

Q Technology Group Limited

2017 Chairman's address

Dear Shareholders,

On behalf of the Directors I am pleased to welcome shareholders to the 2017 Annual General Meeting of Q Technology Group.

The Company's financial results and full year accounts are set out in the annual report. The Group's full year revenue decreased by 26% to \$16.2 million.

On a consolidated basis QTG reported a net loss after tax of \$1.9 million for the year ended 30 June 2017. This compared to a net loss after tax of \$3.5 million in the prior period, an improvement of 46%.

The business was constrained in 2017 due to a dispute with a major supplier limiting our access to fast moving product together with legacy stock issues. Sales were directly impacted by the lack of stock supply and some market share was lost to competitors in our run rate business.

In addition gross margins were impacted significantly due to selling older stock on the shelf at reduced margins to generate cash. 2017 was a year of rebuilding for QSS and repairing the balance sheet to enable the business to grow in FY18 and beyond.

Corporate

In May 2017 Mr Rob Rosa resigned as Chief Executive Officer and Managing Director being temporarily replaced by Mr Warren Sainsbury until August 2017 when Mr Andrew Phillips (the former CFO) was appointed into the role as acting Chief Executive Officer and Mr Howard Whitesmith (former NED) was appointed into the role as Acting Managing Director. Mr Rosa remains on the board as a Non Executive Director.

I am pleased to confirm that Mr Andrew Phillips has recently been confirmed into the Chief Executive Officer role and that Howard Whitesmith continues to act as Managing Director, a role which is planned to run up until 30 June 2018.

During this time Howard is providing Andrew with support and mentoring as he transitions fully into the combined CEO/Managing Director role for the company.

As Chairman I have been delighted to see the tangible impact which Andrew and Howard have been able to make on the business in the last few months setting a very clear path on the rest of the turnaround plan to deliver strong growth in revenues and restoring profitability to the business in coming quarters.

QRSciences Security Pty Ltd

QRSciences Security Pty Ltd is the operating arm of Q Technology Group trading as Q Security Systems ("QSS").

There was no fundamental change in the core business or operating model of QSS during the year and the business continues to focus on distribution of CCTV cameras, digital video recorders, video management and alarm systems, with offices in Melbourne, Sydney, Brisbane, Adelaide and Perth.

The company has a strong reputation for service excellence, expert technical support and end-to-end turn-key solutions.

In FY17 we were very pleased with the improvement in underlying business processes, notably procurement and inventory management.

Gross inventory reduced \$4.1 million (48%) during the year, from \$8.6million at 30 June 2016 to \$4.5 million at 30 June 2017.

There was, however, a financial impact of selling legacy stock on the shelf with both sales dollars and margin dollars decreasing as a result.

In addition, the lack of supply of fast moving product from a major supplier resulted in lost market share during the year. However, we are now confident that we have a better underlying business with better procedures and controls to take the business into the future.

QSS has continued to actively manage its product range. It remains a distributor of FLIR enterprise (formerly Dvtel) VMS products and we are confident we can continue to profitably service the project market.

In FY17 we continued to have a solid project pipeline in the Eastern States and in the latter half of the 2017 calendar year are pleased to have commenced supply of FLIR cameras and accessories for the 2018 Commonwealth Games.

We continue to represent a range of other market leading products including Bosch CCTV and alarms and also with NUUO.

Unfortunately in FY17 we did not have a low end NVR solution to meet the market needs and market share was lost in this area of the market. To rectify this, in November 2017 the Company was pleased to relaunch its own brand of QAlumia video surveillance products, which includes high-quality plug and play NVRs and IP cameras.

This company owned brand will fill the gap in the product range which has impacted the results for the last 3 quarters and together with a strong project business pipeline underpin the turnaround in the business performance.

Corporate Governance

Our compliance with corporate governance practices at Q Technology Group Limited is included within this report. The Board is confident our governance structure is in place and properly administered.

Management has continued to refine risk management procedures and implement business strategies to leverage the capabilities of the company.

Outlook

The underlying business improvement in procurement, stock and supplier management in FY17 will stand the business in good stead for future performance.

In addition the business continued to streamline the operating model with operating costs reduced in FY17.

Despite challenges in FY17 the QSS business remained very resilient and has a very loyal and experienced team of core senior personnel with significant industry experience to take the business forward into FY18.

The Board believes the Group is ready to deliver a stronger result in FY18 with a more focused team and a range of quality suppliers capable of increasing market share and margins together with maintaining an appropriate focus on cost control and inventory management.

The board continues to work with its Shareholders to ensure sufficient capital is available to support the implementation of the turnaround plan during FY18 and has embarked on a significant amount of capital restructuring at this AGM to better position the business and listed company platform for the future.

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.

On behalf of the Directors we wish to thank the senior management team and all employees for their hard work, commitment and customer service focus during the year and also thank our customers and shareholders for their continuing support.



Douglas Potter
Chairman
Q Technology Group Limited

30 November 2017