) the Company breaches its obligation to pay interest on the Convertible Notes or defaults in fully performing its material obligations under the Convertible Note

Deed, provided that in the case of a default capable or remedied, that default has not been remedied within 10 Business Days of the occurrence of such default;

- (iv) at any time it becomes unlawful for the Company to perform any of its material obligations under the Convertible Note Facility Deed.
- (i) Each Share issued as a result of the conversion of any Convertible Note will be allotted within 5 Business Days after the conversion of the Note and will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for official quotation by ASX of all Shares issued upon conversion of the Convertible Note on or before the third Business Day on which ASX is open after the date of allotment of the Shares. The Company will procure that a holding statement for the Shares is given to the Noteholder in accordance with the ASTC Settlement Rules.
- (j) There are no participating rights or entitlement inherent in the Convertible Note and the Noteholder in its capacity as such will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Convertible Note.
- (k) In the event of reorganisation (including consolidation, sub-divisions, reduction or return) of the issued capital of the Company, the number of Shares into which the Convertible Note is convertible shall be reorganised (as appropriate) in the manner required by the ASX Listing Rules.
- (l) If, and to the extent, the preceding terms and conditions are inconsistent with the ASX Listing Rules, such rules will prevail in all respects with respect to the extent of the inconsistency.
- (m) The terms and conditions of the Convertible Note Deed are governed by the laws of the state of Victoria, and the Noteholder unconditionally submits to the jurisdiction of the courts of that state.

6.4 Technical information required by ASX Listing Rule 10.13 (Resolution 5)

In compliance with ASX Listing Rule 10.13, the following information is provided:

(a) **Name of persons**

Mr Edmond Tern, who is a Director of the Company. Therefore, pursuant to 228 of the *Corporations Act 2001* (Cth), Mr Edmond Tern is deemed to be a related party of the Company.

(b) **Maximum number of securities**

300,674 Convertible Notes were issued to Mr Edmond Tern on 31 May 2017. In accordance with ASX Listing 10.11, and the terms of the Convertible Note Deed, Shareholder approval is being sought for the issue of 300,674 Convertible Notes to Mr Edmond Tern, and the issue of such number of fully paid ordinary Shares on conversion of the Convertible Notes as determined in accordance with the formula described in (d) below.

The Shares issued on conversion of the Convertible Notes will be issued on the terms and conditions set out above. The number of Shares to be issued on conversion of the Convertible Notes, will be determined in accordance with reference to the calculated Issue Price (as described in (d) below), and shall not exceed a total of 60,134,800 new ordinary shares.

(c) **Date by which the securities will be issued**

The Convertible Notes and Shares to be issued on conversion of the Convertible Notes (under Resolution 5) will be issued no later than 1 month from the date of the Annual General Meeting at which their convertibility is approved.

(d) **Issue price of securities**

Each Convertible Note has a face value of \$1.00, of an aggregated principal amount at any time not exceeding \$300,674.

On conversion of each Convertible Note, Shares will be issued at a fixed Strike Price of \$0.005 per Share.

The Shares issued on conversion of the Convertible Notes will rank pari passu with all existing Shares on issue.

(e) **The terms of the securities**

The terms and conditions of the Convertible Notes are outlined in Section 6.3. The Shares issued on conversion of the Convertible Notes will rank pari passu with all existing Shares on issue.

(f) **Intended use of the funds raised**

The funds raised have been used for the general working capital requirements of the Company.

6.5 Voting Exclusion Statement

A voting exclusion statement for Resolution 5 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

6.6 Directors' Recommendation

The Directors (other than Mr Edmond Tern who abstains from making any recommendation in relation to Resolution 5) unanimously recommend that Shareholders vote **in favour** of Resolution 5.

The Chairman intends to exercise all undirected proxies **in favour** of Resolution 5.

7 RESOLUTION 6: APPROVAL AND RATIFICATION OF ISSUE OF 500,000 CONVERTIBLE NOTES TO HELMSMAN FUNDS MANAGEMENT LIMITED AS TRUSTEE FOR THE HELMSMAN CAPITAL FUND TRUST IIA

7.1 Background

On 31 May 2017, the Company entered into a Convertible Note Deed with Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA (the **Noteholder**).

Pursuant to the terms of previous Loan Agreements entered into between the Company and the Noteholder (in his capacity as 'Lender') dated 28 April 2017 and 10 May 2017 respectively, the Company was indebted to the Noteholder in the total amount of \$500,000 (**Outstanding Loan Amount**).

The Noteholder agreed to convert the Outstanding Loan Amount into a Convertible Note in accordance with the terms of the Convertible Note Deed. The Noteholder was issued with

unsecured convertible notes each with a face value of \$1.00 of an aggregate principal amount of \$300,000, and the Company had the ability to draw down a further \$200,000 under the terms of the Convertible Note Deed (**Convertible Notes**).

The terms of the Convertible Notes issued to Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA under Resolutions 6 are Equity Securities.

Resolution 6, seeks the approval of the Company's Shareholders' under ASX Listing Rule 7.4 to ratify and approve the issue of 500,000 Convertible Notes to Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA pursuant to the terms of the Convertible Note Deed (which are detailed at Section 7.3 below).

7.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that without the approval of shareholders, the Company must not issue or agree to issue more securities if such issue, when aggregated with the securities issued by the Company during the previous 12 months, would be an amount that would exceed 15% of the issued shares at the commencement of that 12 month period, unless an exception in ASX Listing Rule 7.2 applies.

In addition, ASX Listing Rule 7.1A provides that the Company can place a further 10% of its issued capital where it has prior approval from shareholders.

ASX Listing Rule 7.4 further provides that an issue of securities without approval of shareholders under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if:

- (a) the issue of securities did not breach ASX Listing Rule 7.1; and
- (b) holders of ordinary securities subsequently approve the issue.

Resolution 6, seeks the approval of the Company's Shareholders' under ASX Listing Rule 7.4 to ratify and approve the issue of 500,000 Convertible Notes to the Noteholder so as to refresh the Company's ability to issue up to 15% of its share capital (in a 12 month period) pursuant to ASX Listing Rule 7.1.

7.3 Key terms of Convertible Note Deed

The terms and conditions of the Convertible Notes (as referenced under Resolution 6) are as follows:

- (a) The Convertible Notes have an aggregate principal amount of \$500,000.
- (b) The Convertible Notes are unsecured.
- (c) The Maturity Date of the Convertible Notes is 30 November 2019, being 18 months from Draw Down Date.
- (d) The Convertible Notes will accrue interest at a rate of 8% per annum. Subject to the Company:
 - (i) determining, acting reasonably, that the payment does not and will not violate any law, regulation, ASX Listing Rule or the Constitution of the Company; and
 - (ii) the Company determining, acting reasonably, that it has sufficient cash reserves to make such payment,

interest on the Convertible Notes must be paid in arrears at the end of each three months following the Draw Down Date.

- (e) The Convertible Notes shall convert into ordinary shares in the capital of Q Technology Group Limited at a fixed 'Strike Price' of \$0.003 per Share, at the election of the Noteholder:
 - (iii) on the expiry of the Conversion Period; or
 - (iv) at any time during the Conversion Period, by the Noteholder serving a Conversion Notice on the Company.

The **Conversion Period** means the period commencing on the date the Company obtains approval from Shareholders for conversion under this Resolution 6 (**Approval Date**), and ending on the date that is one (1) month after the Approval Date.

- (f) The price at which each Convertible Note will convert into Shares is a fixed 'Strike Price' of \$0.003 per Share.
- (g) Subject to the Company obtaining all necessary approvals (including under the *Corporations Act 2001* (Cth), the ASX Listing Rules, and the Constitution of the Company (as applicable), and the conversion of the Convertible Notes not otherwise being a breach of any law or ASX Listing Rule, the Convertible Notes are able to be converted, at the election of the Noteholder, at any time during the Conversion Period.
- (h) The Noteholder may demand immediate repayment of the Convertible Notes and the Company must immediately make the total payment so requested in cash upon the occurrence of any of the following events (without limitation):
 - (i) any of the following occur:
 - A. a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed to the Company; or
 - B. a liquidator or provision liquidator is appointed to the Company;
 - (ii) the Convertible Note Deed becomes void, voidable, or unenforceable in whole or in part in breach of the ASX Listing Rules;
 - (iii) the Company breaches its obligation to pay interest on the Convertible Notes or defaults in fully performing its material obligations under the Convertible Note Deed, provided that in the case of a default capable or remedied, that default has not been remedied within 10 Business Days of the occurrence of such default;
 - (iv) at any time it becomes unlawful for the Company to perform any of its material obligations under the Convertible Note Facility Deed.
- (i) Each Share issued as a result of the conversion of any Convertible Note will be allotted within 5 Business Days after the conversion of the Note and will rank *pari passu* in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for official quotation by ASX of all Shares issued upon conversion of the Convertible Note on or before the third Business Day on which ASX is open after the date of allotment of the Shares. The Company will procure that a holding statement for the Shares is given to the Noteholder in accordance with the ASTC Settlement Rules.

- (j) There are no participating rights or entitlement inherent in the Convertible Note and the Noteholder in its capacity as such will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Convertible Note.
- (k) In the event of reorganisation (including consolidation, sub-divisions, reduction or return) of the issued capital of the Company, the number of Shares into which the Convertible Note is convertible shall be reorganised (as appropriate) in the manner required by the ASX Listing Rules.
- (l) If, and to the extent, the preceding terms and conditions are inconsistent with the ASX Listing Rules, such rules will prevail in all respects with respect to the extent of the inconsistency.
- (m) The terms and conditions of the Convertible Note Deed are governed by the laws of the state of Victoria, and the Noteholder unconditionally submits to the jurisdiction of the courts of that state.

7.4 Technical information required by ASX Listing Rule 7.5 (Resolution 6)

In compliance with ASX Listing Rule 7.5, the following information is provided:

(a) **Number of securities issued**

300,000 Convertible Notes were issued to Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA on 31 May 2017 and 200,000 on 26 October 2017. Ratification under ASX Listing Rule 7.4 is being sought for a total of 500,000 Convertible Notes.

The Shares issued on conversion of the Convertible Notes will be issued on the terms and conditions set out above. The number of Shares to be issued on conversion of the Notes, will be determined in accordance with reference to the calculated Issue Price (as described in (b) below).

(b) **Issue price of securities**

Each Convertible Note has a face value of \$1.00, of an aggregated principal amount of \$500,000.

On conversion of each Convertible Note, Shares will be issued at a fixed Strike Price of \$0.003 per Share.

The Shares issued on conversion of the Convertible Notes will rank pari passu with all existing Shares on issue.

(c) **The terms of the securities**

The terms and conditions of the Convertible Notes are outlined in Section 7.3. The Shares issued on conversion of the Convertible Notes will rank pari passu with all existing Shares on issue.

(d) **Name of persons**

The Convertible Notes were issued to Helmsman Funds Management Limited as trustee for the Helmsman Capital Fund Trust IIA. The Noteholder is not a related party of the Company.

(e) **Intended use of the funds raised**

The funds raised have been used for the general working capital requirements of the Company.

(f) **Date of allotment (if applicable)**

300,000 Convertible Notes were issued on 31 May 2017 and 200,000 Convertible Notes were issued on 26 October 2017.

The Shares to be issued on conversion of the Convertible Notes (under Resolution 6) will be issued no later than 1 month from the date of the Annual General Meeting unless a waiver from ASX is obtained or fresh Shareholder approval is obtained.

6.5 Voting Exclusion Statement

A voting exclusion statement for Resolution 6 is included in the Notice of Meeting accompanying the Explanatory Memorandum.

6.6 Directors' Recommendation

The Directors (other than Mr Douglas Potter who abstains from making any recommendation in relation to Resolution 6, as he is a director of the Noteholder) unanimously recommend that Shareholders vote **in favour** of Resolution 6.

The Chairman intends to exercise all undirected proxies **in favour** of Resolution 6.

8 RESOLUTION 7: APPROVAL FOR CONSOLIDATION OF SHARES

8.1 Background

The Company proposes to consolidate its share capital through the conversion of every twenty ordinary shares in the Company into one ordinary share in the Company.

Under section 254H of the *Corporations Act 2001* (Cth), a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.

8.2 Timing

If the consolidation is approved, the consolidation will take effect from 12 December 2017.

8.3 Treatment of fractions

Where the consolidation of a Shareholder's holding results in an entitlement to a fraction of a Share, the fraction will be rounded up to the nearest whole number of Shares.

If the Company reasonably believes that a Shareholder has been a party to the division of a shareholding in an attempt to obtain an advantage from this treatment of fractions, the Company will take appropriate action, having regard as appropriate to the terms of the Company's Constitution and the ASX Listing Rules. In particular, the Company reserves the right to disregard the division of the shareholding for the purpose of dealing with fractions so as to rounded up any fraction to the nearest whole number of Shares that would have been received but for the division.

8.4 Reasons for the consolidation

Q Technology Group has determined that the volume of shares on issue is unnecessarily large and the board proposes to implement a more appropriate capital structure for the Company going forward.

8.5 Effect of the consolidation

If the proposed share consolidation is approved by Shareholders, the number of Q Technology Group shares on issue will be reduced from approximately 982,575,604 to approximately 49,128,780.

As the consolidation applies equally to all of the Company's Shareholders, individual shareholdings will be reduced in the same ratio as the total number of the Company's shares (subject only to the rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual shareholder in the Company. Therefore, if a shareholder currently has 45,000,000 shares representing approximately 7.44% of the Company's issued capital, then if the share consolidation is approved and implemented, the shareholder will have 2,250,000 Shares following the consolidation, still representing the same 7.44% of the Company's issued capital.

Similarly, the aggregate value of each Shareholder's holding (and Q Technology Group's market capitalisation) should not materially change – other than minor changes as a result of rounding – as a result of the share consolidation alone (that is assuming no other market movements or impacts occur). However, the price per share may be expected to increase to reflect the reduced number of shares on issue.

Shareholders should note that the reduction of share capital, if approved, may also have an effect on the Company's share price.

8.6 Tax implications for Q technology Group Shareholders

The summary in this section is general in nature. In addition, particular taxation implications will depend upon the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek and rely only on their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisors assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed share consolidation.

The share consolidation will be undertaken in accordance with section 254H of the *Corporations Act 2001* (Cth). Subject only to rounding, there will be no change to the proportionate interests held by each Shareholder in the Company as a result of the consolidation.

The share consolidation will occur through the conversion of every twenty ordinary shares in the Company into one ordinary share in the Company. Shareholders should seek independent taxation advice in relation to the effect on their shareholding.

8.7 Interdependency of Resolution

The Board has determined that resolution 7 is not dependent on any other resolution that is being submitted to Shareholders at the Annual General Meeting.

8.8 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in **favour** of Resolution 7.

Other than as set out in this Explanatory Memorandum, and other than information previously disclosed to the Shareholders of the Company, there is no other information that

is known to the Company's Directors which may reasonably be expected to be material to the making of a decision by the Company's shareholders regarding whether or not to vote in favour of the share consolidation.

The Chairman intends to exercise all undirected proxies **in favour** of Resolution 7.

9 RESOLUTION 8: APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY UNDER LISTING RULE 7.1A

9.1 Background

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek member approval by special resolution at its annual general meeting to issue Equity Securities up to 10% of its issued capital over a period of up to 12 months after the annual general meeting, in addition to those under the 15% annual placement capacity (**10% Placement Capacity**).

An **Eligible Entity** is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

The Company is an Eligible Entity.

The effect of Resolution 8 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue during the period up to 12 months after the annual general meeting, without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of Equity Securities on issue, being fully paid ordinary shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

(A x D) – E

Where:

A is the number of Shares on issue 12 months before the date of issue, or date of agreement to issue:

- (a) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- (b) plus the number of partly paid Shares that became fully paid in the previous 12 months;
- (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under ASX Listing Rules 7.1 and 7.4; and
- (d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Shares under ASX Listing Rules 7.1 or 7.4.

9.2 Technical Information Required by ASX Listing Rule 7.1A

In accordance with ASX Listing Rule 7.3A, the information below is provided in relation to Resolution 3:

(a) Minimum price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed (**Agreed Issue Date**); or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the Agreed Issue Date, the date on which the Equity Securities are issued.

(b) Date of issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of this Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) or such longer period if allowed by ASX.

(c) Risk of dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the voting interests and may dilute the economic interests of Shareholders who do not receive Equity Securities under the issue.

In addition Shareholders should note that there is a risk that:

- (i) the market price of the Equity Securities may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

The table below seeks to demonstrate the potential dilution of existing Shareholders resulting from the issue of Equity Securities under the 10% Placement Capacity calculated in accordance with the formula contained in ASX Listing Rule 7.1A(2).

The table does this by setting out the potential number of Shares issued and funds raised on the basis of:

- (i) the current number of Shares on issue;

- (ii) the number of Shares on issue changing (variable 'A' in the formula); and
- (iii) a variation in the issue price of the Shares (noting that Shares may only be issued at up to a 25% discount based on the volume weighted average price of the Shares calculated over the 15 ASX trading days preceding the issue.

Voting Dilution				
Number of Shares on issue (Variable 'A' in formula)	Dilution Variable	\$0.0012	\$0.0024	\$0.0036
		(50% decrease in Current Issue Price)	(Current Issue Price)	(50% increase in Current Issue Price)
982,575,604 (Current)	Additional 10% Shares issued	98,257,560	98,257,560	98,257,560
	Funds Raised	\$117,909	\$235,818	\$353,727
1,473,863,406 (50% increase)*	Additional 10% Shares issued	147,386,341	147,386,341	147,386,341
	Funds Raised	\$176,864	\$353,727	\$530,591
1,965,151,208 (100% increase)*	Additional 10% Shares issued	196,515,121	196,515,121	196,515,121
	Funds Raised	\$235,818	\$471,636	\$707,454

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that does not require Shareholder approval (such as under a pro-rata rights issue) or an issue of Shares with Shareholder approval under Listing Rule 7.1.

The table above is based on the following assumptions:

- o The current number of shares on issue is the Shares on issue as at the date of this notice.
- o The current issue price is value of the shares to be issued under the last placement.
- o The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- o The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- o The table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

9.3 Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for various purposes including, for either:

- (a) a cash issue price. In this case, the Company may use the funds for working capital or for other corporate purposes; or
- (b) non-cash consideration, such as for the acquisition of new assets or investments, subject to any applicable ASX requirements. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon the issue of any Additional 10% Placement Capacity allocation.

9.4 Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both). However the allottees cannot include any related parties or associates of a related party of the Company without a further specific shareholder approval.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (a) the purpose of the issue;
- (b) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (c) the effect of the issue of the Equity Securities on the control of the Company;
- (d) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (e) prevailing market conditions; and
- (f) advice from corporate, financial and broking advisers (if applicable).

9.5 Previous Approval under ASX Listing Rule 7.1A

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

9.6 Special resolution

Resolution 8 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the meeting must be in favour of Resolution 8 for it to be passed.

9.7 Voting Exclusion Statement

The Company will disregard any votes on Resolution 8 by:

- (a) any person who may participate in the proposed issue or any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares; and

(b) any associate of such person or persons.

However, the Company need not disregard a vote if:

(c) the vote is cast as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or

(d) if the vote is cast by the Chairman for a person who is entitled to vote in accordance with a direction on the proxy form.

As at the date of this Notice of Meeting, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 8.

8.8 Directors' Recommendation

The Directors unanimously recommend that Shareholders vote **in favour** of Resolution 8.

The Chairman of the meeting intends to vote undirected proxies **in favour** of Resolution 8.

Glossary

In this Notice and the Explanatory Memorandum:

\$ means Australian Dollars

AEDT means Australian Eastern Daylight Saving Time, being the time in Melbourne, Victoria, Australia.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2017.

ASIC means Australian Securities and Investments Commission.

Associate has the same meaning as in the Corporation Act.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules and Listing Rules means the listing rules of the ASX.

Auditor means the auditor of the Company.

Auditor's Report means the auditor's report on the Financial Report.

Board means the Directors of the Company as at the date of this Notice of Meeting.

Chair and Chairman means the person appointed to chair the Meeting.

Closely Related Party has the meaning given in section 9 of the Corporations Act.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Equity Securities has the meaning as in the ASX Listing Rules.

Explanatory Memorandum means the explanatory memorandum to the Notice of Meeting.

Financial Report means the annual financial report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Key Management Personnel or KMP means key management personnel as identified in the Remuneration Report for the financial year ended 30 June 2017.

Managing Director means the Managing Director of the Company.

Notice or Notice of Meeting means this notice of Annual General Meeting.

Proxy Form means the proxy form attached to the Notice of Meeting.

Q Technology Group and Company means Q Technology Group Limited (ABN 27 009 259 876).

Remuneration Report means the remuneration report contained in the Company's 2017 Annual Report.

Resolution means a resolution contained in this Notice of Meeting.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Share means fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.



ABN 27 009 259 876

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

QTG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form

XX

For your vote to be effective it must be received by 2.00pm (AEDT) on Tuesday, 28 November 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

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View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

Review your securityholding

Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999 I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Q Technology Group Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Q Technology Group Limited to be held at Unit 5, 435 Williamstown Road, Port Melbourne 3207 on Thursday, 30 November 2017 at 2.00pm (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 4 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report (non-binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Mr Robert Rosa as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of issue of placement shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of issue of shares to Mr Howard Whitesmith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of the convertability of convertible notes issued to Mr Edmond Tern	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval and ratification of issue of 500,000 convertible notes to Helmsman Funds Management Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval for consolidation of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Approval of additional 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 <input type="text"/>	Securityholder 2 <input type="text"/>	Securityholder 3 <input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____