

ASX AND MEDIA RELEASE

30 January 2019

COMMENTARY ON Q2 CASH FLOW AND MARKET UPDATE

Q Technology Group Limited ("QTG") has released its quarterly cash flow report for the quarter ended 31 December 2018 showing a net cash inflow of \$0.098m. The cash flow from operations was a net outflow of \$0.569m, offset by an inflow from financing activities of \$0.667m. Cash receipts were \$2.58m in the December quarter compared to \$2.44m last quarter.

Sales for the second quarter and first half were less than expected, due to some project timing delays together with delays in new product releases from a major vendor, including the lightweight wearable camera system which has many features including GPS tracking, man down, duress button and others. When released, which is now expected in Q3, this will open up further markets for Q Security Systems (QSS), including law enforcement and emergency services personnel deployed, security personal, remote workers, maintenance crews, hospital staff and has many other applications. A number of QSS customers have been involved with pre-launch trials.

In late Q2 QSS released the Ness Smart Living alarm panel which is well featured including access control functionality and it is well priced. In early Q3 QSS also expect to go to market with another leading CCTV vendor which will fill a gap in our current product range to meet market expectations, as well as introduce sales from Briefcam, an advanced analytics product for which QSS are the preferred vendor for Flir sites. In late Q2 QSS employed a new branch manager for Vic/Tas and a new BDM in NSW, both are experienced sales professionals and will bring forward the rebuild of the Vic/Tas and NSW operations. QSS continued it's operational improvement in Q2 and are now fully using an IT based CRM package which will be expanded in Q3 to provide customer quotations and provide better sales quote information by supplier. In Q3, QSS will increase marketing activity, including social media marketing to increase brand awareness.

Pleasingly second quarter operating expenses were again 12% below last year.

The company yesterday announced the results of its 9:4 rights issue which closed on 23 January. The issue raised \$1.07m and funds received will be used to repay debt and provide working capital for the Company. As a listed company QTG lack the required scale to carry the ASX listing costs and related overheads to deliver satisfactory earnings per share and will continue to seek opportunities to unlock value to shareholders.

Howard Whitesmith
Managing Director

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Q Technology Group Ltd

ABN

27 009 259 876

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,580	5,022
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,107)	(4,107)
(c) advertising and marketing	(7)	(14)
(d) leased assets	(106)	(211)
(e) staff costs	(800)	(1,654)
(f) administration and corporate costs	(43)	(100)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(86)	(144)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(569)	(1,208)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings	667	1,008
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	667	1,008

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	(828)	(530)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(569)	(1,208)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	667	1,008

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	(730)	(730)

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	333	312
5.2	Call deposits		
5.3	Bank overdrafts	(1,063)	(1,140)
5.4	Other		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(730)	(828)

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	21
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

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

	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available

Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
(1,114)	(1,062)

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other – invoice discounting facility

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 33 December 2018 based on the balance of trade debtors, less disallowed amounts, the maximum draw down is \$1.114m.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	0
9.2 Product manufacturing and operating costs	(2,100)
9.3 Advertising and marketing	(7)
9.4 Leased assets	(106)
9.5 Staff costs	(800)
9.6 Administration and corporate costs	(45)
9.7 Other (provide details if material)	0
9.8 Total estimated cash outflows	(3,058)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
Company Secretary

Date: 30 January 2019

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.