

ASX AND MEDIA RELEASE

30 April 2019

COMMENTARY ON Q3 CASH FLOW AND MARKET UPDATE

Q Technology Group Limited ("QTG") has released its quarterly cash flow report for the quarter ended 31 March 2019 showing a net cash inflow of \$0.324m. The cash flow from operations was a net outflow of \$0.258m, offset by a net inflow from financing activities of \$0.582m.

The trading performance for the second quarter deteriorated through the end of the quarter a trend which has unfortunately continued due to delays with major customer projects. In response to the increased losses being generated by the QSS subsidiary the board and management immediately set about to review the operations and at the same time explore a range of options or recapitalise the business in order to support the future working capital requirements of that business.

Recapitalisation proposals were received during this time which would have seen the operating business restructured and retained, but binding terms were not able to be negotiated.

Accordingly, without access to sufficient additional capital to fund the needs of the operating business the Board of QSS has today resolved to appoint a Voluntary Administrator with immediate effect.

In parallel with the decision of the directors of QSS to appoint a VA to the operating subsidiary the board of QTG has accepted a recapitalisation proposal which provides for the recapitalisation and maintenance of the public company for a potential reverse takeover to be sourced. The proposal will raise \$1.0m via a placement and fully underwritten rights issue.

The actual details of the future capital raising processes and target entities for any reverse takeover using the shell will be advised in separate market announcements.

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 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,836	6,858
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(1,099)	(5,210)
(c) advertising and marketing	(7)	(21)
(d) leased assets	(107)	(318)
(e) staff costs	(767)	(2,420)
(f) administration and corporate costs	(60)	(160)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	3
1.5 Interest and other costs of finance paid	(54)	(198)
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	(258)	(1,466)

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 (9 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	1,560	1,560
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	(40)	(40)
3.5	Proceeds from borrowings		70
3.6	Repayment of borrowings	(938)	
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	582	1,590

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	(730)	(530)
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(258)	(1,466)
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)	582	1,590

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	(406)	(406)

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	188	333
5.2	Call deposits		
5.3	Bank overdrafts	(594)	(1,063)
5.4	Other		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(406)	(730)

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

30

-

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

- 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

**Current quarter
\$A'000**

-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other – invoice discounting facility	(601)	(595)
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	(1,101)
9.3 Advertising and marketing	(7)
9.4 Leased assets	(85)
9.5 Staff costs	(650)
9.6 Administration and corporate costs	(60)
9.7 Other (provide details if material)	0
9.8 Total estimated cash outflows	(1,903)

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 April 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.