

TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED

DATE: 31 December 2018

Rights Issue - Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth)

On 31 December 2018, Q Technology Group Limited (ACN 009 259 876) (ASX: QTG) (**QTG** or the **Company**) announced that it will undertake a partially underwritten, renounceable pro-rata rights issue of 103,988,873 fully paid ordinary shares to its shareholders ("**Rights Issue**") on the basis that eligible shareholders will be entitled to subscribe for nine (9) new fully paid ordinary shares ("**New Shares**") for every four (4) existing ordinary share held at the record date, being 7:00pm (AEDT) on Wednesday, 9 January 2019, at an issue price of \$0.015 per New Share to raise \$1,559,833.

The Rights Issue is partially underwritten by the following existing shareholders of the Company:

- (a) Spanday Pty Ltd (ACN 008 267 490) (**Spanday**) up to the underwritten amount of \$50,000; and
- (b) Bond Street Custodians Limited (ACN 008 607 065) as trustee for the Helmsman Capital Fund Trust IIA (**Helmsman**) up to the underwritten amount of \$1,250,000;

(collectively referred to as "**Underwriters**")

Cleansing Notice under Section 708AA(2)(f)

This notice is given by the Company under section 708AA(2)(f) of the Corporations Act 2001 (Cth) ("**Corporations Act**") as notionally modified by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84 ("**ASIC Instrument 2016/84**").

Further details regarding the Rights Issue are set out in the Rights Issue Booklet lodged with the ASX on 31 December 2018.

For the purposes of section 708AA(2)(f) of the Corporations Act, the Company advises that:

- (c) the New Shares will be offered under the Rights Issue for issue without disclosure to investors under Chapter 6D.2 of the Act, as notionally modified by ASIC Instrument 2016/84;
- (d) this notice is being given under section 708AA(2)(f) of the Corporations Act as notionally modified by ASIC Instrument 2016/84;
- (e) as at the date of this notice, the Company has complied with:
 - (i) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and
 - (ii) section 674 of the Corporations Act.
- (f) as at the date of this notice, there is no information that is 'excluded information' (within the meaning of sections 708AA(8) and 708AA(9) of the Corporations Act); and

- (g) the potential effect the Rights Issue will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including the eligible shareholders' interest in taking up their entitlements as well as the level of participation of eligible shareholders in taking up additional shares under the shortfall facility. While the outcome of these factors is not able to be ascertained by the Company as at the date of this notice, the likely effect of the Rights Issue would include, but not be limited to:
- (i) if all Eligible Shareholders take up their Entitlements under the Rights Issue, the issue of New Shares under the Rights Issue will have no effect on the control of the Company and all shareholders will hold the same percentage interest in the Company, subject only to changes resulting from Ineligible Shareholders being unable to participate in the Rights Issue;
 - (ii) if there is a Shortfall, Eligible Shareholders who do not subscribe for their full Entitlement of New Shares under the Offer, and Ineligible Shareholders unable to participate in the Offer, will be diluted relative to those shareholders who subscribe for some or all of their Entitlement;
 - (iii) in respect of any Shortfall, Eligible Shareholders will be entitled to top-up their shareholding by subscribing for Additional Shares to be issued from the Shortfall; and
 - (iv) in the event that there remains a Shortfall after the allocation of Additional Shares subscribed for by Eligible Shareholders under the Offer, the remaining Shortfall will be allocated to the Underwriters and as a result, the Underwriters' percentage interest in the Company will increase.
- (h) it is noted that that the Company's three major substantial shareholders, Bond Street Custodians Limited (ACN 008 607 065) as trustee for the Helmsman Capital Fund Trust IIA ("**Helmsman**") Mr Edmond Minfui Tern ("**Tern**") and Mr Howard Whitesmith ("**Whitesmith**"), own approximately 46.04%, 8.84% and 5.41% respectively of QTG ordinary shares on issue. The below table sets out the control implications of the Rights Issue in relation to Underwriters, Tern and Whitesmith under the following scenarios:
- (i) Helmsman, Tern, Whitesmith or Spanday (as applicable) all take up their full Entitlement under the Rights Issue, no other Eligible Shareholder takes up any New Shares being offered under the Rights Issue and the Shortfall is issued to the Underwriters;
 - (ii) Helmsman, Tern, Whitesmith or Spanday (as applicable) all take up their full Entitlement under the Rights Issue, 25% of the New Shares being offered under the Rights Issue are taken up by other Eligible Shareholders and the Shortfall is issued to the Underwriters;
 - (iii) Helmsman, Tern, Whitesmith or Spanday (as applicable) all take up their full Entitlement under the Rights Issue, 50% of the New Shares being offered under the Rights Issue are taken up by other Eligible Shareholders and the Shortfall is issued to the Underwriters; and
 - (iv) Helmsman, Tern, Whitesmith or Spanday (as applicable) all take up their full Entitlement under the Rights Issue, 75% of the New Shares being offered under the Rights Issue are taken up by other Eligible Shareholders and the Shortfall is issued to the Underwriters.

Shareholding as at 30 November 2018			Potential Control Scenario following the Rights Issue			
Substantial shareholder	Shareholding	% Holding	% holding if 0% take up by other Eligible Shareholders and Shortfall is issued to Underwriters	% holding if 25% take up by other Eligible Shareholders and Shortfall is issued to Underwriters	% holding if 50% take up by other Eligible Shareholders and Shortfall is issued to Underwriters	% holding if 75% take up by other Eligible Shareholders and Shortfall is issued to Underwriters
Helmsman	21,278,436	46.04%	74.45%	67.35%	60.24%	53.14%
Tern (including relevant interest in shares held by spouse)	4,166,054	9.01%	4.99%	4.99%	4.99%	4.99%
Whitesmith (including relevant interest in shares held by Nineteen25 Pty Ltd)	5,000,000	10.82%	7.77%	7.77%	7.77%	7.77%
Spanday	772,000	1.67%	2.81%	2.52%	2.24%	1.95%

- (i) with exception to Helmsman who currently holds 46.04% of the shares in the Company, the Company is not presently aware of any person who will, as a result of taking up their Entitlements, acquire a relevant interest in voting shares that will result in that person's voting power increasing from:
- (i) below 20% to more than 20%; or
 - (ii) from a starting point that is above 20% and below 90%.

Allocation Policy for Shortfall Offer

In the event of a shortfall, the Company has adopted an allocation policy in respect of New Shares applied for under the shortfall offer, whereby, the Company will allocate the Shortfall as follows:

- (a) to each eligible shareholder who has applied for additional shares under the Rights Issue in accordance with the allocation policy outlined below; and
- (b) if, following the allocation in paragraph (a) above, there remains a Shortfall, the remaining Shortfall will be allocated to the Underwriters up to the value of \$1,300,000 of New Shares in accordance with the underwriting agreements entered into between the Company and the Underwriters.

Additional shares will be issued to eligible shareholders at the sole discretion of the directors, however, in any event, the Company has adopted an allocation policy in respect of additional shares applied for under the shortfall facility, whereby:

- (c) No eligible shareholder (other than the Underwriters pursuant to the underwriting agreements) will be allotted additional shares under the Rights Issue to the extent that:
 - (i) such allotment would result in that person acquiring a relevant interest exceeding 20% of the issued share capital of the Company on a post issue basis; or
 - (ii) where that person already holds a relevant interest exceeding 20% of the issued share capital of the Company, such allotment would result in that person increasing their relevant interest, other than as a result of accepting their entitlement.
- (d) The directors of the Company, in allocating additional shares under the shortfall facility, will do all things reasonably necessary to allocate additional shares on a basis that mitigates any control implications on the Company.

Signed for and on behalf of the Company

Douglas Potter
Chairman
Q Technology Group Limited