

## ASX AND MEDIA RELEASE

18 October 2018

---

### COMMENTARY ON Q1 CASH FLOW AND MARKET UPDATE

---

Q Technology Group Limited ("QTG") has released its quarterly cash flow report for the quarter ended 30 September 2018 showing a net cash outflow of \$298k.

The first quarter outflow from operating activities of \$639k resulted from a reduction in trade creditors and trading losses, offset by a reduction in inventory.

The inflow from financing activities of \$341k was a loan from Helmsman Capital Fund Trust 11A, the major shareholder, who continue to support the company during the turnaround.

Whilst sales for the first quarter were less than expected, with several projects delayed, the board is encouraged by the growing pipeline of projects quoted demonstrating the continued underlying improvement in business and sales operations. The second quarter is expected to be an improvement on first quarter, notwithstanding the Christmas slowdown.

In Q1 QSS extended our distribution agreement with Flir, our major video management system and camera supplier until 31 August 2020. During Q2 Flir will be releasing two new exciting and unique products to the market. The first is a lightweight wearable camera system which has many features including GPS tracking, man down, duress button and others. It can be used by law enforcement, security personal, remote workers, maintenance crews and hospital staff and has many other applications. A number of QSS customers are involved with pre-launch trials. The second is the release of a Flir camera which combines both thermal and visual sensors, along with visible and non-visible illuminators, to provide quality images for live viewing and recording night and day in all types of weather conditions. The Flir camera is compatible with the Flir Latitude video management system and most other video management systems on the market today. QSS will no longer be an authorized distributor of Bosch product following a recent review. Sales have declined over recent years to be only 11% of QSS sales in the past six months. Discussions are ongoing in relation to product supply arrangements for QSS to successfully deliver the current Bosch project pipeline.

Operating expenses for the first quarter were 12% less than Q1 last year and this is expected to continue into Q2 2019.

The company is well advanced in pursuing a capital raising and has received support in principle from major shareholders including the Directors and Helmsman Capital Fund Trust IIA. As a listed company we currently lack the required scale to carry the ASX listing costs and related overheads to deliver satisfactory earnings per share. We will continue to seek opportunities in the coming year 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")**

30 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,442	2,442
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(2,000)	(2,000)
(c) advertising and marketing	(7)	(7)
(d) leased assets	(105)	(105)
(e) staff costs	(853)	(853)
(f) administration and corporate costs	(58)	(58)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(58)	(58)
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>(639)</b>	<b>(639)</b>

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

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(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)		
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
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	341	341
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)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>341</b>	<b>341</b>

<b>4. 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	(530)	(530)
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(639)	(639)
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)	341	341

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$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>(828)</b>	<b>(828)</b>

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	312	506
5.2	Call deposits		
5.3	Bank overdrafts	(1,140)	(1036)
5.4	Other		
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>(828)</b>	<b>(530)</b>

**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

26

-

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

-

-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other – invoice discounting facility	(1,140)	(1,140)
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	0
9.2 Product manufacturing and operating costs	(2,000)
9.3 Advertising and marketing	(10)
9.4 Leased assets	(100)
9.5 Staff costs	(820)
9.6 Administration and corporate costs	(55)
9.7 Other (provide details if material)	0
<b>9.8 Total estimated cash outflows</b>	<b>(2,985)</b>

10. <b>Acquisitions and disposals of business entities (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: 18 October 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.