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QUANTIFY TECHNOLOGY
truly intelligent buildings

ASX RELEASE

September 2020 Quarterly Update

ASX RELEASE 30 October 2020

HIGHLIGHTS

- **Blaq Project Product Recall**
- **Acquisition of GSM Innovations Pty Ltd from Gerard Private Holdings (Finance) Pty Ltd**

Quantify Technology Holdings Limited (ASX:QFY) ("**Quantify Technology**", the "**Company**"), a unique and disruptive player in the multi-billion-dollar IoT market, is pleased to provide its quarterly update for the period ending 30 September 2020.

Quantify Technology CEO Brett Savill commented: "This has been an exciting quarter as we announced the acquisition of GSM Innovations to create Australia's leading electrical Internet of Things provider. The acquisition will broaden the product range, deepen the channels to market, reduce costs and strengthen the team. We are confident it will catapult the business into a new trajectory."

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Operations Update

Blaq Project Product Recall

As announced on 14 July 2020, Quantify Technology announced it had discovered a technical issue with one of is devices, the Blind Controller, and had issued a recall notice. Blaq determined the devices were not fit for purpose, paused its initial order, and issued a return notice on the devices in the apartments where they had been installed.

The Company agreed to reimburse Blaq for the devices and any labour costs incurred. The cost of the recalled devices was $66,000 (both for the recall Blind Controllers and other devices). The labour cost was estimated approximately to be less than $45,000.

The heads of agreement with Blaq remains in place, with their initial order having been put on hold. Quantify Technology's products shall be re-evaluated once deemed fit for purpose.

Acquisition of GSM Innovations to create Australia's leading electrical Internet of Things provider

As announced on 30 September 2020, Quantify Technology entered into a binding terms sheet for the acquisition of 100% of the share capital of GSM Innovations Pty Ltd ("**GSM-I**"), a wholly owned subsidiary of Gerard Private Holdings (Finance) Pty Ltd.

GSM-I produces a range of connected devices that can be installed by any electrician with the ability for end-users to setup and configure the devices as desired. The GSM-I product range controls lights, fans, appliances, switches, garage doors and more. The technology is scalable for partial to complete home solutions and can accommodate a variety of budgets. The product range is suitable for both new and existing homes.

GSM-I, which trades under the name Zimi/Powermesh, was incubated by Gerard Private, a substantial privately owned business. The Gerard family's electrical tradition spans 100 years of supplying quality electrical products to millions of Australians, including the development of Clipsal C-Bus, one of the leading home automation brands that was acquired by Schneider Electric in 2003. Gerard Private is the parent company of GSM Electrical (Trader) which supplies into the electrical wholesale market and the GSM Retail Group which supplies into the electrical retail market.

The acquisition brings the following synergy benefits to the Company:

- Cross-sell a more complete family of connected products. GSM Electrical Pty Ltd ("**GSM Electrical**") trading under the brand, Trader, will be the exclusive distributer into the electrical wholesale market under an initial three-year agreement whereby it will distribute, promote, stock and sell the GSM-I products into the more than 900 electrical wholesalers across Australia.
- The team will be strengthened. Simon Gerard will join the board and Jordan Tentori will be appointed as Chief Technology Officer, as well as joining the board. Simon is the CEO of Gerard Private which owns, GSM Electrical (Trader) and the GSM Retail Group. Jordan is the Co-Founder and General Manager of GSM-I with a demonstrated history of working nationally

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and internationally with electrical and lighting industries to evolve technology into commercial reality.

- There will be reduced costs from combining the two teams. As importantly, the GSM-I manufacturing and logistics' relationships will result in improved supply chain performance.
- The Company and GSM-I will create a single, powerful software platform for all its connected products resulting in accelerated performance and greater opportunity to use the data.
- Finally, GSM-I has a flexible business model that can both supply product directly and license its intellectual property via existing arrangements with GSM Electrical, Beacon Lighting and Steel-line. This flexibility will be even more attractive for partners, enabling the Company to expand into new markets and overseas

The combination of the Company and GSM-I creates a leading domestic player in connected lighting with extensive sales channels in place. Its platform is cloud-based to reduce costs and complexity for distributors and end-users. It is Australian-owned and designed meaning it is tailored to the local requirements. Its intellectual property is protected through a series of patents and patents pending. It has the ability to use data to improve the end-user experience, reduce costs, and enhance security. Finally, the licensing model provides a flexible channel to expand into new markets and overseas.

The smart home market in Australia is worth A$1.8 billion in 2020, and growing at a compound annual rate of 16%[1]. Approximately 25% of homes have some type of smart device which is anticipated will rise to over 49% in 2025. There are approximately 10 million dwellings in Australia[2] with forecast additional dwellings of ~140,000 pa[3].

The consideration for the Acquisition will be approximately $4.8 million to be satisfied by the issue to the Vendor of:

- 240,000,000 Shares at issue price of $0.02 per Share (post consolidation); and
- 110,000,000 Performance Rights.

Capital Raising

As announced on 30 September 2020, in conjunction with, and as a condition to completion of, the acquisition and subject to Shareholder approval of the acquisition, Quantify Technology proposes to conduct a capital raising, issuing Shares under a placement to professional and sophisticated investors ("**Placement**"); and/or a pro rata offer of Shares to existing Quantify Technology shareholders ("**Rights Issue**").

It is proposed that the issue price of Shares under the Capital Raising will be at an issue price of $0.02 per Share, raising approximately $4 million in capital ("**Capital Raising**"), following completion of the Consolidation of Quantify Technology's share capital on a 25:2 basis.

[1] https://www.statista.com/outlook/279/107/smart-home/australia
[2] Australian Bureau of Statistics
[3] House Institute of Australia, 2020

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The Company intends to complete the Capital Raising contemporaneously with completion of the acquisition.

On completion of the acquisition of GSM-I and the Capital Raising, the Vendor will hold approximately 40% of the total issued shares in Quantify Technology.

PAC Partners Securities Pty Ltd ("**PAC**") is the lead manager in relation to the capital raising. Founded in 2013, PAC has been one of the most active and successful Australian stockbrokers and corporate financiers since that time. PAC will be supported by Westar Capital and Lazarus Corporate Finance Pty Ltd.

On completion of a successful Capital Raising, PAC will be entitled to a capital raising fee of 6% of the total amount of the Capital Raising and, subject to Company shareholder approval, will be entitled to be granted 25,000,000 unlisted options exercisable at $0.0001 each, expiring 3 years after the grant date. The options will be subject to voluntary escrow restrictions for a period of 2 years from grant. PAC is also entitled to be paid a management fee of $7,500 per month for a period of 12 months.

Consolidation of Capital

As announced on 30 September 2020, the company will be seeking approval from shareholders for a consolidation of securities on issue on 25:2 basis.

Appendix 4C – Quarterly cash flow report

During the quarter:

- Payments for research and development of $79,000 represented salary allocations of Quantify team members who are 100% focused on R&D activities;
- Product manufacturing and operating costs paid to CASwell, totalling $107,000, including make-good costs of $71,000;
- Payments for staff costs represent salaries for administration, sales and general management activities;
- Payments for administration and corporate costs represent general costs associated with running the Company, including ASX fees, legal fees, rent, advertising, make-good costs etc;
- The aggregate amount of payments to related parties and their associates included in the current quarter Cash flows from operating activities were $32,000 comprising Directors fees, salaries and superannuation of $17,000 and corporate advisory fees to a director related entity of $15,000.

Cash outlflows for the quarter were in line with management expectations. Refer to the attached Appendix 4C for further details on cash flows for the quarter.

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This release is authorised by the Board.

-ENDS-

Further Information:
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About Quantify Technology
Quantify Technology is an Australian-based company, focused on making lives better in homes, workplaces, and communities with their Internet of Things (IoT) smart home technology. Their qDevices replace standard power outlets and light switches and can be controlled by voice, app and touch. Quantify has the opportunity to be the first truly mass-market smart home product because of its simplicity, the innovative nature of its technology, and its limitless platform. Its strategic priorities are to maximise sales domestically, secure distribution internationally and strengthen its platform.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
QUANTIFY TECHNOLOGY HOLDINGS LIMITED	
ABN	**Quarter ended ("current quarter")**
25 113 326 524	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development	(79)	(79)
	(b) product manufacturing and operating costs	(178)	(178)
	(c) advertising and marketing	(13)	(13)
	(d) leased assets	(39)	(39)
	(e) staff costs	(100)	(100)
	(f) administration and corporate costs	(92)	(92)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(501)**	**(501)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	(11)	(11)
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(11)**	**(11)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
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)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	695	695
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(501)	(501)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(11)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**183**	**183**

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	183	695
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**183**	**695**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	32
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	805	805
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	805	805

7.5	**Unused financing facilities available at quarter end**	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

Financing facility relates solely to R&D pre-funding from Radium Capital. The loan is secured against the R&D refund from the Government, following lodgement of the annual return; anticipated to be October 2020. The interest accrues at 14% p.a.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(501)
8.2	Cash and cash equivalents at quarter end (item 4.6)	183
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	183
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.4

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company has continued to make significant cost reductions which started in the Q3 FY2020 and continued through until Q1 FY2021. Further cost cutting measures have been undertaken, including continuance of stand-downs as a result of COVID-19.

8.6.2 Has the entity 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?

Answer: The Company has announced an upcoming capital raise of $4.0 million, anticipated to be completed in December 2020.

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8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Notwithstanding the overall downturn in the retail market as a result of COVID-19, the Company expects to make further sales through its anticipated acquisition of GSM Innovations Pty Ltd in December 2020, and to participate where possible in Government initiatives, and undertake further pre-funding of eligible R&D expenditure.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: 30 October 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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