

August 14, 2024

KNOW LABS

# Know Labs, Inc. Reports Third Quarter FY 2024 Results

SEATTLE--(BUSINESS WIRE)-- [Know Labs, Inc.](#) (NYSE American: KNW), a leading developer of non-invasive medical diagnostic technology, today reported financial results for the third quarter of the fiscal year 2024 ended June 30, 2024.

## **Financial Highlights:**

- In Q3 FY 2024, Know Labs reported a net loss of \$4.10 million dollars, compared to a net loss of \$3.60 million dollars in Q3 FY 2023, an increase in net loss of 13.9%. This translates to earnings per share of a loss of \$0.05, better than the prior year earnings per share loss of \$0.07, before preferred stock dividends.
- Recorded a non-cash charge to earnings of \$1.58 million dollars principally related to stock-based compensation of \$1.0 million dollars, amortization of operating lease right-of-use asset of \$276,000, and interest expense for the extension of notes and warrants of \$240,000.
- Research and development expense for Q3 FY 2024 was \$1.35 million dollars as compared to \$1.88 million dollars in Q3 FY 2023, a decrease of 28.2% year over year. The decrease was due primarily to the completion of hardware and software product development milestones and continued use of consultants to reduce the cost of product development.
- Selling, general and administrative expenses for Q3 FY 2024 was \$2.49 million dollars, which was higher by \$1.13 million dollars than the \$1.36 million dollars in the year ago period. The increase was due primarily to salary expenses for several key hires, legal expenses related to financing activities and intellectual property assets, and an increase in stock-based compensation.
- As of June 30, 2024, Know Labs had cash and cash equivalents of \$2.13 million dollars, as compared to \$8.02 million dollars at the end of September 30, 2023. Net cash used in operations for the first nine months of FY 2024 was \$9.57 million dollars compared with \$8.98 million dollars in the same nine-month period of FY 2023.
- The Company is undertaking initiatives to significantly reduce fixed expenses and monthly burn rate. Subsequent to the end of Q3 FY 2024, on August 9, 2024, Know Labs closed a firm commitment underwritten public offering of \$3.45 million dollars; which with the cash on hand, the Company believes that it has enough available cash and flexibility with its operating expenses to operate until at least December 31, 2024.
- As noted in the Q3 FY 2024 10-Q, the Company plans to seek additional funding under the effective S-3 shelf registration statement to ensure operations well into 2025.
- Shareholder equity for Q3 FY 2024 was a negative \$4.60 million dollars versus \$3.74 million dollars in FY 2023, ending September 30, 2023. The Company is actively taking steps to address its negative shareholder equity through the conversion of convertible debt to equity.

As previously disclosed in its annual report on Form 10-K for the fiscal year ended September 30, 2023, which was filed with the Securities and Exchange Commission on

December 19, 2023, the audit opinion contained a going concern qualification from the Company's independent registered public accounting firm. This announcement is being made solely to comply with the New York Stock Exchange's Company Guide Sections 401(h) and 610(b), which require separate disclosure of receipt of an audit opinion that contains a going concern qualification. This announcement does not represent any change or amendment to the Company's 2023 audited financial statements or to its 2023 annual report on Form 10-K.

**Conference Call:**

Know Labs will host an audio webcast to discuss its results and provide a business update today, August 14, 2024, at 4:30 pm ET (1:30 pm PT). The live webcast will be available on the Investors page of the Company's website, <https://ir.knowlabs.co/>, 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=bN3zHkNr>

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

**Income Statement:**

	Three Months Ended,		Nine Months Ended,	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
OPERATING EXPENSES-				
RESEARCH AND DEVELOPMENT EXPENSES	\$ 1,348,985	\$ 1,879,519	\$ 5,010,618	\$ 6,186,039
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,486,846	1,359,782	7,025,503	5,507,511
Total operating expenses	3,835,831	3,239,301	12,036,121	11,693,550
OPERATING LOSS	(3,835,831)	(3,239,301)	(12,036,121)	(11,693,550)
OTHER INCOME (EXPENSE), NET				
Interest income	30,619	23,511	126,872	114,325
Interest expense	(298,248)	-	(1,038,499)	(389,626)
Other (expense)	-	(384,137)	-	(384,137)
Total other expense, net	(267,629)	(360,626)	(911,627)	(659,438)
LOSS BEFORE INCOME TAXES	(4,103,460)	(3,599,927)	(12,947,748)	(12,352,988)
Income tax expense	-	-	-	-
NET LOSS	(4,103,460)	(3,599,927)	(12,947,748)	(12,352,988)
Deemed dividends on Series C and D Preferred Stock	(100,045)	(3,337,494)	(262,283)	(3,337,494)
Common stock dividends on Series D Preferred Stock	-	(1,627,230)	-	(1,627,230)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (4,203,505)	\$ (8,564,651)	\$ (13,210,031)	\$ (17,317,712)
Basic and diluted loss per share	\$ (0.05)	\$ (0.18)	\$ (0.16)	\$ (0.36)
Weighted average shares of common stock outstanding- basic and diluted	83,038,866	48,928,911	82,314,925	48,604,274

**Balance Sheet:**

	June 30, 2024 (Unaudited)	September 30, 2023 (1)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,129,954	\$ 8,023,716
Total current assets	<u>2,129,954</u>	<u>8,023,716</u>
PROPERTY AND EQUIPMENT, NET	88,668	81,325
OTHER ASSETS		
Other assets	159,244	15,766
Operating lease right-of-use asset	364,342	145,090
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,742,208</u>	<u>\$ 8,265,897</u>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 1,255,888	\$ 1,292,861
Accrued expenses	116,666	94,062
Accrued expenses - related parties	99,692	218,334
Current portion of convertible notes payable, net	4,539,818	2,761,931
Current portion of operating lease right-of-use liability	105,653	154,797
Total current liabilities	<u>6,117,717</u>	<u>4,521,985</u>
NON-CURRENT LIABILITIES:		
Operating lease liability, net of current portion	280,714	-
Non-current portion of convertible notes payable, net	945,258	-
Total liabilities	<u>7,343,689</u>	<u>4,521,985</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' (DEFICIT) 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, 30,000 shares authorized, 17,858 shares issued and outstanding at 6/30/2024 and 9/30/2023, respectively	1,790	1,790
Series D Convertible Preferred stock \$0.001 par value, 20,000 shares authorized, 10,161 shares issued and outstanding at 6/30/2024 and 9/30/2023, respectively	1,015	1,015
Common stock - \$0.001 par value, 200,000,000 shares authorized, 86,368,897 and 80,358,463 shares issued and outstanding at 6/30/2024 and 9/30/2023, respectively	86,369	80,358
Additional paid in capital	130,360,164	125,501,537
Accumulated deficit	(135,050,819)	(121,840,788)
Total stockholders' (deficit) equity	<u>(4,601,481)</u>	<u>3,743,912</u>
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	<u>\$ 2,742,208</u>	<u>\$ 8,265,897</u>

## **Cash Flow:**

	Nine Months Ended,	
	June 30, 2024	June 30, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (12,947,748)	\$ (12,352,988)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	59,009	259,541
Stock based compensation - stock option grants	2,331,516	2,464,045
Issuance of common stock for services	277,010	-
Loss on disposal of assets	-	384,137
Amortization of operating lease right-of-use asset	162,647	96,161
Amortization of debt issuance costs	375,859	-
Interest expense for extension of notes and warrants	594,761	349,721
Changes in operating assets and liabilities:		
Other long-term assets	(143,478)	(1,999)
Operating lease right-of-use liability	(150,329)	(99,803)
Accounts payable - trade and accrued expenses	(133,011)	(74,866)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(9,573,764)</b>	<b>(8,976,051)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of research and development equipment	(66,352)	(80,798)
<b>NET CASH (USED IN) INVESTING ACTIVITIES:</b>	<b>(66,352)</b>	<b>(80,798)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from debt offering	3,805,699	-
Proceeds from issuance of common stock offering, net	203,105	-
Payments for debt offering	(262,450)	-
Proceeds from issuance of common stock for stock options exercise	-	4,687
Proceeds from issuance of common stock for warrant exercise	-	387,335
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,746,354</b>	<b>392,022</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(5,893,762)</b>	<b>(8,664,827)</b>
CASH AND CASH EQUIVALENTS, beginning of period	8,023,716	12,593,692
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,129,954</u>	<u>\$ 3,928,865</u>
Supplemental disclosure of non-cash financing activity:		
Deemed dividends on Series C and D Preferred Stock	\$ 262,283	\$ 3,337,494
Common stock dividends on Series D Preferred Stock	\$ -	\$ 1,627,230
Warrants issued for debt offering	\$ 1,536,743	\$ -
Common stock issued for debt payment	\$ 240,000	\$ -

## About Know Labs, Inc.

[Know Labs, Inc.](#) is a public company whose shares trade on the NYSE American Exchange under the stock symbol "KNW." The Company's platform technology uses spectroscopy to direct electromagnetic energy through a substance or material to capture a unique molecular signature. The 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 the 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, 2023, 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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