



30 November 2018

Ms Penelope Reid
Adviser, Listings Compliance
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000

By Email: ListingsCompliancePerth@asx.com.au

Dear Ms Reid,

QUESTE COMMUNICATIONS LTD (ASX:QUE) - RESPONSE TO ASX APPENDIX 4C QUERY

We refer to ASX's query dated 27 November 2018 in relation to the Company's [Appendix 4C Cashflow Report](#) for the period ended 30 September 2018 (lodged with ASX and released on 12 October 2018) and respond as follows:

(1) Does QUE expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

During October 2018, QUE had positive net cashflows of \$23k, as reported in QUE's October 2018 Monthly Cashflow Report dated and lodged on ASX on 14 November 2018.

During November 2018 to date, QUE had positive net cashflows of approximately \$15k.

QUE's cash balance as at 30 November 2018 month end is estimated to be approximately \$83k.

We expect that QUE's November 2018 Monthly Cashflow Report will be lodged on ASX during the week beginning 3 December 2018.

The September 2018 quarterly period was impacted by an unusually high payment to the ATO in respect of PAYG withholding tax – PAYG payments are expected to be proportionately lower in subsequent quarters (until the September 2019 quarter).

QUE's operating cashflows are also impacted by the timing of receipt of contributions towards staff, administration and corporate costs from other companies which share office accommodation and staff with QUE. These costs are generally incurred by QUE at first instance (ie. QUE acts as the employer of staff and holds the supplier accounts for office related expenditures) and then claims cost recoveries from these other companies. As such, there is a lag or slight period of mis-match between the payment and recovery of costs, which are reflected in QUE's cashflow reports showing differing net outflows for these cost items.

Having regard to total overall operating costs (net of recoveries as outlined above) in respect of a full financial year, QUE's operating cashflows are very modest by ASX company standards.



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QUE also receives cash inflows from dividend receipts, principally from ASX listed investments in Bentley Capital Limited (ASX:BEL) (in which QUE holds 1.226 million (1.6%) shares) and Orion Equities Limited (ASX:OEQ) (in which QUE holds 9.368 million (~60%) shares).

BEL has a publicly enunciated Dividend Policy and consistent distribution track record of making annual distributions of at least one cent per share.

QUE notes that OEQ has significant Profits Reserve of \$2.784 million and Franking Credits of \$3 million (as at 30 June 2018 and currently) from which it can pay fully franked dividends. OEQ has net assets of \$3.8 million including cash of ~\$0.9 million and has the capacity to fund dividend payments. QUE will receive 60% of any such dividends declared and paid by OEQ.

OEQ last paid a 0.9 cent per share fully franked dividend in September 2017 with QUE receiving \$91k.

(2) Has QUE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

In addition to receipt of dividend payments as outlined above, QUE holds significant listed investments which can be sold to realise cash to supplement its cash reserves if required. QUE notes the market value of such investments to be approximately \$1.7 million.

(3) Does QUE expect to be able to continue its operations and to meet its business objective and, if so, on what basis?

Yes, we expect QUE to be able to continue its operations and meet its business objectives.

As outlined above:

- QUE's annual operating cashflows are very modest by ASX company standards;
- QUE expects to receive cash inflows from dividend receipts; and
- QUE holds significant listed investments which can be sold to supplement its cash reserves.

The QUE Board will review company operations and business objectives from time to time and update the market if there are material changes in relation thereto.

(4) Please confirm that QUE is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

We confirm that QUE is in compliance with the listing rules and, in particular, Listing Rule 3.1 concerning the Company's continuous disclosure obligations.

QUE also lodges monthly cashflow reports, which provides up to date and transparent disclosure of its cashflows, cash balances and liquid investment positions.

(5) Please confirm that QUE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of QUE with delegated authority from the board to respond to ASX on disclosure matters.

We confirm that QUE's response in this letter has been approved by Farooq Khan (Executive Chairman and Managing Director) and Victor Ho (Executive Director and Company Secretary), who are both authorised by the Board to respond to ASX on disclosure matters.

(6) Please also provide any other information that QUE considers may be relevant to ASX forming an opinion on whether QUE is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

QUE does not have any other information at this time (other than as disclosed above).

The QUE Board will review the Company's circumstances from time to time vis a vis Listing Rule 12.2 (including the potential de-listing of QUE from ASX, subject to ASX and QUE shareholder approvals pursuant to the ASX Listing Rules) and update the market if there are material developments in relation thereto.

Yours Sincerely,



Victor Ho
Executive Director and Company Secretary

Email: vho@queste.com.au



27 November 2018

Mr Victor Ho
Company Secretary
Queste Communications Limited
Level 2, 23 Ventnor Avenue
WEST PERTH WA 6005

By email: vho@queste.com.au

Dear Mr Ho

Queste Communications Limited ('QUE'): Appendix 4C Query

ASX refers to QUE's Appendix 4C quarterly report for the period ended 30 September 2018 lodged with the ASX Market Announcements Platform and released on 12 October 2018 (the 'Appendix 4C').

ASX notes that QUE has reported:

- negative net operating cash flows for the quarter of -\$115,000;
- cash at the end of the quarter of \$45,000; and
- estimated cash outflows for the next quarter of \$72,000.

It is possible to conclude, based on the information in the Appendix 4C, that if QUE were to continue to expend cash at the rate indicated by the Appendix 4C, QUE may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks QUE to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does QUE expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has QUE taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does QUE expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that QUE is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that QUE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of QUE with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that QUE considers may be relevant to ASX forming an opinion on whether QUE is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4 PM AWST Friday, 30 November 2018**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in QUE's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, QUE's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to QUE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that QUE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in QUE's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)