

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

QUINTEK TECHNOLOGIES INC
Form 10QSB
November 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2004

or

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 28541

QUINTEK TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

California

77-0505346

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

17951 Lyons Circle
Huntington Beach, CA 92647

(Address of principal executive offices)

Registrant's telephone number: 714-848-7741

Check whether the registrant (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding
12 months (or for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements for the past
90 days. Yes [X] No []

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be
filed by Section 12,13, or 15(d) of the Securities Exchange Act of 1934 after
the distribution of securities under a plan confirmed by a court. Yes [] No []

APPLICABLE ONLY TO CORPORATE ISSUERS

At September 30, 2004, a total of 71,122,454 shares of registrant's Common Stock
were outstanding.

Transitional Small Business Disclosure Format: Yes [] No [X]

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION
Item 1.	Financial Statements
	Balance Sheets
	Statement of Operations
	Statements of Cashflows
	Notes to Financial Statements
Item 2.	Management's Discussion and Analysis
Item 3.	Controls and Procedures
PART II	OTHER INFORMATION
Item 1.	Legal Proceedings
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
Item 3.	Defaults Upon Senior Securities
Item 4.	Submission of Matters to a Vote of Security Holders
Item 5.	Other Information
Item 6.	Exhibits
	Signatures
Exhibit 31.1	
Exhibit 31.2	
Exhibit 32.1	
Exhibit 32.2	

2

Index

PART I	FINANCIAL INFORMATION	4
Item 1	Financial Statements	4
Item 2	Management's Discussion and Analysis	24
Item 3	Disclosure Controls and Procedures	25
PART II	OTHER INFORMATION	25
Item 1	Legal Proceedings	25
Item 2	Changes in Securities	25
Item 3	Defaults Upon Senior Securities	27
Item 4	Submission of Matters to a Vote of Security Holders	27
Item 5	Other Information	27
Item 6	Exhibits and Reports on Form 8-K	27
	Signatures	28

3

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

QUINTEK TECHNOLOGIES, INC.
BALANCE SHEET
SEPTEMBER 30, 2004
(UNAUDITED)

ASSETS

CURRENT ASSETS:

Cash & cash equivalents	\$	11,670
Accounts receivable (net of allowance for doubtful accounts \$15,179)		36,685
Prepaid expenses		9,180
Investments in marketable securities		1,330,000

Total current assets		1,387,535

PROPERTY AND EQUIPMENT, net 276,708

OTHER ASSETS:

Deposits		36,748
Intangible assets, net		6,447
Other assets		883

TOTAL ASSETS \$ 1,708,322
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable & accrued expenses	\$	587,296
Factoring payables		20,000
Payroll and payroll taxes payable		176,155
Payroll taxes assumed in merger		96,661
Current portion of long-term debt		136,562
Loans payable-stockholders		32,300
Convertible bonds		62,495
Convertible debentures		100,000
Convertible notes		500,000
Deferred revenue		59,600
Liabilities in process of conversion to stock		470,629
Dividend payable		2,813

Total current liabilities		2,244,511

LONG TERM DEBT, net of current portion 188,091

CONVERTIBLE DEBENTURES 225,000

SHARES TO BE ISSUED - Series A Redeemable Preferred stock, 2,250,000 shares 360,000

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Common stock, .001 par value; authorized shares 200,000,000 issued and outstanding shares 71,122,454		711,225
Additional paid in capital		23,535,509
Shares to be issued-Common Stock 1,000,000 shares		100,000
Unamortized consulting fees		(66,894)
Investments held in escrow		(1,330,000)
Accumulated deficit		(24,259,120)

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Total stockholders' deficit (1,309,280)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY 1,708,322

The accompanying notes are an integral part of these financial statements.

4

QUINTEK TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003
(UNAUDITED)

	2004	2003
	-----	-----
Net revenue	\$ 114,266	\$ 108,177
Cost of revenue	84,481	52,910
	-----	-----
Gross profit	29,785	55,267
Operating expenses		
Selling, general and administrative	840,109	165,898
Stock based compensation	362,000	
	-----	-----
Total Operating Expenses	1,202,109	165,898
	-----	-----
Loss from Operations	(1,172,323)	(110,631)
Non-operating income (expense):		
Other income	3,325	2,982
Interest expense	(25,443)	(6,060)
	-----	-----
Total non-operating income (expense)	(22,117)	(3,078)
	-----	-----
Loss before provision for income taxes	(1,194,441)	(113,709)
Provision for income taxes	800	--
	-----	-----
Net loss	(1,195,241)	(113,709)
Dividend requirement for preferred stock	2,813	--
	-----	-----
Net loss applicable to common shareholders	\$ (1,198,053)	\$ (113,709)
	=====	=====
Basic and diluted weighted average shares outstanding	58,506,835	46,762,008
	=====	=====
Basic and diluted net loss per share	(0.02)	(0.00)
	-----	-----

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Basic and diluted net loss per share for dividends for preferred stock	0.00	0.00
	-----	-----
Basic and diluted net loss per share applicable to common shareholders	(0.02)	(0.00)
	=====	=====

The accompanying notes are an integral part of these financial statements.

5

QUINTEK TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003
(UNAUDITED)

	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,198,053)	\$ (113,709)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,456	11,274
Stock based compensation	362,000	--
Issuance of stock for consulting services	170,000	--
Stock options granted	1,500	--
(Increase) decrease in current assets:		
Accounts receivable	(7,949)	67,129
Inventory	--	(1,384)
Other assets	(8,291)	1,620
Prepaid expenses	(3,916)	--
Deposits	(28,332)	--
Increase (decrease) in liabilities:		
Dividend payable	2,813	
Accounts payable and accrued expenses	148,471	43,298
Payroll and payroll taxes payable	(10,984)	(7,676)
Deferred revenue	(27,440)	--
Liabilities in process of conversion to stock	--	--
Total adjustments	626,326	114,261
Net cash provided (used) in operating activities	(571,727)	552
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other assets	--	(9,092)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on factoring payables	(23,230)	(126,890)
Proceeds (payment) on loans from stockholders	--	100,000
Proceeds (payments) on notes payable,	(8,973)	18,824
Proceeds from issuance of debentures	325,000	--
Proceeds from issuance of convertible notes	70,000	--
Proceeds from issuance of common stock and warrants	205,000	--
Net cash provided (used in) by financing activities	567,797	(8,066)
	-----	-----

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

NET DECREASE IN CASH & CASH EQUIVALENTS	(3,930)	(16,606)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	15,600	21,162
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	\$ 11,670	\$ 4,556

The accompanying notes are an integral part of these financial statements.

6

QUINTEK TECHNOLOGIES,
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

1. Description of business

Quintek Electronics, Inc., our predecessor company, founded in July 1991, acquired technology, related assets and patent rights to its aperture card business during 1991 and 1992. On January 14, 1999, Quintek Electronics, Inc. was acquired in a merger by Pacific Diagnostics Technologies, Inc. as part of their Chapter 11 Plan of Reorganization, and the surviving entity's name was changed to Quintek Technologies, Inc. Since the merger, Quintek Electronics continued to sell its aperture card products and all former operations of Pacific Diagnostics Technologies, Inc. were discontinued. On February 24, 2000, we acquired all of the out standing shares of common stock of Juniper Acquisition Corporation. Upon effectiveness of that acquisition, Quintek Electronics elected to become the successor issuer to Juniper for reporting purposes under the Securities Exchange Act of 1934.

We have been a manufacturer of hardware and software and a service provider to the corporate and public sector markets since 1991. Our new division, Quintek Services, Inc. delivers business process outsourcing services and information lifecycle management solutions to document intensive industries such as healthcare and financial services. Business process outsourcing is the delegation, by the customer, of the operational responsibility for a business process's execution and performance within the customer's environment. The solutions and services we provide enable organizations to secure and manage their information and document business processes more efficiently.

Quintek Services provides business process outsourcing services to Fortune 500, Russell 2000 companies and public sector organizations. Our business process outsourcing services range from the digitizing, indexing and uploading of source documents through simple customer-specific, rules-based decision making.

We sell hardware, software and services for printing large format drawings such as blueprints and computer aided design files directly to the microfilm format of aperture cards. We are the only manufacturer of a patented chemical-free desktop microfilm printer for aperture cards.

2. Basis of Presentation

The accompanying unaudited financial statements of Quintek Technologies, Inc (the "Company) have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial

7

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

statements. In the opinion of management, the accompanying unaudited financial statements of the Company include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly its financial position as of September 30, 2004, the results of operations for the three months ended September, 2004 and 2003, and cash flows for the three months ended September 30, 2004 and 2003. The operating results for the three month period ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending June 30, 2005. The audited financial statements for the year ended June 30, 2004 were filed on October 1, 2004 with the Securities and Exchange Commission and is hereby referenced. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Company's 2004 Form 10-KSB.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Research and Development

Research and development costs are charged to operations when incurred and are included in operating expenses. The amount charged to operations for the three months ended September 30, 2004 and 2003 was \$15,073 and 12,406, respectively.

Marketable securities

On July 29, 2004, the Company entered into an Agreement with LANGLEY PARK INVESTMENTS PLC, a London Investment Company to issue 14,000,000 shares of the Company's common stock to Langley in return for 1,145,595 shares of Langley. Fifty percent of Langley shares issued to the Company under this agreement is to be held in escrow for two years. The Company has recorded such shares as shares held in escrow amounting \$1,330,000 as contra equity in the accompanying financial statements. At the end of two years if the market price for the Company's common stock is at or greater than the Initial Closing Price the escrow agent will release the full amount. In the event that the market price for the Company's common stock is less than the Initial Closing Price the amount released will be adjusted.

Langley attained listing with the United Kingdom Listing Authority. The Company's shares are to be held by Langley for a period of at least two years. Langley shares issued to the Company are to be free trading.

The Company's marketable securities (Langley's shares) are classified as available-for-sale and, as such, are carried at fair value. Securities classified as available-for-sale may be sold in response to changes in interest rates, liquidity needs, and for other purposes. The investment in marketable securities represents less than twenty percent (20%) of the outstanding common stock and stock equivalents of the investee. As such, the investment is

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

accounted for in accordance with the provisions of SFAS No. 115.

Unrealized holding gains and losses for marketable securities are excluded from earnings and reported as a separate component of stockholder's equity. Realized gains and losses for securities classified as available-for-sale are reported in earnings based upon the adjusted cost of the specific security sold. On September 30, 2004, the investments have been recorded at \$1,330,000 based upon the fair value of the marketable securities.

Marketable securities classified as available for sale consisted of the following as of September 30, 2004:

8

QUINTEK TECHNOLOGIES,
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

Investee Name (Symbol)	Cost at September 30, 2004	Market Value at September 30, 2004	Accum. Unrealized Gain (Loss)	Number Shares Held September 30
Langley Park Investments, PLC	\$ 1,330,000	\$ 1,330,000	\$ -	
Totals	\$ 1,330,000	\$ 1,330,000	\$ -	

Stock based compensation

SFAS No. 123 prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. SFAS No. 123 requires compensation expense to be recorded (i) using the new fair value method or (ii) using the existing accounting rules prescribed by Accounting Principles Board Opinion No. 25, "Accounting for stock issued to employees" (APB 25) and related interpretations with proforma disclosure of what net income and earnings per share would have been had the Company adopted the new fair value method. The Company has chosen to account for stock-based compensation using Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and has adopted the disclosure only provisions of SFAS 123. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee is required to pay for the stock.

The Company's board of directors authorized a stock award and long-term incentive plan which includes stock appreciation rights and certain stock incentive awards. The plan was approved by the shareholders as of June 30, 2004.

Basic and diluted net loss per share

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net loss per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net loss per share is based upon the weighted average number

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Issuance of shares for service

9

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

Reporting segments

Statement of financial accounting standards No. 131, Disclosures about segments of an enterprise and related information (SFAS No. 131), which superseded statement of financial accounting standards No. 14, Financial reporting for segments of a business enterprise, establishes standards for the way that public enterprises report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. Currently, SFAS 131 has no effect on the Company's financial statements as substantially all of the Company's operations are conducted in one industry segment.

Reclassifications

Certain comparative amounts have been reclassified to conform with the current period presentation.

Recent Pronouncements

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The Statement is effective for the Companies' interim reporting period ending January 31, 2003.

In compliance with FAS No. 148, the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation plan as defined by APB No. 25 and has made the applicable disclosures below.

Had the Company determined employee stock based compensation cost based on a fair value model at the grant date for its stock options under SFAS 123, the Company's net earnings per share would have been adjusted to the pro forma

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

amounts for the period ended September 30, 2004 and 2003, as follows (\$ in thousands, except per share amounts):

10

QUINTEK TECHNOLOGIES,
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

	Period ended September 30,	
	2004	2003
Net loss - as reported	\$ (1,194\$	(114)
Stock-Based employee compensation expense included in reported net income, net of tax	--	--
Total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of tax	(362)	--
Pro forma net loss	\$ (1,556)	\$ (114)
	=====	=====
Earnings (loss) per share:		
Basic, as reported	\$ (0.02)	\$ (0.00)
Diluted, as reported	\$ (0.02)	\$ (0.00)
Basic, pro forma	\$ (0.02)	\$ (0.00)
Diluted, pro forma	\$ (0.02)	\$ (0.00)

On May 15 2003, the FASB issued FASB Statement No. 150 ("SFAS 150"), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS 150 requires disclosure regarding the terms of those instruments and settlement alternatives. SFAS 150 affects an entity's classification of the following freestanding instruments: a) Mandatorily redeemable instruments b) Financial instruments to repurchase an entity's own equity instruments c) Financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based solely on (i) a fixed monetary amount known at inception or (ii) something other than changes in its own equity instruments d) SFAS 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. The guidance in SFAS 150 is generally effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of SFAS 150 for the fiscal period beginning after December 15, 2003. The adoption of SFAS No. 150 does not have a material impact on the Company's financial position or results of operations or cash flows.

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46R). FIN 46R addresses consolidation by business enterprises of variable interest entities and significantly changes the consolidation application of consolidation policies to variable interest entities and, thus improves

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

comparability between enterprises engaged in similar activities when those activities are conducted through variable interest entities. The Company does not hold any variable interest entities.

11

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The EITF reached a consensus about the criteria that should be used to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss and how that criteria should be applied to investments accounted for under SFAS No. 115, "ACCOUNTING IN CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES." EITF 03-01 also included accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Additionally, EITF 03-01 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the Financial Accounting Standards Board (FASB) delayed the accounting provisions of EITF 03-01; however the disclosure requirements remain effective for annual reports ending after June 15, 2004. The Company will evaluate the impact of EITF 03-01 once final guidance is issued.

In April of 2004, the EITF reached consensus on the guidance provided in EITF Issue No. 03-6, "Participating Securities and the Two-Class Method under SFAS No. 128 Earnings Per Share" ("EITF 03-6"). EITF 03-6 clarifies whether a security should be considered a "participating security" for purposes of computing earnings per share ("EPS") and how earnings should be allocated to a "participating security" when using the two-class method for computing basic EPS. The adoption of EITF 03-6 does not have a significant impact on the Company's financial position or results of operations.

In May of 2004, the FASB revised FASB Staff Position ("FSP") No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" and issued FSP No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106-2"). FSP 106-2 provides accounting guidance to the employers who sponsor post retirement health care plans that provide prescription drug benefits; and the prescription drug benefit provided by the employer is "actuarially equivalent" to Medicare Part D and hence qualifies for the subsidy under the Medicare amendment act. The adoption of FSP 106-2 does not have a significant impact on the Company's financial position or results of operations.

SEC Staff Accounting Bulletin (SAB) No. 105, "APPLICATION OF ACCOUNTING PRINCIPLES TO LOAN COMMITMENTS," summarizes the views of the staff of the SEC regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. SAB No.105 provides that the fair value of recorded loan commitments that are accounted for as derivatives under SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES," should not incorporate the expected future cash flows related to the associated servicing of the future loan. In addition, SAB No. 105 requires registrants to disclose their accounting policy for loan commitments. The provisions of SAB No. 105 must be applied to loan commitments accounted for as derivatives that are entered into after March 31, 2004. The adoption of this

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

accounting standard does not have a material impact on the Company's financial statements.

12

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

3. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2004, consists of the following:

Scanning Equipment	\$ 193,677
Computer and office equipment	111,752
Other depreciable assets	102,880
Software	76,164
Furniture and fixture	35,589

	520,062
Accumulated depreciation	(243,354)

	\$ 276,708
	=====

4. INTANGIBLE ASSETS

The Company evaluates intangible assets and other long-lived assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows. Recoverability of intangible assets, other long-lived assets and, goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. Potential impairment of goodwill after July 1, 2002 has been evaluated in accordance with SFAS No. 142. The SFAS No. 142 is applicable to the financial statements of the Company beginning July 1, 2002. Net intangible assets at September 30, 2004 were as follows:

Patents and proprietary processes	\$ 136,067
Accumulated amortization	129,620

	\$ 6,447
	=====

Amortization expenses for the Company's intangible assets over the future periods are estimated to be: Twelve months period ended September 30, 2005-\$6,447.

5. EMPLOYEE RECEIVABLES

Notes receivable from employees, unsecured, due on June 30, 2019, interest at 4%	\$ 377,649
Interest receivable in connection with above notes receivable	18,385

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

	396,034
Valuation allowance	(393,208)

	\$ 2,826
	=====

13

QUINTEK TECHNOLOGIES,
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

6. FACTORING PAYABLE

The Company has entered into an agreement with a factoring company ("the Factor") to factor purchase orders with recourse. The Factor funds 97% or 90% based upon the status of the purchase order. The Factor has agreed to purchase up to \$4,800,000 of qualified purchase orders over the term of the agreement; however, the Factor does not have to purchase more than \$200,000 in any given month. The agreement term is from June 2, 2003 to June 2, 2005. The Company will pay a late fee of 3% for payments not made within 30 days and 5% for those not made in 60 days. At the option of the Factor, the late fees may be paid with Company stock. If paid by Company stock, the stock bid price will be discounted 50% in computing the shares to be issued in payment of the late fee.

The Company has agreed to issue the Factor 1,500,000 warrants purchasing the Company's stock as a fee for the factoring agreement. The stock issued under the warrants can be purchased at the average closing price of the Company's stock for the 90 days prior to the factoring agreement.

The Company has also issued the Factor bonus warrants. The Factor will receive two (2) bonus warrants for each dollar of purchase orders purchased. The bonus warrants will be exercisable at the average closing price of the Company's common stock for the 90 days prior to the purchase order transactions they represent or a 50% discount to the closing price of the Company's stock at the time exercised at the option of the Factor. Both warrants are for a five year period.

At September 30, 2004, the Company had a factoring payable balance of \$20,000.

7. PAYROLL TAXES-ASSUMED IN MERGER

The Company assumed \$205,618 of payroll tax liabilities in the merger with Pacific Diagnostic Technologies, Inc. The balance was \$96,661 at September 30, 2004. The Company is delinquent on payments of these payroll tax liabilities.

8. LONG TERM PAYABLES

Leases payable, interest at 7.9% to 20%, due various dates in 2005 to 2008	\$ 273,680
Note payable, DFS, interest at 15.99%, due Jun & Jul 2006	2,720
Notes payable, AP conversion, interest at 8%, due 2006	44,208
Note payable - Vendor, monthly installments \$404, July 2005	4,045
	324,653
Current portion	136,562
	\$ 188,091

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

The future maturity of the long term payables is as follows:

2005	\$ 136,562
2006	110,699
2007	77,392
Total	\$ 324,653
	=====

14

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

9. CONVERTIBLE BONDS

Bonds payable with interest at 9%, due on various dates in 2001 and 2002, convertible to shares of Common stock in increments of \$1,000 or more.	\$ 21,354
---	-----------

Bonds payable with interest at 12%, due July 2002, convertible to shares of common stock in increments of \$500 or more.	41,141

	\$ 62,495
	=====

Certain of the outstanding convertible bonds have matured as of December 31, 2002. The holders of the matured bonds do not wish to renew the bonds and have asked for payment; however, the Company does not have the cash to repay these bonds.

Bondholders have been asked to exchange their bonds for Series B preferred stock. As of September 30, 2004, holders of \$198,000 of the bonds including accrued interest had acted on this. The \$198,000 is included in the liability section of the financials under "Liabilities in Process of Conversion to Stock," since the preferred stock has not been issued.

10. CONVERTIBLE DEBENTURES

During the period ended September 30, 2004, the Company raised capital through the issuance of convertible debentures in the amount of \$325,000.

One debenture in the amount of \$300,000 pays interest at 5 3/4% interests and includes 3,000,000 warrants to purchase common stock for a period of three years at \$1.00. The "Conversion Price" shall be equal to the lesser of (i) \$0.50, or (ii) 80% of the average of the 5 lowest Volume Weighted Average Prices during the 20 Trading Days prior to Holder's election to convert, or (iii) 80% of the Volume Weighted Average Price on the Trading Day prior to Holder's election to convert market price of the Company's common stock prior to conversion. Upon conversion of the debenture, the fund is obligated to simultaneously exercise the \$1.00 warrants providing added funding to the company. The Warrant must be exercised concurrently with the conversion of this Debenture in an amount equal to ten times the dollar amount of the Debenture conversion. Upon execution of

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

the securities purchase agreement, \$225,000 of the purchase price was due and paid to the Company. The remaining \$75,000 is due the Company upon declaration from the Securities and Exchange Commission that the Registration Statement for the conversion shares and warrants is effective.

A second agreement consists of 2 convertible debentures each for \$100,000 which bears simple interest at 10%. The initial Debenture for \$100,000 was purchased during August 2004. The second Debenture for \$100,000 will be purchased within five days of a registration statement being declared effective covering the Conversion Shares and Warrant Shares. Debentures are convertible into the Common stock of the Company. Conversion Price per share shall be the lower of (i) \$0.10 ("Maximum Base Price"); or (ii) in the event the Borrower enters into an agreement subsequent to execution of the Securities Purchase Agreement to sell Common Stock or a convertible instrument that converts into Common Stock prior to conversion of this Debenture at a price less than the Conversion Price of this Debenture, then the Conversion Price of this Debenture shall be immediately reset to a lower Conversion Price equal to that described in the subsequent agreement. Warrants are exercisable at \$0.12 per share into the Common Stock of the Company and expire on August 17, 2007.

15

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The conversion right of the debenture holder with respect to the individual debentures shall only exist upon the Company's registration statement registering the Shares underlying the debentures and other Securities being declared effective by the Securities and Exchange Commission. As of September 30, 2004, the criteria to convert the debentures to common stock were not met.

The total interest on these convertible debentures for the period ended September 30, 2004 amounted to \$3,326.

11. CONVERTIBLE NOTES

During the year ended June 30, 2004, the Company raised capital through the issuance of convertible promissory notes in the amount of \$500,000. All the notes are for a one year period and bear simple interest at the rate of 10%. The due dates of these notes are from November 26, 2004 through June 4, 2005.

The notes plus any accrued interest through the date of conversion are convertible to the common stock of the Company at \$.06. Additionally, the holder will receive one bonus warrant for each conversion share. Each bonus warrant will be exercisable for a period of 5 years from the date of issuance into one share of common stock at a price of \$.10.

The conversion right of the note holder with respect to the individual notes shall only exist upon: (i) the approval of a proxy statement to be filed with the Securities and Exchange Commission and approval of an amendment by the Company's shareholders to authorize to 200,000,000 the number of shares of common stock and (ii) the Company's registration statement registering the Shares underlying the notes and other Securities has been declared effective by the Securities and Exchange Commission. As of September 30, 2004, the criteria to convert the notes to common stock were not met.

The total interest on these convertible notes for the period September 30, 2004 amounted to \$12,500.

12. LIABILITIES IN PROCESS OF CONVERSION TO STOCK

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

The Company has a total of \$470,629 liabilities in process of conversion to stock as of September 30, 2004. This amount consists of the following:

Bond payable	\$ 198,268
Accounts payable	20,147
Payrolls payable	252,214

	\$ 470,629
	=====

Bonds for \$188,268 are convertible to one share of Series A Preferred stock for each \$.05 of debt owed by the Company. Remaining \$10,000 bond is convertible to one share of Series B Preferred stock for each \$.25 of debt owed by the Company.

Accounts payable are convertible to one share of Series C Preferred stock for each \$1.00 of payable owed by the Company.

Payrolls payable are convertible to one share of Series A Preferred stock for each \$.25 of debt owed by the Company.

16

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

14. LOANS PAYABLE - STOCKHOLDERS

The Company has a loan payable balance of \$32,300 to the stockholders at September 30, 2004. These loans are interest free, unsecured and due on demand.

15. STOCKHOLDERS' EQUITY

a. Common Stock and Warrants

The Company has authorized 50 million shares of common stock with a par value of \$0.001 per share. Each share entitles the holder to one vote. There are no dividend or liquidation preferences, participation rights, call prices or rates, sinking fund requirements, or unusual voting rights associated with these shares. During the year ended June 30, 2003, the Company established the Class L warrants and initiated the process of establishing the Class A Preferred stock which underlies these warrants.

During the period ended September 30, 2004, 2,043,888, shares of common stock were issued for services valued at \$170,000.

During the period ended September 30, 2004, 4,682,572 shares of common stock were issued for conversion of loans from shareholders bond amounting \$211,756.

During the period ended September 30, 2004, \$70,000 of outstanding notes were converted to 700,000 shares of common stock. In connection with this transaction, \$28,297 of beneficial conversion feature expense was recorded.

On September 15, 2004, the Company agreed to issue and sell to an Investor 1,000,000 shares of the Company's Common Stock and warrants purchase up to 1,000,000 shares of Common Stock. The investor purchased from the Company 1,000,000 shares of Common Stock of the Company for \$.10 per share, for an aggregate of \$100,000, and also received from the Company (a) warrants to purchase up to 1,000,000 shares of Common Stock of the Company at \$.13 per share

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

at any time through September 15, 2007.

The Company agreed to provide with respect to the Common Stock as well as the Common Stock issuable upon exercise of the Warrants certain registration rights under the Securities Act;

Upon surrender of either a Class J or L warrant, the holder is entitled to purchase one share of the Company's stock at the designated exercise price. For each warrant class, the number of warrants outstanding, the exercise price, the type of underlying stock, and the expiration dates are defined as follows:

Class L - warrants were established in March 2003, with an exercise price of \$.25 per share, an expiration date of January 14, 2005 and Series A Preferred as underlying stock. As of June 30, 2004, holders of Class J exchanged their warrants for 3,063,432 Class L Warrants.

17

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

During the year ended June 30, 2004, 200,000 shares of warrants were issued for consulting services for three years beginning February 2004, valued at \$41,572. \$3,464 was amortized during the period ended September 30, 2004. The fair value of the warrants is estimated on the grant date using the Black-Scholes Model. The following assumptions were made in estimating fair value.

Annual rate of quarterly dividends	0.00%
Discount rate - Bond Equivalent Yield	3.50%
Expected life	3 years
Expected volatility	100%

b. Common Stock Reserved

At September 30, 2004, common stock was reserved for the following reasons:

Outstanding convertible bond	151,919 shares
Exercise of Class L warrants	3,063,432 shares

Warrants	Number of Warrants -----
Outstanding June 30, 2004	3,263,432
Issued during the period	1,000,000
Exercised	0

Outstanding September 30, 2004	4,263,432 =====

c. Stock Option Agreements

The Company granted 50,000 stock options to one employee during the period ended

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

September 30, 2004.

The Company recorded \$ 1,500 as compensation expense due to issuance of the options, during the period ended September 30, 2004.

The number and weighted average exercise prices of options granted by the Company are as follows:

Options	Number of Options

Outstanding June 30, 2004	2,215,000
Granted during the period	50,000
Exercised	0
Expired/forfeited	0

Outstanding September 30, 2004	2,265,000

18

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation-Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used, on reported results. The Statement is effective for the Companies' interim reporting period ending January 31, 2003.

In compliance with FAS No. 148, the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation plan as defined by APB No. 25 and has made the applicable disclosures below.

Had the Company determined employee stock based compensation cost based on a fair value model at the grant date for its stock options under SFAS 123, the Company's net earnings per share would have been adjusted to the pro forma amounts for the six month ended June 30, 2004 as follows (\$ in thousands, except per share amounts). :

Net loss - as reported	\$ (1198)
Stock-Based employee compensation expense included in reported net income, net of tax	-
Total stock-based employee compensation expense determined under fair-value-based method for all rewards, net of tax	(1)

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Pro forma net loss	\$	(1,199)
		=====
Earnings per share:		
Basic, as reported	\$	0.02
Diluted, as reported	\$	0.02
Basic, pro forma	\$	0.02
Diluted, pro forma	\$	0.02

The assumptions used in calculating the fair value of options granted using the Black-Scholes option-pricing model are as follows:

Expected life (years)		1 year
Risk-free interest rate		1.40% and 3.40%
Dividend yield		0% and 0%
Volatility		45% and 100%

d. Stock transactions approved by the shareholder's

At the annual meeting of the shareholders held June 30, 2004, the shareholders approved by a majority vote to increase to 200,000,000 shares, no par value common stock, and 50,000,000 shares no par value, preferred stock which the corporation shall have authority to issue. The board of directors is authorized to divide the preferred stock into any number of classes or series, fix the designation and number of shares of each such series or class and alter or determine the rights, preferences, privileges and restrictions of each or series of preferred stock Series A Preferred Stock

19

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The general terms of the Series A Preferred Stock is as follows: Par value - \$0.00; Liquidation Preference - \$0.25 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of \$0.005 per share when and as declared by the Board of Directors; Conversion Rights - convertible to common stock at a 1:1 ratio ; Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at a rate of \$0.25 per share plus all accumulated and unpaid dividends thereon at the dividend rate of \$0.005 annually per share; Voting Rights - one vote per share on all matters requiring shareholder vote. At September 30, 2004, the Company had 2,250,000 shares of Series A Preferred Stock to be issued valued at \$360,000. The Company has recorded a cumulative dividend of \$2,813 for the preferred stockholders for the three month period ended September 30, 2004, in the accompanying financial statements.

Series B Preferred Stock

The general terms of the Series B Preferred Stock is as follows: Par Value - \$0.00; Liquidation Preference - \$0.25 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of \$0.0005 per share when and as declared by the Board of Directors; Conversion Rights - convertible to common stock at a 1:5 ratio (i.e. 1 share of Series B Preferred stock is convertible into 5 shares of common stock) ; Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at a rate of \$0.25 per share plus all accumulated and unpaid dividends thereon at the dividend rate of \$0.0005 annually per share; Voting Rights - one vote per share on all matters requiring shareholder vote.

Series C Preferred Stock

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

The general terms of the Series C Preferred Stock is as follows: Par value - \$0.00; Liquidation Preference - \$1.00 per share plus any unpaid accumulated dividends; Dividends - cumulative annual rate of \$.0005 per share when as declared by the Board of Directors; Conversion Rights - 1:20 ratio (i.e. 1 share of Preferred Series C stock is convertible into 20 shares of common stock); Redemption Rights - the Company has the right to redeem part or all of the stock upon 30 days written notice at the rate of \$1.00 per share plus all accumulated and unpaid dividends thereon at the dividend rate of \$.0005 annually per share.; Voting Rights - one vote per share on all matters requiring shareholder vote.

Liabilities in process of conversion to stock:

The Company has entered into agreements with various vendors and employees to convert their liabilities into the above, three preferred series of stock pending approval of same. The conversion rate varies. (note 12)

17. SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Company prepares its statements of cash flows using the indirect method as defined under the Financial Accounting Standard No. 95.

The Company paid \$-0- for income tax during the period ended September 30, 2004. The Company paid \$9,754 interest during the period ended June 30, 2004.

20

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The cash flow statement for the period ended ended September 30, 2004 does not include the following non-cash investing and financing transactions;

- o 4,682,572 shares of common stock were issued for conversion of loans from stockholders amounting to \$211,756.
- o Machinery and equipment was acquired through financing agreements in the amount of \$223,242.
- o 1,145,595 of shares of a publicly held entity were purchased in exchange for 14,000,000 shares of the Company's common stock. The shares received were valued at \$2,660,000. Of this amount 572,798 are trading shares, the remaining 572,797 shares are being held in escrow.

18. COMMITMENTS AND CONTINGENCIES

a) Operating Leases

Effective July 1, 2004 the Company relocated its executive offices to Huntington Beach, California and entered into a four year lease agreement. The agreement contains a base rent escalation clause. The Company leases its Idaho office facility under a month-to-month rental agreement at \$1,384 per month. For the period ended June 30, 2004 rent expense for these operating leases totaled \$29,711.

The future minimum lease payments under non-cancelable leases are as follows:

2005	\$ 79,000
2006	81,000
2007	83,000
2008	64,000

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

\$ 307,000
=====

The Company has not filed income tax returns for several years. Due to operating losses, income tax liability and penalties would not be substantial. However, the State of California could potentially revoke the Company's charter if the Company does not become current on its income tax return filings.

d) Securities and Exchange Commission Inquiry

On September 17, 2002, the Company was advised by the staff of the U.S. Securities and Exchange Commission that they will recommend that the Commission file civil injunctive

Lawsuits against the Company and its president, Thomas W. Sims. The suits would allege that the Company violated Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 13a-1, and 13a-13, based on false and misleading statements in press releases disseminated by the Company on October 22, 2001 and October 25, 2001, regarding the Company's investment in PanaMed Corp. and the press releases disseminated on January 8, 2002 and March 20, 2002, and failure to timely file annual and quarterly reports with the Commission. On March 25, 2003, the Company signed, without admitting or denying the allegations, a proposed settlement agreement with the U.S. Securities and Exchange Commission, which permanently restrains

21

QUINTEK TECHNOLOGIES,
NOTES TO THE FINANCIAL STATEMENTS
(Unaudited)

and enjoins the Company from engaging in acts which would constitute violations of these regulations in the future. On August 6, 2003, a final judgment was entered by the U.S. District Court, Central District of California, against the Company which permanently enjoined the Company from violating Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by using any means or instrumentality of interstate commerce, or of the mails, or of any national securities exchange: (A) to employ any device, scheme or artifice to defraud; (B) to make any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (C) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security. Further, the final judgment permanently enjoined the Company from violating Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 promulgated thereunder, by failing to file with the Commission in accordance with Commission rules and regulations, information and documents required by the Commission to keep current information and documents required in or with an application or registration statement filed pursuant to Section 12 of the Exchange Act or annual or quarterly reports as the Commission has prescribed.

d) Litigation

During the year ended June 30, 2004, a creditor of the Company filed suit against the Company for \$22,662 for goods provided. The Company filed a counterclaim in August 2004.

The \$22,662 is included in accounts payable and accrued expenses in the accompanying financial statements.

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

19. BASIC AND DILUTED NET LOSS PER SHARE

Net loss per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share." Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Weighted average number of shares used to compute basic and diluted loss per share for the years ended June 30, 2004 and 2003 are the same since the effect of dilutive securities is anti-dilutive.

20. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Through September 30, 2004, the Company had incurred cumulative losses of \$24,256,306 including net losses of \$1,198,053 and \$113,709 for the periods ended September 30, 2004 and 2003 respectively. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent

22

QUINTEK TECHNOLOGIES, NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. Management devoted considerable effort during the period ended September 30, 2004, towards (i) obtaining additional equity financing (ii) controlling of salaries and general and administrative expenses (iii) management of accounts payable and (iv) evaluation of its distribution and marketing methods.

21. SUBSEQUENT EVENTS

During October 2004, the Company converted various liabilities and stock based compensation to shares of stock as follows:

400,000 shares of common stock were issued as repayment of \$32,300 in loans from a stockholder. As part of the agreement, the Company forgave \$6,000 owed to the Company by the stockholder.

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

1,008,054 shares of Series A preferred stock were issued as conversion of \$252,213 in back payroll. The Series A preferred stock is convertible to common stock on a 1:1 basis.

2,250,000 shares of Series A preferred stock were issued as compensation for services in the amount of \$340,000. 250,000 shares valued at \$40,000 were recorded as shares to be issued during the year ended June 30, 2004. The series A preferred stock is convertible to common stock on a 1:1 basis.

724,077 shares of Series A preferred stock were issued for a \$36,204 convertible bond. The series A preferred stock is convertible to common stock on a 1:1 basis.

648,255 shares of Series B preferred stock were issued for \$162,064 in convertible bonds. The Series B preferred stock is convertible into common stock on a 1:5 basis. One share of Series B preferred stock is convertible into 5 shares of common stock.

32,000 shares of Series B preferred stock and 175,000 of common stock were issued to satisfy a past due agreement. The Series B preferred stock is convertible into common stock on a 1:5 basis. One share of Series B preferred stock is convertible into 5 shares of common stock.

20,148 shares of Series C preferred stock were issued in conversion of \$20,148 in accounts payable. The Series C preferred stock is convertible into common stock on a 1:20 basis. One share of Series C preferred stock is convertible into 20 shares of common stock.

23

Item 2. Management's Discussion and Analysis

2.1 Results of Operations

Our revenues totaled \$114,266 and \$108,177 for the three months ended September 30, 2004 and 2003, respectively, an increase of \$6,089 (6%) in 2004, primarily due to changing the company's sales focus to the services business. Revenues in the previous period resulted primarily from sales of equipment, aperture card media, and maintenance services. Revenues in this period included \$60,885 from the new services business.

For the three months ended September 30, 2004 and 2003, cost of sales was \$84,481 and \$52,910, respectively, an increase of \$31,571 (60%) in 2004. The cost of sales for the previous period consisted primarily of labor and production costs. The cost of sales for this period consisted primarily of labor, facility and equipment lease costs.

Operating expenses totaled \$1,202,109 for the three month period ended September 30, 2004 as compared to \$165,898 for the three month period ended September 30, 2003, a \$1,036,211 (625%) increase in 2004, primarily due to a increase in sales related expenses and stock-based compensation for consulting services accrued over the past 18 months.

During the three months ended September 30, 2004, we billed on 3 contracts for document services, (19) maintenance contracts, (1) network upgrades, and 18,000 aperture cards.

2.2 Liquidity and capital resources

We have historically financed operations from the issuance of debt, the sale of common stock and the conversion of common stock warrants. On September 30, 2004,

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

we had cash on hand of \$11,670 and working capital of \$(854,163) as compared to cash on hand of \$15,600 and working capital of (\$2,127,979) at period-ending June 30, 2003.

Net cash used in operating activities of \$(571,727) and \$552 for three months ended September 30, 2004 and 2003, respectively, is attributed primarily to an increase in stock-based compensation, issuance of stock for consulting services and accounts payable and accrued expenses.

Net cash used for investing activities of \$0 for the three months ended September 30, 2004 and (\$9,092) for the three months ended September 30, 2003 is primarily related to no purchases of other assets made during the period.

Net cash provided by financing activities of \$567,797 for the three months ended September 30, 2004 is based primarily on sale of securities. Net cash provided by financing activities of \$(8,066) for the three months ended September 30, 2003 is based primarily on proceeds from factoring offset by notes payable to stockholders.

We assumed certain payroll tax liabilities as the result of the merger with Pacific Diagnostic Technologies, Inc., on January 14, 1999. We have negotiated a payment plan with the Internal Revenue Service to pay the payroll taxes assumed in the merger.

We believe that the receipt of net proceeds from the issuance of debt, the sale of the common stock and the exercise of common stock warrants plus cash generated internally from sales will be sufficient to satisfy our future operations, working capital and other cash requirements for the remainder of the fiscal year. However, if we are unable to raise sufficient capital, we may need to sell certain assets, enter into new strategic partnerships, reorganize the Company, or merge with another company to effectively maintain operations. Our audit for the years ended June 30, 2004 and 2003 contained a going concern qualification.

24

Item 3. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for the Company. Such officers have concluded (based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report) that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in this report is accumulated and communicated to the Company's management, including its principal executive officers as appropriate, to allow timely decisions regarding required disclosure. The Certifying Officers also have indicated that there were no significant changes in the Company's internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

On April 16, 2004, Decision One Corporation filed suit in the County of Bannock, Idaho against us for \$22,661.56 for goods provided. Since 2000, Decision One (formerly Imation) has been both a vendor to Quintek and a reseller of Quintek's Q4300 Printers. Quintek filed a counterclaim on August 1, 2004. We assert that Decision One used its authority as a dealer of our product to disparage us, in

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

violation of its dealer agreement with us, and we seek relief for the hundreds of thousands of dollars in business lost because of it.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On September 30, 2004, Quintek sold 14,000,000 shares of common stock to an institutional investor at \$0.139 per share.

On July 15, 2004, Quintek granted 300,000 of common stock to a consultant in consideration of services performed pursuant to a consulting agreement.

On July 27, Quintek sold a one year \$50,000 convertible promissory note bearing ten percent annual interest to an accredited investor. On August 30, the note was converted into 500,000 shares of common stock at \$0.10. Additionally, the investor was granted, for each share converted pursuant to the note, one warrant to purchase a share of common stock at \$0.15 expiring 7/27/07.

On September 15, 2004, Quintek sold 1,000,000 shares of common stock to an investor in consideration of \$100,000; additionally, the investor was granted a three year warrant to purchase 1,000,000 of common stock at an exercise price of \$0.14.

On August 5, 2004, Quintek sold 1,000,000 shares of common stock to an accredited investor in consideration of \$70,000.

On August 5, 2004, Quintek sold 500,000 shares of common stock to an accredited investor in consideration of \$35,000.

On August 26, 2004, Quintek granted 150,000 of common stock to a consultant in consideration of services performed pursuant to a consulting agreement.

On July 1, Quintek sold a one year \$20,000 convertible promissory note bearing ten percent annual interest to an accredited investor. On August 30, the note converted into 200,000 shares of common stock at \$0.10. Additionally, the investor was granted, for each share converted pursuant to the note, one warrant to purchase a share of common stock at \$0.15 expiring 7/11/07.

25

On July 17, Quintek sold a one year \$100,000 convertible promissory note bearing ten percent annual interest to an accredited investor. The note is convertible into 1,000,000 shares of common stock at \$0.10. Additionally, the investor was granted, for each share converted pursuant to the note, one warrant to purchase a share of common stock at \$0.15 expiring 7/11/07.

On August 2, 2004, Quintek sold a two year \$325,000 convertible promissory note bearing 5.75% annual interest to an accredited investor. The note is convertible into shares of common stock. The "Conversion Price" of the note shall be equal to the lesser of (i) \$0.50, or (ii) 80% of the average of the 5 lowest volume weighted average prices during the 20 trading days prior to holder's election to convert, or (iii) 80% of the volume weighted average price on the trading day prior to holder's election to; additionally Quintek granted 3,000,000 warrants to purchase common stock for a period of three years at \$1.00. Upon conversion of the note, the fund is obligated to simultaneously exercise the \$1.00 warrants. The warrants must be exercised concurrently with the conversion of the note in an amount equal to ten times the dollar amount of the note conversion.

On September 29, 2004, Quintek granted 700,000 shares of common stock to a consultant in consideration of services performed pursuant to a consulting agreement.

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

On August 14, 2004, Quintek granted 302,271 shares of common stock to a consultant in consideration of services performed pursuant to a consulting agreement.

On September 26, 2004, Quintek granted 230,275 shares of common stock to a consultant in consideration of services performed pursuant to a consulting agreement.

On September 27, 2004, Quintek granted 648,256 shares of Series B Preferred Stock to three creditors in consideration of conversion of \$162,063.88 in debt.

On September 27, 2004, Quintek granted 724,077 shares of Series A Preferred Stock in consideration of conversion of \$36,203.84 in debt.

On September 27, 2004, Quintek granted 18,981 shares of Series C Preferred Stock to eleven creditors in consideration of conversion of \$18,981.16 in debt.

On September 27, 2004, Quintek granted 1,006,854 shares of Series A Preferred to five employees in consideration of conversion of \$251,713.50 in debt.

Subsequent Events

On October 1, Quintek granted 175,000 shares of Common Stock to a consultant in consideration of services performed pursuant to a consulting agreement.

On October 4, 2004, Quintek sold 250,000 shares of common stock to an investor in consideration of \$25,000; additionally, the investor was granted a three year warrant to purchase 250,000 of common stock at an exercise price of \$0.15.

On October 16, 2004, Quintek sold a six month \$250,000 promissory note bearing 5.75 percent annual interest to an accredited investor for \$250,000. Additionally, the investor was granted a 5,000,000 warrant to purchase common stock at \$0.10 expiring 10/16/07.

Unless otherwise noted, the sales set forth above involved no underwriter's discounts or commissions and are claimed to be exempt from registration with the Securities and Exchange Commission pursuant to Section 4 (2) of the Securities Act of 1933, as amended, as transactions by an issuer not involving a public offering, the issuance and sale by the Company of shares of its common stock to financially sophisticated individuals who are fully aware of the Company's activities, as well as its business and financial condition, and who acquired said securities for investment purposes and understood the ramifications of same.

26

Item 3. Defaults Upon Senior Securities

N/A

Item 4. Submission of Matters to a Vote of Security Holders

During the three month period ending September 30, 2004, no matters were submitted to a vote of security holders.

Item 5. Other Information

N/A

Item 6. Exhibits

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

(a) Exhibits

31.1 Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer

31.2 Certification pursuant to Rule 13a-14 of the Securities Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer

27

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUINTEK TECHNOLOGIES, INC.

Date: November 10, 2004

/s/ ROBERT STEELE

Robert Steele, Chairman
and Chief Executive Officer

Date: November 10, 2004

/s/ ANDREW HAAG

Andrew Haag, Chief Financial Officer

28