

August 14, 2023

KNOW LABS

# Know Labs, Inc. Reports Third Quarter FY2023 Results

SEATTLE--(BUSINESS WIRE)-- [Know Labs, Inc.](#) (NYSE American: KNW), an emerging developer of non-invasive medical diagnostic technology, today reported financial results for the third quarter ended June 30, 2023.

## **Financial Highlights:**

- Know Labs reported a net loss of \$3.59 million dollars in the third quarter of 2023, compared to a net loss of \$3.03 million dollars in the year-ago period, which translates to Earnings Per Share of a loss of \$0.07, unchanged from the year ago period of a loss of \$0.07 before preferred stock dividends.
- Recorded a non-cash charge to earnings of \$4.96 million related to the fair market value of dividends on the Company's Series C and D preferred stock, that were either paid or accrued in shares of common stock in the quarter.
- Research and development expense for the third quarter was \$1.87 million dollars as compared to \$1.27 million dollars in 2022. The increase in R&D expense was related to increases in engineering, third-party technical services, and expenditures related to the development of our Generation 1 device, which we completed and announced on June 7<sup>th</sup>, as we continue to execute our path to FDA clinical trials and commercialization.
- Selling, general and administrative expenses for the third quarter was \$1.35 million, which was sequentially lower by \$890,000 than the \$2.24 million dollars in the second quarter, as well as lower than the year ago period of \$1.58 million, as we continue our initiatives to reduce our cash burn.
- As of June 30, 2023, we had cash and cash equivalents of \$3.93 million dollars, as compared to \$12.59 million at the end of September 30, 2022. Net cash used in operations for the nine-month period ending June 30, 2023 was \$8.97 million dollars compared with \$3.69 million in the prior year.
- During the quarter that ended June 30, 2023, the Company made adjustments to its fixed expenses and the impact of those adjustments has significantly reduced our monthly burn rate. Given the significant reduction in fixed expenses, the Company believes that it has enough available cash and flexibility with its operating expenses to operate until at least December 2023. As we have stated in our Third Quarter 10-Q, during 2023, we expect to raise additional funds through the issuance of preferred stock, convertible debentures, and equity.
- Shareholder equity for the third quarter 2023 was \$0.72 million versus \$9.9 million as of September 30, 2022.

## **Income Statement:**

	Three Months Ended,		Nine Months Ended,	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
REVENUE- DIGITAL ASSET SALES	\$ -	\$ -	\$ -	\$ 4,360,087
OPERATING EXPENSES-				
RESEARCH AND DEVELOPMENT EXPENSES	1,879,519	1,272,537	6,186,039	3,406,996
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,359,782	1,588,823	5,507,511	4,253,997
SELLING AND TRANSACTIONAL COSTS FOR DIGITAL ASSETS	-	164,093	-	3,436,955
Total operating expenses	3,239,301	3,025,453	11,693,550	11,097,948
OPERATING LOSS	(3,239,301)	(3,025,453)	(11,693,550)	(6,737,861)
OTHER (EXPENSE):				
Interest income (expense), net	23,511	(239,760)	(275,301)	(8,024,709)
Other (expense) income	(384,137)	261,927	(384,137)	261,927
Total other (expense), net	(360,626)	22,167	(659,438)	(7,762,782)
LOSS BEFORE INCOME TAXES	(3,599,927)	(3,003,286)	(12,352,988)	(14,500,643)
Income tax expense	-	-	-	-
NET LOSS	(3,599,927)	(3,003,286)	(12,352,988)	(14,500,643)
Common stock dividends on Series D Preferred Stock	(1,627,230)	-	(1,627,230)	-
Deemed dividends on Series C and D Preferred Stock	(3,337,494)	-	(3,337,494)	-
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	\$ (8,564,651)	\$ (3,003,286)	\$ (17,317,712)	\$ (14,500,643)
Basic and diluted loss per share	\$ (0.18)	\$ (0.07)	\$ (0.36)	\$ (0.37)
Weighted average shares of common stock outstanding- basic and diluted	48,928,911	43,760,904	48,604,274	39,032,860

## **Balance Sheet:**

	June 30, 2023 Unaudited	September 30, 2022 (1)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,928,865	\$ 12,593,692
Total current assets	<u>3,928,865</u>	<u>12,593,692</u>
PROPERTY AND EQUIPMENT, NET	300,097	862,977
OTHER ASSETS		
Other assets	15,766	13,767
Operating lease right of use asset	<u>191,769</u>	<u>287,930</u>
TOTAL ASSETS	<u>\$ 4,436,497</u>	<u>\$ 13,758,366</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 526,688	\$ 526,968
Accrued expenses	416,191	462,940
Accrued expenses - related parties	320,427	348,264
Convertible notes payable, net	2,255,066	2,255,066
Current portion of operating lease right of use liability	<u>202,712</u>	<u>215,397</u>
Total current liabilities	<u>3,721,084</u>	<u>3,808,635</u>
NON-CURRENT LIABILITIES:		
Operating lease right of use liability, net of current portion	-	87,118
Total non-current liabilities	<u>-</u>	<u>87,118</u>
COMMITMENTS AND CONTINGENCIES (Note 12)	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - \$0.001 par value, 5,000,000 shares authorized, Series C and D shares issued and outstanding as follows:		
Series C Convertible Preferred stock \$0.001 par value, 1,785,715 shares authorized, 1,785,715 shares issued and outstanding at 6/30/2023 and 9/30/2022, respectively	1,790	1,790
Series D Convertible Preferred stock \$0.001 par value, 1,016,014 shares authorized, 1,016,004 shares issued and outstanding at 6/30/2023 and 9/30/2022, respectively	1,015	1,015
Common stock - \$0.001 par value, 200,000,000 shares authorized, 52,358,463 and 48,156,062 shares issued and outstanding at 6/30/2023 and 9/30/2022, respectively	52,358	48,158
Additional paid in capital	119,375,700	111,209,388
Accumulated deficit	<u>(118,715,450)</u>	<u>(101,397,738)</u>
Total stockholders' equity	<u>715,413</u>	<u>9,862,613</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,436,497</u>	<u>\$ 13,758,366</u>

(1) Derived from audited consolidated balance sheet.

## **Cash Flow:**

	Nine Months Ended,	
	June 30, 2023	June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (12,352,988)	\$ (14,500,643)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	259,541	218,683
Issuance of common stock for services	-	153,000
Issuance of common stock warrants for services	-	71,220
Loss on disposal of assets	384,137	-
Modification of notes and warrants - interest expense	349,721	244,260
Stock based compensation- stock option grants	2,464,045	1,555,875
Right of use, net	(3,642)	(20,705)
Gain on forgiveness of notes payable-PPP Loans	-	(252,700)
Amortization of debt discount to interest expense	-	7,272,911
Changes in operating assets and liabilities:		
Other long-term assets	(1,999)	-
Accounts receivable-related party	-	(46,146)
Accounts payable - trade and accrued expenses	(74,866)	1,612,959
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(8,976,051)</b>	<b>(3,691,286)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(80,798)	(843,557)
<b>NET CASH (USED IN) INVESTING ACTIVITIES:</b>	<b>(80,798)</b>	<b>(843,557)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Settlement of notes payable-PPP loans	-	(179,103)
Proceeds from issuance of common stock for stock options exercise	4,687	13,687
Proceeds from issuance of common stock for warrant exercise	387,335	793,986
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>392,022</b>	<b>628,570</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(8,664,827)</b>	<b>(3,906,273)</b>
CASH AND CASH EQUIVALENTS, beginning of period	12,593,692	12,258,218
CASH AND CASH EQUIVALENTS, end of period	\$ 3,928,865	\$ 8,351,945

### **Conference Call:**

Know Labs will host an audio webcast to discuss its results and provide a business update today, August 14, 2023, at 4:30 pm ET (1:30 pm PT). The live webcast will be available on the Investors page of the Company's website, [www.knowlabs.co/investors](http://www.knowlabs.co/investors), and a replay will be available for six months.

Participant Dial-In: 877-514-3621 / +1 215-268-9856

Webcast: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=QDtTILZk>

A copy of the form 10-Q filed with the SEC can also be downloaded from the Company's website.

### **About Know Labs, Inc.**

[Know Labs, Inc.](http://www.knowlabs.co) is a public company whose shares trade on the NYSE American Exchange under the stock symbol "KNW." The Company's technology uses spectroscopy to direct electromagnetic energy through a substance or material to capture a unique molecular signature. The Company refers to its technology as Bio-RFID™. The Bio-RFID technology

can be integrated into a variety of wearable, mobile or bench-top form factors. This patented and patent-pending technology makes it possible to effectively identify and monitor analytes that could only previously be performed by invasive and/or expensive and time-consuming lab-based tests. The first application of our Bio-RFID technology will be in a product marketed as a non-invasive glucose monitor. The device will provide the user with accessible and affordable real-time information on blood glucose levels. This product will require U.S. Food and Drug Administration clearance prior to its introduction to the market.

### **Safe Harbor Statement**

This release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements appear in a number of places in this release and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of Know Labs, Inc., its directors or its officers with respect to, among other things: (i) financing plans; (ii) trends affecting its financial condition or results of operations; (iii) growth strategy and operating strategy; and (iv) performance of products. You can identify these statements by the use of the words “may,” “will,” “could,” “should,” “would,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” “likely,” “forecast,” “probable,” “potential,” and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond Know Labs, Inc.’s ability to control, and actual results may differ materially from those projected in the forward-looking statements as a result of various factors. These risks and uncertainties also include such additional risk factors as are discussed in the Company’s filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2022, Forms 10-Q and 8-K, and in other filings we make with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Relations section of our website at [www.knowlabs.co](http://www.knowlabs.co). The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

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