

## ASX AND MEDIA RELEASE

20 July 2018

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### COMMENTARY ON POSITIVE Q4 CASH FLOW

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Q Technology Group Limited ("QTG") has released its quarterly cash flow report for the quarter ended 30 June 2018 showing a net cash inflow of \$479k.

The fourth quarter inflow from operating activities of \$317k resulted from a reduction in inventory and better working capital management offset by trading losses.

The fourth quarter inflow from financing activities of \$150k was a loan from Helmsman Capital Fund Trust 11A, the major shareholder, who continue to support the company during the turnaround.

Following the first half announcement where sales declined by 35% compared to the first half of the previous year, QTG is pleased to announce that sales in the second half increased by a modest 4% compared with the second half of the previous year. Most of this growth has been in the high end of the market.

The Board is encouraged by this positive cash flow result which aligns with the turnaround strategy. Losses (unaudited) for financial year ended 30 June 2018 are expected to be a marginal improvement on the prior year.

Operating expenses for the financial year ended 30 June 2019 are expected to remain at the same level as the year ended 30 June 2018 whilst sales are budgeted to increase.

Morale in the Company has significantly improved over the past six months as the turnaround strategy has delivered improved results. The Company is pleased that it has been able to attract new high calibre sales staff in recent months and is looking forward to implement the FY2019 business plan with a much stronger sales team in place.

Howard Whitesmith  
Managing Director

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## 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 June 2018

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>            |                                    |   |
| 1.1 Receipts from customers                               | 3,744                              | 13,572  |
| 1.2 Payments for  |                                    |   |
| (a) research and development                              | -                                  | -   |
| (b) product manufacturing and operating costs             | (2,156)                            | (9,206)   |
| (c) advertising and marketing                             | (38)                               | (80)  |
| (d) leased assets   | (307)                              | (732)   |
| (e) staff costs   | (797)                              | (3,501)   |
| (f) administration and corporate costs                    | (62)                               | (228)   |
| 1.3 Dividends received (see note 3)                       |                                    |   |
| 1.4 Interest received                                     | 0                                  | 2   |
| 1.5 Interest and other costs of finance paid              | (67)                               | (254)   |
| 1.6 Income taxes paid                                     |                                    |   |
| 1.7 Government grants and tax incentives                  |                                    |   |
| 1.8 Other (provide details if material)                   |                                    |   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>317</b>                         | <b>(427)</b>                                    |

|  |   |     |
|--|---|-----|
| <b>2. Cash flows from investing activities</b> |   |     |
| 2.1 Payments to acquire:                       |   |     |
| (a) property, plant and equipment              | - | (5) |
| (b) businesses (see item 10)                   |   |     |
| (c) investments                                |   |     |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
|                                      | (d) intellectual property                             |                            |  |
|                                      | (e) other non-current assets                          |                            |  |
| 2.2                                  | Proceeds from disposal of:                            |                            |  |
|                                      | (a) property, plant and equipment                     | 12                         | 12                                     |
|                                      | (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                                  | <b>Net cash from / (used in) investing activities</b> | <b>12</b>                  | <b>7</b>                               |

|           |   |            |              |
|-----------|---|------------|--------------|
| <b>3.</b> | <b>Cash flows from financing activities</b>                                 |            |              |
| 3.1       | Proceeds from issues of shares  | -          | 1,023        |
| 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  | 150        | 97           |
| 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      | <b>Net cash from / (used in) financing activities</b>                       | <b>150</b> | <b>1,120</b> |

|           |  |         |         |
|-----------|--|---------|---------|
| <b>4.</b> | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1       | Cash and cash equivalents at beginning of quarter/year to date               | (1,009) | (1,230) |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | 317     | (427)   |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | 12      | 7       |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | 150     | 1,120   |

| Consolidated statement of cash flows |  | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--------------------------------------|--|----------------------------|--|
| 4.5                                  | Effect of movement in exchange rates on cash held  |                            |  |
| 4.6                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>(530)</b>               | <b>(530)</b>                           |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances  | 506                        | 506                         |
| 5.2 | Call deposits  |                            |                             |
| 5.3 | Bank overdrafts  | (1,036)                    | (1,036)                     |
| 5.4 | Other  |                            |                             |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>(530)</b>               | <b>(530)</b>                |

**6. Payments to directors of the entity and their associates**

|  | Current quarter<br>\$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 23                         |
| 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<br>\$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. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  |   |  |
| 8.2 Credit standby arrangements  |   |  |
| 8.3 Other – invoice discounting facility   | (1,035)   | (1,035)  |
| 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 June 2018 based on the balance of trade debtors, less disallowed amounts, the maximum draw down is \$1.035m.

| 9. <b>Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|--|----------------|
| 9.1 Research and development                       | -              |
| 9.2 Product manufacturing and operating costs      | (2,155)        |
| 9.3 Advertising and marketing                      | (15)           |
| 9.4 Leased assets                                  | (90)           |
| 9.5 Staff costs                                    | (900)          |
| 9.6 Administration and corporate costs             | (55)           |
| 9.7 Other (provide details if material)            |                |
| <b>9.8 Total estimated cash outflows</b>           | <b>(3,215)</b> |

| 10. <b>Acquisitions and disposals of<br/>business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | <b>Acquisitions</b> | <b>Disposals</b> |
|--|---------------------|------------------|
| 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: 20 July 2018

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.