

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

FORM 10-Q/A  
Amendment No. 1

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File number 000-30262



**KNOW LABS, INC.**

(Exact name of registrant as specified in charter)

Nevada

(State or other jurisdiction of incorporation or organization)

90-0273142

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

500 Union Street, Suite 810, Seattle, Washington USA

(Address of principal executive offices)

98101

(Zip Code)

206-903-1351

(Registrant's telephone number, including area code)

(Former name, address, and fiscal year, if changed since last report)

Indicate by check mark 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of common stock, \$.001 par value, issued and outstanding as of May 15, 2019: 18,192,949 shares.

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-Q/A amends and restates the quarterly report on Form 10-Q of Know Labs Inc. (the "Company") for the three and six months ended March 31, 2019, as originally filed with SEC on May 15, 2019 ("Original Filing"). This Form 10-Q/A is being filed to restate the Company's consolidated financial statements in Item 1 in their entirety and related disclosures (including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2) for the three and six months ended March 31, 2019. Consequently, the previously filed unaudited condensed interim consolidated financial statements for the period ended March 31, 2019 should no longer be relied upon.

In connection with the review of the Form 10-Q for the Company for the three and six months ended March 31, 2019, management determined that previously issued unaudited consolidated financial statements issued for the three and six months ended March 31, 2019 contained an error which was non-cash in nature. The Company received proceeds from convertible promissory notes which are mandatorily convertible into equity after a one year term. The Company originally classified the proceeds as equity. They should have properly been classified as debt and footnoted to explain that they would become equity at the end of their term. Certain expenditures related to warrants attached to the debt offering were not properly accounted for as well.

The original and restated accounts are detailed below:

	<b>As of March 31, 2019</b>	
	<b>As Originally Reported</b>	<b>As Restated</b>
Convertible notes payable	\$ 2,255,066	\$ 2,255,066
Common stock	22,003	18,192
Additional paid in capital	36,917,782	36,608,295
Accumulated deficit	37,285,145	(37,002,765)
<b>Three Months Ended March 31, 2019</b>		
Selling, general and administrative expenses	1,678,335	1,003,504
Operating loss	(1,723,486)	(1,048,655)
Interest expense	(7,750)	(400,201)
Loss before taxes and net loss	(1,724,618)	(1,442,238)
<b>Six Months Ended March 31, 2019</b>		
Selling, general and administrative expenses	2,367,781	1,692,950
Operating loss	(2,489,999)	(1,815,168)
Interest expense	(16,876)	(409,327)
Loss before taxes and net loss	(2,493,821)	(2,211,441)

The Company evaluated the impact of this error under the SEC's authoritative guidance on materiality and determined that the impact of this error for the three and six months ended March 31, 2019 consolidated financial statements was material. On January 22, 2020, after review by our independent registered public accounting firm and legal counsel, the Audit Committee of the Company's Board of Directors concluded that the Company should restate our unaudited interim condensed financial statements for the three and six months ended March 31, 2019 to reflect the correction of the previously identified error in the unaudited condensed consolidated financial statements for this period.

Although this Form 10-Q/A supersedes the previously issued unaudited condensed consolidated financial statements issued for the three and six months ended March 31, 2019 in its entirety, this Form 10-Q/A only amends and restates Item 1 and certain provisions of Item 2 and Item 4 of Part I as a result of and to reflect the restatements, as well as immaterial conforming changes to other Items. No other information in the Original Filing is amended hereby. While the foregoing items have been updated, this amended report does not reflect any other events occurring after the Original Filing. In addition, currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2, respectively.

No other changes have been made to the Original Filing. This Amendment does not reflect events that have occurred after May 15, 2019, the filing date of the Form 10-Q or modify or update the disclosures presented therein, except to reflect the amendment described above.

## TABLE OF CONTENTS

	<b>Page Number</b>
<b>PART I FINANCIAL INFORMATION</b>	
ITEM 1 Financial Statements (unaudited except as noted)	3
Consolidated Balance Sheets as of March 31, 2019 and September 30, 2018 (audited)	3
Consolidated Statements of Operations for the three and six months ended March 31, 2019 and 2018	4
Consolidated Statements of Changes in Stockholders' Deficit	5
Consolidated Statements of Cash Flows for the six months ended March 31, 2019 and 2018	6
Notes to the Financial Statements	7
ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operation	22
ITEM 3 Quantitative and Qualitative Disclosures About Market Risk	30
ITEM 4 Controls and Procedures	30
<b>PART II OTHER INFORMATION</b>	
ITEM 1A. Risk Factors	32
ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds	40
ITEM 3 Defaults upon Senior Securities	41
ITEM 4 Mine Safety Disclosures	41
ITEM 5 Other Information	41
ITEM 6 Exhibits	42
<b>SIGNATURES</b>	<b>46</b>

ITEM 1. FINANCIAL STATEMENTS

KNOW LABS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	March 31, 2019 (Restated)	September 30, 2018 (Audited)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,061,901	\$ 934,407
Accounts receivable, net of allowance of \$60,000 and \$60,000, respectively	193,372	320,538
Prepaid expenses	12,844	20,140
Inventories, net	100,989	203,582
Total current assets	<u>3,369,106</u>	<u>1,478,667</u>
EQUIPMENT, NET	197,536	169,333
OTHER ASSETS		
Intangible assets	361,112	447,778
Other assets	<u>15,867</u>	<u>7,170</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,943,621</u></u>	<u><u>\$ 2,102,948</u></u>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT)</b>		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 1,298,278	\$ 1,512,617
Accounts payable - related parties	7,395	12,019
Accrued expenses	112,256	72,140
Accrued expenses - related parties	644,099	657,551
Deferred revenue	-	55,959
Convertible notes payable	2,255,066	2,255,066
Notes payable - current portion of long term debt	-	145,186
Total current liabilities	<u>4,317,094</u>	<u>4,710,538</u>
COMMITMENTS AND CONTINGENCIES (Note 15)	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock - \$0.001 par value, 5,000,000 shares authorized, 0 shares issued and outstanding at 3/31/2019 and 9/30/2018, respectively	-	-
Series A Convertible Preferred stock - \$0.001 par value, 23,334 shares authorized, 0 shares and 20,000 shares issued and outstanding at 3/31/2019 and 9/30/2018, respectively	-	11
Series C Convertible Preferred stock - \$0.001 par value, 1,785,715 shares authorized, 1,785,715 shares issued and outstanding at 3/31/2019 and 9/30/2018, 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 3/31/2019 and 9/30/2018, respectively	1,015	1,015
Common stock - \$0.001 par value, 100,000,000 shares authorized, 18,192,949 and 17,531,502 shares issued and outstanding at 3/31/2019 and 9/30/2018, respectively	18,192	17,532
Additional paid in capital	36,608,295	32,163,386
Accumulated deficit	<u>(37,002,765)</u>	<u>(34,791,324)</u>
Total stockholders' deficit	<u>(373,473)</u>	<u>(2,607,590)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<u><u>\$ 3,943,621</u></u>	<u><u>\$ 2,102,948</u></u>

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

**KNOW LABS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<u>Three Months Ended,</u>		<u>Six Months Ended,</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
	(Restated)		(Restated)	
REVENUE	\$ 593,712	\$ 1,092,228	1,195,921	\$ 2,325,085
COST OF SALES	454,839	865,571	927,125	1,850,594
GROSS PROFIT	138,873	226,657	268,796	474,491
RESEARCH AND DEVELOPMENT EXPENSES	184,024	153,300	391,014	241,020
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,003,504	578,097	1,692,950	992,462
OPERATING LOSS	(1,048,655)	(504,740)	(1,815,168)	(758,991)
OTHER INCOME (EXPENSE):				
Interest expense	(400,201)	(793,837)	(409,327)	(1,087,039)
Other income	6,618	(577)	13,054	18,611
Total other income (expense)	(393,583)	(794,414)	(396,273)	(1,068,428)
(LOSS) BEFORE INCOME TAXES	(1,442,238)	(1,299,154)	(2,211,441)	(1,827,419)
Income taxes - current provision	-	-	-	-
NET LOSS	\$ (1,442,238)	\$ (1,299,154)	(2,211,441)	\$ (1,827,419)
Basic and diluted loss per share	\$ (0.08)	\$ (0.25)	(0.12)	\$ (0.37)
Weighted average shares of common stock outstanding- basic and diluted	18,094,492	5,128,144	17,829,909	4,889,218

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

**KNOW LABS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

	Series A Convertible		Series C Convertible		Series D Convertible		Common Stock		Additional	Accumulated	Total
	Preferred Stock Shares	Preferred Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Common Stock Amount	Common Stock Amount	Paid in Capital	Deficit	Stockholders' Deficit
Balance as of September 30, 2017	23,334	\$ 23	1,785,715	\$ 1,790	1,016,004	\$ 1,015	4,655,486	\$ 4,655	\$27,565,453	\$(31,533,727)	\$ (3,960,791)
Stock compensation expense - employee options	-	-	-	-	-	-	-	-	5,187	-	5,187
Issuance of Series D Convertible Preferred Stock	-	-	-	-	-	-	-	-	216,774	-	216,774
Net loss	-	-	-	-	-	-	-	-	-	(528,265)	(528,265)
Balance as of December 31, 2017	23,334	23	1,785,715	1,790	1,016,004	1,015	4,655,486	4,655	27,787,414	(32,061,992)	(4,267,095)
Stock compensation expense - employee options	-	-	-	-	-	-	-	-	2,147	-	2,147
Issuance of Series D Convertible Preferred Stock	-	-	-	-	-	-	-	-	601,028	-	601,028
Issuance of common stock for services	-	-	-	-	-	-	329,240	330	70,311	-	70,641
Issuance of common stock for conversion of liabilities	-	-	-	-	-	-	230,000	230	48,070	-	48,300
Issuance of warrant for debt conversion	-	-	-	-	-	-	-	-	110,545	-	110,545
Net loss	-	-	-	-	-	-	-	-	-	(1,299,154)	(1,299,154)
Balance as of March 31, 2018	23,334	23	1,785,715	1,790	1,016,004	1,015	5,214,726	5,215	28,619,515	(33,361,146)	(4,733,588)
Balance as of October 1, 2018	20,000	11	1,785,715	1,790	1,016,004	1,015	17,531,502	17,532	32,163,385	(34,791,324)	(2,607,591)
Stock compensation expense - employee options	-	-	-	-	-	-	-	-	171,499	-	171,499
Issuance of common stock for warrant exercise	-	-	-	-	-	-	279,929	280	(280)	-	-
Net loss	-	-	-	-	-	-	-	(1)	-	(769,203)	(769,204)
Balance as of December 31, 2018	20,000	11	1,785,715	1,790	1,016,004	1,015	17,811,431	17,811	32,334,604	(35,560,527)	(3,205,296)
Stock compensation expense - employee options	-	-	-	-	-	-	-	-	91,648	-	91,648
Issuance of common stock for services	-	-	-	-	-	-	245,000	245	348,655	-	348,900
Conversion of Series A Preferred Stock	(20,000)	(11)	-	-	-	-	80,000	80	(69)	-	-
Beneficial conversion feature (Note 10)	-	-	-	-	-	-	-	-	1,570,049	-	1,570,049
Issuance of warrants to debt holders (Note 10)	-	-	-	-	-	-	-	-	1,244,263	-	1,244,263
Issuance of warrants for services related to debt offering (Note 10)	-	-	-	-	-	-	-	-	988,876	-	988,876
Stock based compensation- warrants	-	-	-	-	-	-	-	-	30,325	-	30,325
Issuance of common stock for warrant exercise	-	-	-	-	-	-	56,518	56	(56)	-	-
Net loss	-	-	-	-	-	-	-	-	-	(1,442,238)	(1,442,238)
Balance as of March 31, 2019	-	\$ -	1,785,715	\$ 1,790	1,016,004	\$ 1,015	\$18,192,949	\$ 18,192	\$36,608,295	\$(37,002,765)	\$ (373,473)

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

**KNOW LABS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended,	
	March 31, 2019	March 31, 2018
	(Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,211,441)	\$ (1,827,419)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	133,019	30,462
Issuance of capital stock for services and expenses	348,900	70,641
Stock based compensation- warrants	30,325	-
Conversion of interest	-	64,233
Stock based compensation- stock option grants	263,147	7,334
Amortization of debt discount	361,534	475,174
Conversion of accrued liabilities- related parties to notes payable	-	491,802
Provision on loss on accounts receivable	8,728	21,406
Impairment of goodwill	-	110,545
Changes in operating assets and liabilities:		
Accounts receivable	118,438	114,918
Prepaid expenses	7,296	4,292
Inventory	102,593	21,616
Other assets	(8,697)	(2,100)
Accounts payable - trade and accrued expenses	(245,393)	33,193
Deferred revenue	(55,959)	(58,615)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(1,147,510)</b>	<b>(442,518)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payment for research and development equipment	(74,556)	-
<b>NET CASH (USED IN) BY INVESTING ACTIVITIES:</b>	<b>(74,556)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from convertible notes payable	3,809,976	-
Repayments of line of credit	(92,094)	(190,663)
Payments for issuance costs from notes payable	(368,322)	-
Proceeds from convertible notes payable	-	530,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,349,560</b>	<b>339,337</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,127,494</b>	<b>(103,181)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>934,407</b>	<b>103,181</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 3,061,901</b>	<b>\$ -</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 7,750	\$ 20,243
Taxes paid	\$ -	\$ -
<b>Non-cash investing and financing activities:</b>		
Beneficial conversion feature	\$ 1,570,049	\$ 348,096
Conversion of accrued liabilities- related parties to notes payable	\$ -	\$ 482,014
Issuance of warrants to debt holders	\$ 1,244,263	\$ -
Issuance of warrants for services related to debt offering	\$ 988,876	\$ -
Cashless warrant exercise	\$ 84,107	\$ -

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

**KNOW LABS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited consolidated condensed financial statements have been prepared by Know Labs, Inc, formerly Visualant, Incorporated (“the Company”, “us,” “we,” or “our”) in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of our management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows for the fiscal periods presented have been included.

These financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended September 30, 2018, filed with the Securities and Exchange Commission (“SEC”) on December 21, 2018. The results of operations for the six months ended March 31, 2019 are not necessarily indicative of the results expected for the full fiscal year, or for any other fiscal period.

**1. ORGANIZATION**

Know Labs, Inc. (the “Company”) was incorporated under the laws of the State of Nevada in 1998. The Company has authorized 105,000,000 shares of capital stock, of which 100,000,000 are shares of voting common stock, par value \$0.001 per share, and 5,000,000 are shares preferred stock, par value \$0.001 per share.

The Company is focused on the development, marketing and sales of a proprietary technologies which are capable of uniquely authenticating or diagnosing almost any substance or material using electromagnetic energy to create, record and detect the unique “signature” of the substance. The Company’s call these our “ChromaID™” and “Bio-RFID™” technologies.

**Overview**

Historically, the Company focused on the development of our proprietary ChromaID technology. Using light from low-cost LEDs (light emitting diodes) the Company’s map the color of substances, fluids and materials and with our proprietary processes we can authenticate, identify and diagnose based upon the color that is present. The color is both visible to us as humans but also outside of the humanly visible color spectrum in the near infra-red and near ultra-violet and beyond. The Company’s ChromaID scanner sees what we like to call “Nature’s Color Fingerprint.” Everything in nature has a unique color identifier and with ChromaID the Company can see it, and identify, authenticate and diagnose based upon the color that is present. The Company’s ChromaID scanner is capable of uniquely identifying and authenticating almost any substance or liquid using light to create, record and detect its unique color signature. The Company will continue to develop and enhance its ChromaID technology and extend its capacity. More recently, the Company has focused upon extensions and new inventions that are derived from and extend beyond our ChromaID technology. The Company’s call this technology Bio-RFID. The rapid advances made with our Bio-RFID technology in our laboratory have caused us to move quickly into the commercialization phase of our Company as we work to create revenue generating products for the marketplace. The Company will also, as resources permit, pursue licensing opportunities with third parties who have ready applications for our technologies.

In 2010, the Company acquired TransTech Systems, Inc. as an adjunct to its business. TransTech is a distributor of products for employee and personnel identification. TransTech has provided all of the Company’s revenues.

The Company is in the process of commercializing its technology. To date, the Company has entered into License Agreements with Sumitomo Precision Products Co., Ltd. In addition, it has a technology license agreement with Allied Inventors, formerly Xinoa and Invention Development Management Company, a subsidiary of Intellectual Ventures.

The Company believes that its commercialization success is dependent upon its ability to significantly increase the number of customers that are purchasing and using its products. To date the Company has generated minimal revenue from sales of its ChromaID and Bio-RFID products. The Company is currently not profitable. Even if the Company succeeds in introducing the ChromaID and Bio-RFID technology and related products to its target markets, the Company may not be able to generate sufficient revenue to achieve or sustain profitability.

ChromaID was invented by scientists under contract with the Company. Bio-RFID was invented by individuals working for the Company. The Company actively pursues a robust intellectual property strategy and has been granted twelve patents. The Company also has 20 patents pending. The Company possesses all right, title and interest to the issued patents. Ten of the pending patents are licensed exclusively to the Company in perpetuity by the Company’s strategic partner, Allied Inventors.

**Merger with RAAI Lighting, Inc.**

On April 10, 2018, the Company entered into an Agreement and Plan of Merger with 500 Union Corporation, a Delaware corporation and a wholly owned subsidiary of the Company, and RAAI Lighting, Inc., a Delaware corporation. Pursuant to the Merger Agreement, we have acquired all the outstanding shares of RAAI’s capital stock through a merger of Merger Sub with and into RAAI (the “Merger”), with RAAI surviving the Merger as a wholly owned subsidiary of the Company.



Under the terms of the Merger Agreement, each share of RAAI common stock issued and outstanding immediately before the Merger (1,000 shares) were cancelled and we issued 2,000,000 shares of our common stock. As a result, we issued 2,000,000 shares of its common stock to Phillip A. Bosua, formerly the sole stockholder of RAAI. The consideration for the Merger was determined through arms-length bargaining by the Company and RAAI. The Merger was structured to qualify as a tax-free reorganization for U.S. federal income tax purposes. As a result of the Merger, the Company received certain intellectual property, related to RAAI.

#### **Merger with Know Labs, Inc.**

On May 1, 2018, Know Labs, Inc., a Nevada corporation incorporated on April 3, 2018, and our wholly-owned subsidiary, merged with and into the Company pursuant to an Agreement and Plan of Merger dated May 1, 2018. In connection with the merger, our Articles of Incorporation were effectively amended to change our name to Know Labs, Inc. by and through the filing of Articles of Merger. This parent-subsiidiary merger was approved by us, the parent, in accordance with Nevada Revised Statutes Section 92A.180. Stockholder approval was not required. This amendment was filed with the Nevada Secretary of State and became effective on May 1, 2018.

#### **Corporate Name Change and Symbol Change**

On May 24, 2018, the Financial Industry Regulatory Authority (“FINRA”) announced the effectiveness of a change in our name from Visualant Incorporated to Know Labs, Inc. and a change in our ticker symbol from VSUL to the new trading symbol KNWN which became effective on the opening of trading as of May 25, 2018. In addition, in connection with the name change and symbol change, we were assigned the CUSIP number of 499238103.

#### **Restatement of Form 10-Q for the Three and Six Months Ended March 31, 2019**

This Amendment No. 1 on Form 10-Q/A amends and restates the quarterly report on Form 10-Q the Company for the three and six months ended March 31, 2019, as originally filed with SEC on May 15, 2019. This Form 10-Q/A is being filed to restate the Company’s consolidated financial statements in Item 1 in their entirety and related disclosures (including Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 2) for the three and six months ended March 31, 2019. Consequently, the previously filed unaudited condensed interim consolidated financial statements for the period ended March 31, 2019 should no longer be relied upon.

In connection with the review of the Form 10-Q for the Company for the three and six months ended March 31, 2019, management determined that previously issued unaudited consolidated financial statements issued for the three and six months ended March 31, 2019 contained an error which was non-cash in nature. The Company received proceeds from convertible promissory notes which are mandatorily convertible into equity after a one year term. The Company originally classified the proceeds as equity. They should have properly been classified as debt and footnoted to explain that they would become equity at the end of their term. Certain expenditures related to warrants attached to the debt offering were not properly accounted for as well.

See explanatory note for additional details.

## **2. GOING CONCERN**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of \$2,211,411, \$3,257,597 and \$3,901,232 for the six months ended March 31, 2019 and the years ended September 30, 2018 and 2017, respectively. Net cash used in operating activities was \$1,147,510, \$1,117,131 and \$1,264,324 for the six months ended March 31, 2019 and for the years ended September 30, 2018 and 2017, respectively.

The Company anticipates that it will record losses from operations for the foreseeable future. As of March 31, 2019, the Company’s accumulated deficit was \$37,002,765. The Company has limited capital resources, and operations to date have been funded with the proceeds from private equity and debt financings and loans from Ronald P. Erickson, the Company’s Chief Executive Officer, or entities with which he is affiliated. These conditions raise substantial doubt about our ability to continue as a going concern. The audit report prepared by the Company’s independent registered public accounting firm relating to our financial statements for the year ended September 30, 2018 includes an explanatory paragraph expressing the substantial doubt about the Company’s ability to continue as a going concern.

The Company believes that its cash on hand will be sufficient to fund our operations until December 31, 2019. We need additional financing to implement our business plan and to service our ongoing operations and pay our current debts. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing when it is needed, we will need to restructure our operations, and divest all or a portion of our business. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, and could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to the Company’s then-existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, the Company may be required to delay, scale back, eliminate the development of business opportunities or file for bankruptcy and our operations and financial condition may be materially adversely affected.

## **3. SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS**

**Basis of Presentation** – The accompanying unaudited consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. The preparation of these unaudited condensed consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles (“GAAP”).

**Principles of Consolidation** – The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries, TransTech Systems, Inc and RAAI Lighting, Inc. Inter-Company items and transactions have been eliminated in consolidation.

**Cash and Cash Equivalents** – The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash balances at various financial institutions. Balances at US banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit.

**Accounts Receivable and Allowance for Doubtful Accounts** – Accounts receivable consist primarily of amounts due to the Company from normal business activities. The Company maintains an allowance for doubtful accounts to reflect the expected non-collection of accounts receivable based on past collection history and specific risks identified within the portfolio. If the financial condition of the customers were to deteriorate resulting in an impairment of their ability to make payments, or if payments from customers are significantly delayed, additional allowances might be required.

**Inventories** – Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale and are stated at the lower of cost or market on the first-in, first-out (“FIFO”) method. Inventories are considered available for resale when drop shipped and invoiced directly to a customer from a vendor, or when physically received by TransTech at a warehouse location. The Company records a provision for excess and obsolete inventory whenever an impairment has been identified. There is a \$35,000 reserve for impaired inventory as of March 31, 2019 and September 30, 2018, respectively.

**Equipment** – Equipment consists of machinery, leasehold improvements, furniture and fixtures and software, which are stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line method over the estimated useful lives or lease period of the relevant asset, generally 2-10 years, except for leasehold improvements which are depreciated over 2-3 years.

**Long-Lived Assets** – The Company reviews its long-lived assets for impairment annually or when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets under certain circumstances are reported at the lower of carrying amount or fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value (less the projected cost associated with selling the asset). To the extent carrying values exceed fair values, an impairment loss is recognized in operating results.

**Intangible Assets** – Intangible assets are capitalized and amortized on a straight-line basis over their estimated useful life, if the life is determinable. If the life is not determinable, amortization is not recorded. We regularly perform reviews to determine if facts and circumstances exist which indicate that the useful lives of our intangible assets are shorter than originally estimated or the carrying amount of these assets may not be recoverable. When an indication exists that the carrying amount of intangible assets may not be recoverable, we assess the recoverability of our assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Such impairment test is based on the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Impairment, if any, is based on the excess of the carrying amount over the estimated fair value of those assets.

**Research, Development and Engineering Expenses** – Research, development and engineering expenses consist of the cost of employees, consultants and contractors who design, engineer and develop new products and processes as well as materials, supplies and facilities used in producing prototypes.

The Company’s research and development efforts are primarily focused improving the core foundational ChromaID technology and developing new and unique applications for the technology. As part of this effort, the Company typically conduct testing to ensure that ChromaID application methods are compatible with the customer’s requirements, and that they can be implemented in a cost effective manner. The Company is also actively involved in identifying new application methods. Know Lab’s team has considerable experience working with the application of light-based technologies and their application to various industries. The Company believes that its continued development of new and enhanced technologies relating to our core business is essential to its future success. The Company spent \$391,014, \$570,514 and \$79,405 during the six months ended March 31, 2019 and the years ended September 30, 2018 and 2017, respectively, on research and development activities.

**Fair Value Measurements and Financial Instruments** – ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy, which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity’s own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than level one inputs that are either directly or indirectly observable; and.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, and accounts payable and accrued expenses approximate the fair value of the respective assets and liabilities as of March 31, 2019 and September 30, 2018 are based upon the short-term nature of the assets and liabilities.

**Derivative financial instruments** -We evaluate all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

**Accounts Receivable and Revenue** – We recognize revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which requires the application of the five-step-principles-based-accounting-model for revenue recognition. These steps include (1) a legally enforceable contract, written or unwritten is identified; (2) performance obligations in the contracts are identified; (3) the transaction price reflecting variable consideration, if any, is identified; (4) the transaction price is allocated to the performance obligations; and (5) revenue is recognized when the control of goods is transferred to the customer at a particular time or over time. For TransTech, we extend thirty day terms to some customers. Accounts receivable are reviewed periodically for collectability.

**Allowance for Doubtful Accounts** - We maintain an allowance for uncollectible accounts receivable. It is our practice to regularly review and revise, when deemed necessary, our estimates of uncollectible accounts receivable, which are based primarily on actual historical return rates. We record estimated uncollectible accounts receivable as selling, general and administrative expense. As of March 31, 2019 and September 30, 2018, there was a reserve for sales returns of \$60,000, which is minimal based upon our historical experience.

**Stock Based Compensation** – The Company has share-based compensation plans under which employees, consultants, suppliers and directors may be granted restricted stock, as well as options to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period. For options issued to employees, the Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit. Grants of stock options and stock to non-employees and other parties are accounted for in accordance with the ASC 718.

**Convertible Securities** – Based upon ASC 815-15, we have adopted a sequencing approach regarding the application of ASC 815-40 to convertible securities. We will evaluate our contracts based upon the earliest issuance date. In the event partial reclassification of contracts subject to ASC 815-40-25 is necessary, due to our inability to demonstrate we have sufficient shares authorized and unissued, shares will be allocated on the basis of issuance date, with the earliest issuance date receiving first allocation of shares. If a reclassification of an instrument were required, it would result in the instrument issued latest being reclassified first.

**Net Loss per Share** – Under the provisions of ASC 260, “Earnings Per Share,” basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the Company, subject to anti-dilution limitations. As of March 31, 2019, there were options outstanding for the purchase of 2,282,668 common shares, warrants for the purchase of 17,572,583 common shares, and 4,894,071 shares of the Company’s common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, the Company currently has 12,829,329 common shares (9,020,264 common shares at the current price of \$0.25 per share and 3,808,975 common shares at the current price of \$1.00 per share) and are issuable upon conversion of convertible debentures of \$6,060,041. All of which could potentially dilute future earnings per share.

As of March 31, 2018, there were options outstanding for the purchase of 4,736 common shares, warrants for the purchase of 11,837,422 common shares, 2,825,053 shares of the Company’s common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, the Company has an unknown number of shares issuable upon conversion of convertible debentures of \$2,390,066. All of which could potentially dilute future earnings per share.

**Dividend Policy** – The Company has never paid any cash dividends and intends, for the foreseeable future, to retain any future earnings for the development of our business. Our future dividend policy will be determined by the board of directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

#### **Recent Accounting Pronouncements**

On October 1, 2018, we adopted Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), and its related amendments, using the modified retrospective method applied to those contracts which were not completed as of October 1, 2018. The adoption of ASC 606, using the modified retrospective approach, had no significant impact to our accumulated deficit as of October 1, 2018 and no significant impact to the total net cash from or used in operating, investing, or financing activities within the consolidated statements of cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which will replace the existing guidance in ASC 840, “Leases.” The FASB has also issued amendments to ASU 2016-02, including ASU No. 2018-11, Leases (Topic 842): Targeted Improvements (ASU 2018-11), which the Company collectively refers to as the new leasing standard. The Company’s outstanding leases primarily relate to its two facility leases Seattle, Washington. In conjunction with these leases, the Company adopted this new retrospectively on July 1, 2019 and recognized a lease liability and related right-of-use asset on the Company’s consolidated balance sheet. The retrospect adjustment did not require any adjustment to previously reported equity.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company’s consolidated financial statements.

#### 4. ACCOUNTS RECEIVABLE/CUSTOMER CONCENTRATION

Accounts receivable were \$193,372 and \$320,538, net of allowance, as of March 31, 2019 and September 30, 2018, respectively. The Company had two customers in excess of 10% (14.8% and 10.1%) of the Company's consolidated revenues for the three months ended March 31, 2019. The Company had two customers in excess of 10% (21.7% and 20.7%) with accounts receivable in excess of 10% as of March 31, 2019. The Company has a total allowance for bad debt in the amount of \$60,000 as of March 31, 2019. The decrease in accounts receivable related to lower sales and purchases at TransTech.

#### 5. INVENTORIES

Inventories were and \$100,989 and \$203,582 as of March 31, 2019 and September 30, 2018, respectively. Inventories consist primarily of printers and consumable supplies, including ribbons and cards, badge accessories, capture devices, and access control components held for resale. There was a \$35,000 reserve for impaired inventory as of September 30, 2018 and 2017, respectively. The decrease in inventory related to lower sales at TransTech.

#### 6. FIXED ASSETS

Fixed assets, net of accumulated depreciation, was \$197,536 and \$169,333 as of March 31, 2019 and September 30, 2018, respectively. Accumulated depreciation was \$717,019 and \$670,666 as of March 31, 2019 and September 30, 2018, respectively. Total depreciation expense was \$46,354 and \$30,462 for the six months ended March 31, 2019 and 2018, respectively. All equipment is used for selling, general and administrative purposes and accordingly all depreciation is classified in selling, general and administrative expenses.

Property and equipment as of March 31, 2019 and September 30, 2018 was comprised of the following:

	Estimated Useful Lives	March 31, 2019	September 30, 2018
Machinery and equipment	2-10 years	\$ 449,542	\$ 332,306
Leasehold improvements	2-3 years	276,112	276,112
Furniture and fixtures	2-3 years	153,071	58,051
Software and websites	3- 7 years	35,830	35,830
Less: accumulated depreciation		(717,019)	(532,966)
		<u>\$ 197,536</u>	<u>\$ 169,333</u>

#### 7. INTANGIBLE ASSETS

Intangible assets as of March 31, 2019 and September 30, 2018 consisted of the following:

	Estimated Useful Lives	March 31, 2019	September 30, 2018
Technology	3 years	\$ 520,000	\$ 520,000
Less: accumulated amortization		(158,888)	(72,222)
Intangible assets, net		<u>\$ 361,112</u>	<u>\$ 447,778</u>

Total amortization expense was \$86,666 and \$0 for the six months ended March 31, 2019 and 2018, respectively.

#### Merger with RAAI Lighting, Inc.

On April 10, 2018, the Company entered into an Agreement and Plan of Merger with 500 Union Corporation, a Delaware corporation and a wholly owned subsidiary of the Company, and RAAI Lighting, Inc., a Delaware corporation. Pursuant to the Merger Agreement, we have acquired all the outstanding shares of RAAI's capital stock through a merger of Merger Sub with and into RAAI (the "Merger"), with RAAI surviving the Merger as a wholly owned subsidiary of the Company.

Under the terms of the Merger Agreement, each share of RAAI common stock issued and outstanding immediately before the Merger (1,000 shares) were cancelled and converted into the right to receive 2,000 shares of the Company's common stock. As a result, the Company issued 2,000,000 shares of its common stock to Phillip A. Bosua, formerly the sole stockholder of RAAI. The consideration for the Merger was determined through arms-length bargaining by the Company and RAAI. The Merger was structured to qualify as a tax-free reorganization for U.S. federal income tax purposes. As a result of the Merger, the Company received certain intellectual property, related to RAAI.

## **Merger with Know Labs, Inc.**

On May 1, 2018, Know Labs, Inc., a Nevada corporation incorporated on April 3, 2018, and our wholly-owned subsidiary, merged with and into the Company pursuant to an Agreement and Plan of Merger dated May 1, 2018. In connection with the merger, our Articles of Incorporation were effectively amended to change our name to Know Labs, Inc. by and through the filing of Articles of Merger. This parent-subsiidiary merger was approved by us, the parent, in accordance with Nevada Revised Statutes Section 92A.180. Stockholder approval was not required. This amendment was filed with the Nevada Secretary of State and became effective on May 1, 2018.

RAAI had no outstanding indebtedness or assets at the closing of the Merger. The 2,000,000 shares of the Company's common stock issued for RAAI's shares were recorded at the fair value at the date of the merger at \$520,000 and the value assigned to the patent acquired with RAAI.

The fair value of the intellectual property associated with the assets acquired was \$520,000 estimated by using a discounted cash flow approach based on future economic benefits. In summary, the estimate was based on a projected income approach and related discounted cash flows over five years, with applicable risk factors assigned to assumptions in the forecasted results.

## **8. ACCOUNTS PAYABLE**

Accounts payable were \$1,298,278 and \$1,517,617 as of March 31, 2019 and September 30, 2018, respectively. Such liabilities consisted of amounts due to vendors for inventory purchases and technology development, external audit, legal and other expenses incurred by the Company. The Company had two vendors (12.3% and 10.0%) with accounts payable in excess of 10% of its accounts payable as of March 31, 2019. The Company does expect to have vendors with accounts payable balances of 10% of total accounts payable in the foreseeable future.

## **9. DERIVATIVE INSTRUMENTS**

In April 2008, the FASB issued a pronouncement that provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. This pronouncement was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of these requirements can affect the accounting for warrants and many convertible instruments with provisions that protect holders from a decline in the stock price (or "down-round" provisions). For example, warrants or conversion features with such provisions are no longer recorded in equity. Down-round provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price.

There was no derivative liability as of March 31, 2019 and September 30, 2018.

## **10. CONVERTIBLE NOTES PAYABLE**

Convertible notes payable as of March 31, 2019 and September 30, 2018 consisted of the following:

### **Convertible Promissory Notes with Clayton A. Struve**

As of March 31, 2019, the Company owes Clayton A. Struve \$1,071,000 under convertible promissory or OID notes. The Company recorded accrued interest of \$58,411 as of March 31, 2019. On May 8, 2019, the Company signed Amendment 2 to the convertible promissory or OID notes, extending the due dates to September 30, 2019.

### **Convertible Redeemable Promissory Notes with Ronald P. Erickson and J3E2A2Z**

On March 16, 2018, the Company entered into a Note and Account Payable Conversion Agreement pursuant to which (a) all \$664,233 currently owing under the J3E2A2Z Notes was converted to a Convertible Redeemable Promissory Note in the principal amount of \$664,233, and (b) all \$519,833 of the J3E2A2Z Account Payable was converted into a Convertible Redeemable Promissory Note in the principal amount of \$519,833 together with a warrant to purchase up to 1,039,666 shares of common stock of the Company for a period of five years. The initial exercise price of the warrants described above is \$0.50 per share, also subject to certain adjustments. The warrants were valued at \$110,545. Because the note is immediately convertible, the warrants and beneficial conversion were expensed as interest. The Company recorded accrued interest of \$41,361 as of March 31, 2019. On May 8, 2019, the Company signed Amendment 1 to the convertible redeemable promissory notes, extending the due dates to September 30, 2019 and increasing the interest rate to 6%.

## Debt Offering

As of March 31, 2019, the Company closed rounds of a debt offering and received gross proceeds of \$3,809,976 in exchange for issuing Subordinated Convertible Notes (the “Convertible Notes”) and Warrants (the “Warrants”) in a private placement to 35 accredited investors, pursuant to a series of substantially identical Securities Purchase Agreements, Common Stock Warrants, and related documents.

The Convertible Notes have a principal amount of \$3,809,976 and bear annual interest of 8%. Both the principal amount and the interest are payable on a payment-in-kind basis in shares of Common Stock of the Company (the “Common Stock”). They are due and payable (in Common Stock) on the earlier of (a) mandatory and automatic conversion of the Convertible Notes into a financing that yields gross proceeds of at least \$10,000,000 (a “Qualified Financing”) or (b) on the one-year anniversary of the Convertible Notes (the “Maturity Date”). Investors will be required to convert their Convertible Notes into Common Stock in any Qualified Financing at a conversion price per share equal to the lower of (i) \$1.00 per share or (ii) a 25% discount to the price per share paid by investors in the Qualified Financing. If the Convertible Notes have not been paid or converted prior to the Maturity Date, the outstanding principal amount of the Convertible Notes will be automatically converted into shares of Common Stock at the lesser of (a) \$1.00 per share or (b) any adjusted price resulting from the application of a “most favored nations” provision, which requires the issuance of additional shares of Common Stock to investors if the Company issues certain securities at less than the then-current conversion price.

The Warrants were granted on a 1:0.5 basis (one-half Warrant for each full share of Common Stock into which the Convertible Notes are convertible). The Warrants have a five-year term and an exercise price equal to 120% of the per share conversion price of the Qualified Financing or other mandatory conversion.

The Convertible Notes are initially convertible into 3,809,976 shares of Common Stock, subject to certain adjustments, and the Warrants are initially exercisable for 1,904,988 shares of Common Stock at an exercise price of \$1.20 per share of Common Stock, also subject to certain adjustments.

In connection with the debt offering, the placement agent for the Convertible Notes and the Warrants received a cash fee of \$368,322 and warrants to purchase 487,197 shares of the Company’s common stock, all based on 8-10% of gross proceeds to the Company. The placement agent has also received a \$25,000 advisory fee. The warrants issued for these services had a fair value of \$988,876 at the date of issuance. The fair value of the warrants was recorded as debt discount (with an offset to APIC) and will be amortized over the one-year term of the Convertible Notes. The \$368,322 cash fee was recorded as issuance costs and will be amortized over the one-year term of the related Convertible Notes.

As part of the Purchase Agreement, the Company entered into a Registration Rights Agreement, which grants the investors “demand” and “piggyback” registration rights to register the shares of Common Stock issuable upon the conversion of the Convertible Notes and the exercise of the Warrants with the Securities and Exchange Commission for resale or other disposition. In addition, the Convertible Notes are subordinated to certain senior debt of the Company pursuant to a Subordination Agreement executed by the investors.

The Convertible Notes and Warrants were issued in transactions that were not registered under the Securities Act of 1933, as amended (the “Act”) in reliance upon applicable exemptions from registration under Section 4(a)(2) of the Act and/or Rule 506 of SEC Regulation D under the Act.

In accordance to ASC 470-20-30, Debt with Conversion and Other Options, the guidance therein applies to both convertible debt and other similar instruments, including convertible preferred shares. The guidance states that “the allocation of proceeds shall be based on the relative fair values of the two instruments at time of issuance. When warrants are issued in conjunction with a debt instrument as consideration in purchase transactions, the amounts attributable to each class of instrument issued shall be determined separately, based on values at the time of issuance. The debt discount or premium shall be determined by comparing the value attributed to the debt instrument with the face amount thereof.

In conjunction with the issuance of Convertible Notes and the Warrants, the Company recorded a debt discount of \$1,570,049 associated with a beneficial conversion feature on the debt, which is being accreted using the effective interest method over the one-year term of the Convertible Notes. Intrinsic value of the beneficial conversion feature was calculated at the commitment date as the difference between the conversion price and the fair value of the common stock into which the security is convertible, multiplied by the number of shares into which the security is convertible. In accordance to ASC 470-20-30, if the intrinsic value of the beneficial conversion feature is greater than the proceeds allocated to the convertible instrument, the amount of the discount assigned to the beneficial conversion feature shall be limited to the amount of the proceeds allocated to the convertible instrument. During the six months ended March 31, 2019, amortization of \$233,864 of the beneficial conversion feature was recognized as interest expense in the consolidated statements of operations.

The Warrants were indexed to our own stock and no down round provision was identified. The Warrants were not subject to ASC 718. Therefore, the Company concluded that based upon the conversion features, the Warrants should not be accounted for as derivative liabilities. The fair value of the Warrants was \$1,244,263 and was recorded as Debt Discount (with an offset to APIC) on the date of issuance and amortized over the one-year term of the notes. During the six months ended March 31, 2019, amortization of the warrants was \$86,656 and is presented as interest expense in the consolidated statements of operations.

The Convertible Notes as of March 31, 2019 and September 30, 2018 are summarized below:

	March 31, 2019	September 30, 2018
Convertible Redeemable Note - Clayon A. Struve	\$ 1,071,000	\$ 1,071,000
Convertible Redeemable Note - J3E2A2Z-LP	1,184,066	1,184,066
2019 Convertible Notes	<u>3,809,976</u>	<u>-</u>
	6,065,042	2,255,066
less debt discount - beneficial conversion feature	(2,387,136)	-
less debt discount - warrants	(1,157,609)	-
less debt discount - warrants issued for services related to debt offering	(265,231)	-
	<u>\$ 2,255,066</u>	<u>\$ 2,255,066</u>

## 11. NOTES PAYABLE, CAPITALIZED LEASES AND LONG TERM DEBT

Notes payable, capitalized leases and long-term debt as of March 31, 2019 and September 30, 2018 consisted of the following:

	March 31, 2019	September 30, 2018
Capital Source Business Finance Group	\$ -	\$ 145,186
Total debt	-	145,186
Less current portion of long term debt	-	(145,186)
Long term debt	\$ -	\$ -

### Capital Source Business Finance Group

On March 12, 2019, Capital Source cancelled the Loan and Security Agreement and Capital Source Credit Facility with TransTech. TransTech repaid the remaining \$15,165 due on the Secured Credit Facility. On March 27, 2019, the Company received notice that the UCC Financing Statement filed by Capital Source to secure a parent Company guarantee was terminated and cancelled by the State of Nevada.

## 12. EQUITY

### Authorized Capital Stock

The Company authorized 105,000,000 shares of capital stock, of which 100,000,000 are shares of voting common stock, par value \$0.001 per share, and 5,000,000 are shares preferred stock, par value \$0.001 per share.

As of March 31, 2019, the Company had 18,192,949 shares of common stock issued and outstanding, held by 122 stockholders of record. The number of stockholders, including beneficial owners holding shares through nominee names, is approximately 2,300. Each share of common stock entitles its holder to one vote on each matter submitted to the stockholders for a vote, and no cumulative voting for directors is permitted. Stockholders do not have any preemptive rights to acquire additional securities issued by us. As of March 31, 2019, there were options outstanding for the purchase of 2,282,668 common shares, warrants for the purchase of 17,572,583 common shares, and 4,894,071 shares of the Company's common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, the Company currently has 13,262,779 common shares (9,020,264 common shares at the current price of \$0.25 per share and 3,808,975 common shares at the current price of \$1.00 per share) and are issuable upon conversion of convertible debentures of \$6,065,042. All of which could potentially dilute future earnings per share.

### Voting Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock with a par value of \$0.001.

### Series A Preferred Stock

On January 29, 2019, a holder of Series A Preferred Stock converted 20,000 shares into 80,000 shares of common stock. There are no Series A Preferred Stock outstanding as of March 31, 2019.

### Series C and D Preferred Stock and Warrants

On August 5, 2016, the Company closed a Series C Preferred Stock and Warrant Purchase Agreement with Clayton A. Struve, an accredited investor for the purchase of \$1,250,000 of preferred stock with a conversion price of \$0.70 per share. The preferred stock has a yield of 8% and an ownership blocker of 4.99%. In addition, Mr. Struve received a five-year warrant to acquire 1,785,714 shares of common stock at \$0.70 per share. On August 14, 2017, the price of the Series C Stock were adjusted to \$0.25 per share pursuant to the documents governing such instruments.

As of March 31, 2019, the Company has 3,108,356 of Series D Preferred Stock outstanding with Clayton A. Struve, an accredited investor, outstanding. On August 14, 2017, the price of the Series D Stock were adjusted to \$0.25 per share pursuant to the documents governing such instruments.



### **Series F Preferred Stock**

On August 1, 2018, the Company filed with the State of Nevada a Certificate of Designation establishing the Designations, Preferences, Limitations and Relative Rights of Series F Preferred Stock. The Designation authorized 500 shares of Series F Preferred Stock. The Series F Preferred Stock shall only be issued to the current Board of Directors on the date of the Designation's filing and is not convertible into common stock. As set forth in the Designation, the Series F Preferred Stock has no rights to dividends or liquidation preference and carries rights to vote 100,000 shares of common stock per share of Series F upon a Trigger Event, as defined in the Designation. A Trigger Event includes certain unsolicited bids, tender offers, proxy contests, and significant share purchases, all as described in the Designation. Unless and until a Trigger Event, the Series F shall have no right to vote. The Series F Preferred Stock shall remain issued and outstanding until the date which is 731 days after the issuance of Series F Preferred Stock ("Explosion Date"), unless a Trigger Event occurs, in which case the Explosion Date shall be extended by 183 days.

### **Securities Subject to Price Adjustments**

In the future, if the Company sells its common stock at a price below \$0.25 per share, the exercise price of 1,785,715 outstanding shares of Series C Preferred Stock, 1,016,004 outstanding shares Series D Preferred Stock that adjust below \$0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of a Convertible Note Payable of \$6,065,042 (9,020,264 common shares at the current price of \$0.25 per share and 3,808,975 common shares at the current price of \$1.00 per share). In addition, the Company currently has outstanding warrants to purchase 12,664,385 shares of common stock would adjust below \$0.25 per share pursuant to the documents governing such instruments). Finally, the Company currently has outstanding warrants to purchase 2,392,185 shares of common stock would adjust below \$1.00 per share pursuant to the documents governing such instruments.

### **Common Stock**

All of the offerings and sales described below were deemed to be exempt under Rule 506 of Regulation D and/or Section 4(a)(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities, the offerings and sales were made to a limited number of persons, all of whom were accredited investors and transfer was restricted by the company in accordance with the requirements of Regulation D and the Securities Act. All issuances to accredited and non-accredited investors were structured to comply with the requirements of the safe harbor afforded by Rule 506 of Regulation D, including limiting the number of non-accredited investors to no more than 35 investors who have sufficient knowledge and experience in financial and business matters to make them capable of evaluating the merits and risks of an investment in our securities.

The following equity issuances occurred during the six months ended March 31, 2019:

During the six months ended March 31, 2019, the Company issued 336,427 shares of common stock and cancelled warrants to purchase 26,573 shares of common stock at \$0.25 per share to two consultants and two investors related to the cashless exercise of warrants.

During the six months ended March 31, 2019, the Company issued 145,000 shares of common stock for services provided by two consultants. The shares were valued at \$246,900 or \$1.703 per share.

On January 2, 2019, the Company issued 100,000 shares of common stock for services provided to Ronald P. Erickson. The shares were valued at \$102,000 or \$1.02 per share.

On January 29, 2019, a holder of Series A Preferred Stock converted 20,000 shares into 80,000 shares of common stock.

**Warrants to Purchase Common Stock**

The following warrants were issued during the six months ended March 31, 2019:

The Company issued 336,427 shares of common stock and cancelled warrants to purchase 26,573 shares of common stock at \$0.25 per share to two consultants and two investors related to the cashless exercise of warrants.

The Company issued warrants to purchase 70,000 shares of common stock at \$1.61 to \$2.72 per share to three consultants. The warrants were valued at \$30,325 or 0.79 to \$1.11 per share. The warrants expire during the first quarter of 2024.

**Debt Offering Warrants**

The Warrants issued for the private placements discussed above were granted on a 1:0.5 basis (one-half Warrant for each full share of Common Stock into which the Convertible Notes are convertible). The Warrants have a five-year term and an exercise price equal to 120% of the per share conversion price of the Qualified Financing or other mandatory conversion.

The Warrants are initially exercisable for 1,904,988 shares of Common Stock at an exercise price of \$1.20 per share of Common Stock, also subject to certain adjustments.

In connection with the private placement, the placement agent for the Convertible Notes and the Warrants received warrants to purchase 487,197 shares of the Company's common stock, all based on 8% of gross proceeds to the Company.

A summary of the warrants outstanding as of March 31, 2019 were as follows:

	March 31, 2019	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	15,473,398	\$ 0.326
Issued	2,462,185	1.222
Exercised	(336,427)	(0.250)
Forfeited	-	-
Expired	(26,573)	(0.250)
Outstanding at end of period	17,572,583	\$ 0.453
Exercisable at end of period	17,572,583	

A summary of the status of the warrants outstanding as of March 31, 2019 is presented below:

	March 31, 2019				
	Number of Warrants	Weighted Average Remaining Life (In Years)	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
	13,507,286	3.50	\$ 0.250	13,507,286	\$ 0.250
	714,286	2.33	0.700	714,286	0.700
	882,159	2.62	1.000	882,159	1.000
	2,442,185	4.93	1.20-1.50	2,442,185	1.20-1.50
	20,000	4.92	2.34-4.08	20,000	2.34-4.08
	6,667	-	30.000	6,667	30.000
	17,572,583	3.78	\$ 0.453	17,572,583	\$ 0.453

The significant weighted average assumptions relating to the valuation of the Company's warrants for the six months ended March 31, 2019 were as follows:

#### Assumptions

Dividend yield	0%
Expected life	5 years
Expected volatility	180%-182
Risk free interest rate	2.06%-2.52%

There were vested and in the money warrants of 16,613,757 as of March 31, 2019 with an aggregate intrinsic value of \$14,664,327.

### 13. STOCK OPTIONS

On March 21, 2013, an amendment to the Stock Option Plan was approved by the stockholders of the Company, increasing the number of shares reserved for issuance under the Plan to 93,333 shares. On April 10, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 93,333 to 1,200,000. On August 7, 2018, the Board approved an amendment to its 2011 Stock Incentive Plan increasing the number of shares of common stock reserved under the Incentive Plan from 1,200,000 to 2,000,000 to common shares.

#### Determining Fair Value under ASC 718

The Company records compensation expense associated with stock options and other equity-based compensation using the Black-Scholes-Merton option valuation model for estimating fair value of stock options granted under our plan. The Company amortizes the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company estimates the volatility of our common stock based on the historical volatility of its own common stock over the most recent period corresponding with the estimated expected life of the award. The Company bases the risk-free interest rate used in the Black Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. The Company has not paid any cash dividends on our common stock and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes-Merton option valuation model and adjusts share-based compensation for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate is recognized in the period the forfeiture estimate is changed.

## Stock Option Activity

The Company had the following stock option transactions during the six months ended March 31, 2019:

On October 31, 2018, the Board awarded stock option grants to two directors to acquire 50,000 shares each of the Company's common stock. The grants were valued at \$3.03 per share and expire on October 31, 2023. The grants vested immediately.

On October 31, 2018, the Board awarded Phillip A. Bosua a stock option grant to acquire 100,000 shares of the Company's Common stock for each \$1,000,000 raised by the Company in revenue generated in a planned Kickstarter campaign. In addition, Mr. Bosua was granted a stock option grant to acquire 1,000,000 shares of the Company's common which vests upon approval of the Company's blood glucose measurement technology by the U.S. Food and Drug Administration. The grants were valued at \$3.03 per share and expire on October 31, 2023.

On October 31, 2018, the Board awarded Ronald P Erickson a stock option grant to acquire 1,000,000 shares of the Company's common which vests upon the Company's successful listing of its Common Stock on Nasdaq or the New York Stock Exchange (including the NYSE American Market). The grant was valued at \$3.03 per share and expires on October 31, 2023.

On March 26, 2019, the Board awarded an employee a stock option grant to acquire 10,000 shares of the Company's Common stock for each \$1,000,000 raised by the Company in revenue generated in a planned Kickstarter campaign. In addition, the employee was granted a stock option grant to acquire 130,000 shares of the Company's common which vests upon approval of the Company's blood glucose measurement technology by the U.S. Food and Drug Administration. The grants were valued at \$1.50 per share and expire on March 26, 2024.

On March 26, 2019, the Board awarded an employee a stock option grant to acquire 10,000 shares of the Company's Common stock for each \$1,000,000 raised by the Company in revenue generated in a planned Kickstarter campaign. In addition, the employee was granted a stock option grant to acquire 130,000 shares of the Company's common which vests upon approval of the Company's blood glucose measurement technology by the U.S. Food and Drug Administration. The grants were valued at \$1.50 per share and expire on March 26, 2024.

There are currently 2,282,668 options to purchase common stock at an average exercise price of \$1.757 per share outstanding as of March 31, 2019 under the 2011 Stock Incentive Plan. The Company recorded \$263,145 and \$7,334 of compensation expense, net of related tax effects, relative to stock options for the six months ended March 31, 2019 and 2018 and in accordance with ASC 708. Net loss per share (basic and diluted) associated with this expense was approximately (\$0.010) and (\$0.000) per share, respectively. As of March 31, 2019, there is approximately \$1,606,089, net of forfeitures, of total unrecognized costs related to employee granted stock options that are not vested. These costs are expected to be recognized over a period of approximately 4.69 years.

Stock option activity for the three months ended March 31, 2019 was as follows:

	Options	Weighted Average Exercise Price	\$
Outstanding as of September 30, 2018	2,182,668	\$ 1.698	\$ 3,706,519
Granted	100,000	3.030	303,000
Exercised	-	-	-
Forfeitures	-	-	-
Outstanding as of March 31, 2019	2,282,668	\$ 1.757	\$ 4,009,519

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2019:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price Exercisable	Number Exercisable	Weighted Average Exercise Price Exercisable
0.25	530,000	4.61	\$ 0.250	99,375	\$ 0.25
1.28	1,150,000	4.71	1.28	143,750	1.28
3.03	100,000	4.71	3.03	100,000	3.03
4.08-4.20	500,000	4.73	4.08-4.20	31,250	4.08-4.20
13.500	1,334	0.38	13.50	1,334	13.50
15.000	1,334	-	15.00	-	15.00
	<u>2,282,668</u>	<u>4.69</u>	<u>\$ 1.757</u>	<u>375,709</u>	<u>\$ 1.755</u>

There were stock option grants of 530,000 shares as of March 31, 2019 with an aggregate intrinsic value of \$535,300.

#### 14. OTHER SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

##### Related Party Transactions with Ronald P. Erickson

See Notes 10 and 13 for related party transactions with Ronald P. Erickson.

Mr. Erickson and/or entities with which he is affiliated also have accrued compensation, travel and interest of approximately \$478,861 as of March 31, 2019.

##### Related Party Transaction with Phillip A. Bosua

See Note 13 for related party transactions with Phillip A. Bosua.

##### Stock Option Grants to Directors

See Note 13 for related party transactions with Directors.

#### 15. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

##### Legal Proceedings

The Company may from time to time become a party to various legal proceedings arising in the ordinary course of our business. The Company is currently not a party to any pending legal proceeding that is not ordinary routine litigation incidental to our business.

##### Properties and Operating Leases

The Company is obligated under the following non-cancelable operating leases for its various facilities and certain equipment.

Years Ended March 31,	Total
2020	\$ 187,652
2021	196,526
2022	5,816
2023	-
2024	-
Beyond	-
Total	<u>\$ 389,994</u>

### ***Corporate Offices***

On April 13, 2017, the Company leased its executive office located at 500 Union Street, Suite 810, Seattle, Washington, USA, 98101. The Company leases 943 square feet and the net monthly payment is \$2,672. The monthly payment increases approximately 3% each year and the lease expires on May 31, 2022.

### ***Lab Facilities and Executive Offices***

On May 1, 2018, the Company leased its lab facilities and executive offices located at 304 Alaskan Way South, Suite 102, Seattle, Washington, USA, 98101. The Company leases 2,800 square feet and the net monthly payment is \$4,000. The lease expired on April 30, 2019.

On February 1, 2019, the Company leased its lab facilities and executive offices located at 915 E Pine Street, Suite 212, Seattle, WA 98122. The Company leases 2,642 square feet and the net monthly payment is \$8,256. The monthly payment increases approximately 3% on July 1, 2019 and annually thereafter. The lease expires on June 30, 2021 and can be extended.

### ***TransTech Facilities***

TransTech is located at 12142 NE Sky Lane, Suite 130, Aurora, OR 97002. TransTech leases a total of approximately 6,340 square feet of office and warehouse space for its administrative offices, product inventory and shipping operations. Effective December 1, 2017, TransTech leases this office from December 1, 2017 at \$4,465 per month. The monthly payment increases approximately 3% each year and the lease expires on January 31, 2020. Until December 1, 2017, TransTech leased this office on a month to month basis at \$6,942 per month. TransTech terminated this lease effective May 31, 2019.

## **16. SUBSEQUENT EVENTS**

The Company evaluates subsequent events, for the purpose of adjustment or disclosure, up through the date the financial statements are available. Subsequent to March 31, 2019, there were the following material transactions that require disclosure:

### **Convertible Promissory Notes with Clayton A. Struve**

As of March 31, 2019, the Company owes Clayton A. Struve \$1,071,000 under convertible promissory or OID notes. The Company recorded accrued interest of \$58,411 as of March 31, 2019. On May 8, 2019, the Company signed Amendment 2 to the convertible promissory or OID notes, extending the due dates to September 30, 2019.

### **Convertible Redeemable Promissory Notes with Ronald P. Erickson and J3E2A2Z**

On March 16, 2018, the Company entered into a Note and Account Payable Conversion Agreement pursuant to which (a) all \$664,233 currently owing under the J3E2A2Z Notes was converted to a Convertible Redeemable Promissory Note in the principal amount of \$664,233, and (b) all \$519,833 of the J3E2A2Z Account Payable was converted into a Convertible Redeemable Promissory Note in the principal amount of \$519,833 together with a warrant to purchase up to 1,039,666 shares of common stock of the Company for a period of five years. The initial exercise price of the warrants described above is \$0.50 per share, also subject to certain adjustments. The warrants were valued at \$110,545. Because the note is immediately convertible, the warrants and beneficial conversion were expensed as interest. The Company recorded accrued interest of \$41,361 as of March 31, 2019. On May 8, 2019, the Company signed Amendment 1 to the convertible redeemable promissory notes, extending the due dates to September 30, 2019 and increasing the interest rate to 6%.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this report reflect the good-faith judgment of our management and the statements are based on facts and factors as we currently know them. Forward-looking statements are subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, but are not limited to, those discussed below as well as those discussed elsewhere in this report (including in Part II, Item 1A (Risk Factors)). Readers are urged not to place undue reliance on these forward-looking statements because they speak only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report.

### BACKGROUND AND CAPITAL STRUCTURE

Know Labs, Inc., formerly Visualant, Incorporated, was incorporated under the laws of the State of Nevada in 1998. Since 2007, we have been focused primarily on research and development of proprietary technologies which can be used to authenticate and diagnose a wide variety of organic and non-organic substances and materials. Our Common Stock trades on the OTCQB Exchange under the symbol "KNWN."

### BUSINESS

We are focused on the development, marketing and sales of a proprietary technologies which are capable of uniquely authenticating or diagnosing almost any substance or material using electromagnetic energy to create, record and detect the unique "signature" of the substance. We call these our "ChromaID™" and "Bio-RFID™" technologies.

#### Overview

Historically, the Company focused on the development of our proprietary ChromaID technology. Using light from low-cost LEDs (light emitting diodes) we map the color of substances, fluids and materials and with our proprietary processes we can authenticate, identify and diagnose based upon the color that is present. The color is both visible to us as humans but also outside of the humanly visible color spectrum in the near infra-red and near ultra-violet and beyond. Our ChromaID scanner sees what we like to call "Nature's Color Fingerprint." Everything in nature has a unique color identifier and with ChromaID we can see it, and identify, authenticate and diagnose based upon the color that is present. Our ChromaID scanner is capable of uniquely identifying and authenticating almost any substance or liquid using light to create, record and detect its unique color signature. We will continue to develop and enhance our ChromaID technology and extend its capacity. More recently, we have focused upon extensions and new inventions that are derived from and extend beyond our ChromaID technology. We call this technology Bio-RFID. The rapid advances made with our Bio-RFID technology in our laboratory have caused us to move quickly into the commercialization phase of our Company as we work to create revenue generating products for the marketplace. We will also, as resources permit, pursue licensing opportunities with third parties who have ready applications for our technologies.

In 2010, we acquired TransTech Systems, Inc. as an adjunct to our business. TransTech is a distributor of products for employee and personnel identification and authentication. TransTech has historically provided substantially all of the Company's revenues. The financial results from our TransTech subsidiary have been diminishing as vendors of their products increasingly move to the Internet and direct sales to their customers. While it does provide our current revenues it is not central to our current focus as a Company. Moreover, we have written down any goodwill associated with its historic acquisition. We continue to closely monitor this subsidiary. We expect it to wind down completely prior to the end of our current fiscal year.

#### The Know Labs Technology

We have internally and under contract with third parties developed proprietary platform technologies to uniquely authenticate or diagnose almost any material and substance. Our technology utilizes electromagnetic energy at various points along the electromagnetic spectrum to perform analytics which allow the user to identify, authenticate and diagnose depending upon the application and the unique field of use. The Company's proprietary platform technologies are called ChromaID and Bio-RFID.

The ChromaID patented technology utilizes light at the photon (elementary particle of light) level through a series of emitters and detectors to generate a unique signature or "fingerprint" from a scan of almost any solid, liquid or gaseous material. This signature of reflected or transmitted light is digitized, creating a unique ChromaID signature. Each ChromaID signature is comprised of from hundreds to thousands of specific data points.

The ChromaID technology looks beyond visible light frequencies to areas of near infra-red and ultraviolet light and beyond that are outside the humanly visible light spectrum. The data obtained allows us to create a very specific and unique ChromaID signature of the substance for a myriad of authentication, verification and diagnostic applications.

Traditional light-based identification technology, called spectrophotometry, has relied upon a complex system of prisms, mirrors and visible light. Spectrophotometers typically have a higher cost and utilize a form factor (shape and size) more suited to a laboratory setting and require trained laboratory personnel to interpret the information. The ChromaID technology uses lower cost LEDs and photodiodes and specific electromagnetic frequencies resulting in a more accurate, portable and easy-to-use solution for a wide variety of applications. The ChromaID technology not only has significant cost advantages as compared to spectrophotometry, it is also completely flexible in size, shape and configuration. The ChromaID scan head can range in size from endoscopic to a scale that could be the size of a large ceiling-mounted fluorescent light fixture.

In normal operation, a ChromaID master or reference scan is generated and stored in a database. We call this the ChromaID Reference Library. The scan head can then scan similar materials to identify, authenticate or diagnose them by comparing the new ChromaID digital signature scan to that of the original or reference ChromaID signature or scan result. Over time, we believe the ChromaID Reference Libraries can become a significant asset of the Company, providing valuable information in numerous fields of use. The Reference Libraries for our newly developed Bio-RFID will have a similar promise regarding their utility and value.

The Company's latest technology platform is called Bio-RFID. Working in our lab over the past year and a half, we have developed extensions and new inventions derived in part from our ChromaID technology which we refer to as Bio-RFID technology. We are rapidly advancing the development of this technology. We have announced over the past several months that we have successfully been able to non-invasively ascertain blood glucose levels in humans. We are building the internal and external development team necessary to commercialize this newly discovered technology as well as make additional patent filings covering the intellectual property created with these new inventions. The first applications of our Bio-RFID technology will be in a product we call the UBAND™. The first UBAND product will be marketed as a real time calorie counter. It is a wearable product which will be worn on the wrist and communicate with a smart phone device via Bluetooth connectivity. It will provide the user with real time information on their caloric consumption from carbohydrates.

We have also announced the results of laboratory-based comparison testing between our Bio-RFID technology and the leading continuous glucose monitors from Abbott Labs (Freestyle Libre®) and DexCom (G5®). These results provide evidence of a high degree of correlation between our Bio-RFID based technology and the current industry leaders. Our technology is fundamentally differentiated from these industry leaders as it is completely non-invasive.

We expect to begin the process of obtaining US Food and Drug Administration (FDA) approval of our non-invasive continuous blood glucose monitoring device during calendar year 2019. To guide us in that undertaking we have announced the hiring of a Chief Medical Officer and formed a Medical and Regulatory Advisory Board to guide us through the FDA process. We are unable, however, to estimate the time necessary for such approval nor the likelihood of success in that endeavor.

### **ChromaID and Bio-RFID: Foundational Platform Technologies**

Our ChromaID and Bio-RFID technologies provide a platform upon which a myriad of applications can be developed. As platform technologies, they are analogous to a smartphone, upon which an enormous number of previously unforeseen applications have been developed. ChromaID and Bio-RFID technologies are "enabling" technologies that bring the science of electromagnetic energy to low-cost, real-world commercialization opportunities across multiple industries. The technologies are foundational and, as such, the basis upon which the Company believes a significant business can be built.

As with other foundational technologies, a single application may reach across multiple industries. The ChromaID technology can, for example effectively differentiate and identify different brands of clear vodkas that appear identical to the human eye. By extension, this same technology can identify pure water from water with contaminants present. It can provide real time detection of liquid medicines such as morphine that have been adulterated or compromised. It can detect if jet fuel has water contamination present. It could determine when it is time to change oil in a deep fat fryer. These are but a few of the potential applications of the ChromaID technology based upon extensions of its ability to identify different clear liquids.

Similarly, the Bio-RFID technology can non-invasively identify the presence and quantity of glucose in the human body. By extension, there may be other molecular structures which this same technology can identify in the human body which, over time, the Company will focus upon. They may include the monitoring of drug usage or the presence of illicit drugs. They may also involve identifying hormones and various markers of disease.

The cornerstone of a company with a foundational platform technology is its intellectual property. We have pursued an active intellectual property strategy and have been granted 12 patents. We currently have more than 20 patents pending. We possess all right, title and interest to the issued patents. Ten of the pending patents are licensed exclusively to us in perpetuity by our strategic partner, Allied Inventors, a spin-off entity of Intellectual Ventures, an intellectual property fund.

### **Our Patents and Intellectual Property**

We believe that our 12 patents, more than 20 patent applications, three registered trademarks, and our trade secrets, copyrights and other intellectual property rights are important assets. Our issued patents will expire at various times between 2027 and 2033. The duration of our trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.



The issued patents cover the fundamental aspects of the Know Labs ChromaID technology and a growing number of unique applications ranging, to date, from invisible bar codes to tissue and liquid analysis. We have filed patents on Bio-RFID technology and will continue to expand the Company's patent portfolio over time through internal development efforts as well as through licensing opportunities with third parties.

Additionally, significant aspects of our technology are trade secrets which may not be disclosed through the patent filing process. We intend to be diligent in maintaining our trade secrets.

The patents that have been issued to Know Labs and their dates of issuance are:

On August 9, 2011, we were issued US Patent No. 7,996,173 B2 entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy," by the United States Office of Patents and Trademarks. The patent expires August 24, 2029.

On December 13, 2011, we were issued US Patent No. 8,076,630 B2 entitled "System and Method of Evaluating an Object Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires November 7, 2028.

On December 20, 2011, we were issued US Patent No. 8,081,304 B2 entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 28, 2030.

On October 9, 2012, we were issued US Patent No. 8,285,510 B2 entitled "Method, Apparatus, and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On February 5, 2013, we were issued US Patent No. 8,368,878 B2 entitled "Method, Apparatus and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On November 12, 2013, we were issued US Patent No. 8,583,394 B2 entitled "Method, Apparatus and Article to Facilitate Distributed Evaluation of Objects Using Electromagnetic Energy by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On November 21, 2014, we were issued US Patent No. 8,888,207 B2 entitled "Systems, Methods, and Articles Related to Machine-Readable Indicia and Symbols" by the United States Office of Patents and Trademarks. The patent expires February 7, 2033. This patent describes using ChromaID to see what we call invisible bar codes and other identifiers.

On March 23, 2015, we were issued US Patent No. 8,988,666 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Objects Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires July 31, 2027.

On May 26, 2015, we were issued US Patent No. 9,041,920 B2 entitled "Device for Evaluation of Fluids using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires March 12, 2033. This patent describes a ChromaID fluid sampling devices.

On April 19, 2016, we were issued US Patent No. 9,316,581 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Substances Using Electromagnetic Energy" by the United States Office of Patents and Trademarks. The patent expires March 12, 2033. This patent describes an enhancement to the foundational ChromaID technology.

On April 18, 2017, we were issued US Patent No. 9,625,371 B2 entitled "Method, Apparatus, and Article to Facilitate Evaluation of Substances Using Electromagnetic Energy." The patent expires July 2027. This patent pertains to the use of ChromaID technology for the identification and analysis of biological tissue. It has many potential applications in medical, industrial and consumer markets.

On April 4, 2018, we were issued US Patent No. 9,869,636 B2, entitled "Device for Evaluation of Fluids Using Electromagnetic Energy." The patent expires approximately April 2033. This patent pertains to the use of ChromaID technology for evaluating and analyzing fluids such as those following through an IV drip in a hospital or water, for example.

We continue to pursue a patent strategy to expand our unique intellectual property in the United States and other countries.

## **Product Strategy**

We are currently undertaking internal development work on potential products for the consumer marketplace. This development work was previously being performed through our Consulting Agreement with Blaze Clinical, and Phillip A. Bosua, who served as our Chief Product Officer. In his current role as Chief Executive Officer, Mr. Bosua continues to lead these efforts. We have announced the development of our UBAND Calorie Counter and our UBAND CGM. We have also recently announced the engagement of a manufacturing partner we will work with to bring these products to market. We will make further announcements regarding these products as development and manufacturing work on them progresses.

As time and resources permit, we also will engage with partners through licensing our technology in various fields of use, entering into joint venture agreements to develop specific applications of our technology, and in certain specific instances develop our own products for the marketplace.

Currently we are focusing our current efforts on productizing our Bio-RFID technology as we move it out of the research laboratory and into the marketplace.

## **Research and Development**

Our current research and development efforts are primarily focused improving our Bio-RFID technology, extending its capacity and developing new and unique applications for the technology. As part of this effort, we conduct on-going laboratory testing to ensure that application methods are compatible with the end-user and regulatory requirements, and that they can be implemented in a cost-effective manner. We are also actively involved in identifying new applications. Our current internal team along with outside consultants have considerable experience working with the application of our technologies and their application. We engage third party experts as required to supplement our internal team. We believe that continued development of new and enhanced technologies is essential to our future success. We incurred expenses of \$391,014, \$570,514 and \$79,405 for the six months ended March 31, 2019 and years ended September 30, 2018 and 2017, respectively, on development activities. On July 6, 2017, we entered into a Consulting Agreement with Phillip A. Bosua, our Chief Product Officer to lead our development efforts. He has continued in that role with expanded responsibilities upon his appointment as Chief Executive Officer on April 19, 2018.

## **Merger with RAAI Lighting, Inc.**

On April 10, 2018, we entered into an Agreement and Plan of Merger with 500 Union Corporation, a Delaware corporation and a wholly owned subsidiary of the Company, and RAAI Lighting, Inc., a Delaware corporation. Pursuant to the Merger Agreement, we have acquired all the outstanding shares of RAAI's capital stock through a merger of Merger Sub with and into RAAI (the "Merger"), with RAAI surviving the Merger as a wholly owned subsidiary of the Company.

Under the terms of the Merger Agreement, each share of RAAI common stock issued and outstanding immediately before the Merger (1,000 shares) were cancelled and we issued 2,000,000 shares of our common stock. As a result, we issued 2,000,000 shares of its common stock to Phillip A. Bosua, formerly the sole stockholder of RAAI. The consideration for the Merger was determined through arms-length bargaining by the Company and RAAI. The Merger was structured to qualify as a tax-free reorganization for U.S. federal income tax purposes. As a result of the Merger, the Company received certain intellectual property, related to RAAI.

## **Merger with Know Labs, Inc.**

On May 1, 2018, Know Labs, Inc., a Nevada corporation incorporated on April 3, 2018, and our wholly-owned subsidiary, merged with and into the Company pursuant to an Agreement and Plan of Merger dated May 1, 2018. In connection with the merger, our Articles of Incorporation were effectively amended to change our name to Know Labs, Inc. by and through the filing of Articles of Merger. This parent-subsiary merger was approved by us, the parent, in accordance with Nevada Revised Statutes Section 92A.180. Stockholder approval was not required. This amendment was filed with the Nevada Secretary of State and became effective on May 1, 2018.

## **Corporate Name Change and Symbol Change**

On May 24, 2018, the Financial Industry Regulatory Authority ("FINRA") announced the effectiveness of a change in our name from Know Labs Incorporated to Know Labs, Inc. and a change in our ticker symbol from VSUL to the new trading symbol KNWN which became effective on the opening of trading as of May 25, 2018. In addition, in connection with the name change and symbol change, we were assigned the CUSIP number of 499238103.

## **THE COMPANY'S COMMON STOCK**

Our common stock trades on the OTCQB Exchange under the symbol "KNWN." On May 1, 2018, we filed a corporate action with FINRA to effectively change the Company's OTC trading symbol and change our name to "Know Labs, Inc." Our name change from Know Labs, Incorporated to Know Labs, Inc. and symbol change from VSUL to KNWN was announced by FINRA declared effective on the opening of trading as of May 25, 2018.

## EMPLOYEES

As of March 31, 2019, we had twelve full-time employees and two consultants or consulting groups. Our senior management is located in the Seattle, Washington office.

## WEBSITE ACCESS TO UNITED STATES SECURITIES AND EXCHANGE COMMISSION REPORTS

We file annual and quarterly reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information concerning filers. We also maintain a web site at <http://www.knowlabs.co> that provides additional information about our Company and links to documents we file with the SEC. The Company's charters for the Audit Committee, the Compensation Committee, and the Nominating Committee; and the Code of Conduct & Ethics are also available on our website. The information on our website is not part of this Form 10-Q.

## PRIMARY RISKS AND UNCERTAINTIES

We are exposed to various risks related to our need for additional financing, the sale of significant numbers of our shares and a volatile market price for our common stock. These risks and uncertainties are discussed in more detail below in Part II, Item 1A.

## RESULTS OF OPERATIONS

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from period-to-period.

(dollars in thousands)

	Three Months Ended March 31,			
	2019 (Restated)	2018	\$ Variance	% Variance
Revenue	\$ 594	\$ 1,092	\$ (498)	-45.6%
Cost of sales	455	866	(411)	47.5%
Gross profit	139	226	(87)	-38.5%
Research and development expenses	184	153	31	-20.3%
Selling, general and administrative expenses	1,004	578	426	-73.7%
Operating loss	(1,049)	(505)	(544)	55.5%
Other (expense) income:				
Interest expense	(400)	(793)	393	49.6%
Other income (expense)	7	(1)	8	800.0%
Total other income (expense)	(393)	(794)	401	50.5%
(Loss) before income taxes	(1,442)	(1,299)	(143)	-11.0%
Income taxes - current (benefit)	-	-	-	0.0%
Net loss	<u>\$ (1,442)</u>	<u>\$ (1,299)</u>	<u>\$ (143)</u>	<u>-11.0%</u>

## THREE MONTHS ENDED MARCH 31, 2019 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2018

### Sales

Net revenue for the three months ended March 31, 2019 decreased \$498,000 to \$594,000 as compared to \$1,092,000 for the three months ended March 31, 2018. The decrease was due to lower sales by TransTech. We have focused TransTech on maximizing profits at the lower sales level.

### Cost of Sales

Cost of sales for the three months ended March 31, 2019 decreased \$411,000 to \$455,000 as compared to \$866,000 for the three months ended March 31, 2018. The decrease was due to lower sales by TransTech. We have focused TransTech on maximizing profits at the lower sales level.

Gross profit was \$139,000 for the three months ended March 31, 2019 as compared to \$226,000 for the three months ended March 31, 2018. Gross profit was 22.5% for the three months ended March 31, 2019 as compared to 20.8% for the three months ended March 31, 2018. We have focused TransTech on maximizing profits at the current sales level.

#### **Research and Development Expenses**

Research and development expenses for the three months ended March 31, 2019 increased \$31,000 to \$184,000 as compared to \$153,000 for the three months ended March 31, 2018. The increase was due to expenditures related to the development of our Bio-RFID™ technology.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the three months ended March 31, 2019 increased \$426,000 to \$1,004,000 as compared to \$578,000 for the three months ended March 31, 2018.

The increase primarily was due to (i) increased stock based compensation of \$293,000 and (ii) increased other expenses of \$133,000; As part of the selling, general and administrative expenses for the three months ended March 31, 2019, we recorded \$406,000 of investor relation expenses and business development expenses.

#### **Other Income (Expense)**

Other expense for the three months ended March 31, 2019 was \$393,000 as compared to other expense of \$794,000 for the three months ended March 31, 2018. The other expense for the three months ended March 31, 2019 included (i) interest expense of \$400,000; offset by (ii) other income of \$7,000.

The other expense for the three months ended March 31, 2018 included (i) interest expense of \$793,000; and (ii) other expense of \$1,000. The interest expense related to senior convertible exchangeable debentures issued on February 28, 2018 in conjunction with a Securities Purchase Agreement dated August 14, 2017.

#### **Net Loss**

Net loss for the three months ended March 31, 2019 was \$1,442,000 as compared to a net loss of \$1,299,000 for the three months ended March 31, 2018. The net loss for the three months ended March 31, 2019, included non-cash expenses of \$911,000. The non-cash items include (i) depreciation and amortization of \$71,000; (ii) stock based compensation of \$91,000; (iii) issuance of capital stock for services and expenses of \$349,000; (iv) amortization of debt discount of \$362,000; and (v) other of \$38,000. TransTech's net loss from operations was \$7,000 for the three months ended March 31, 2019 as compared to a net income from operations of \$17,000 for the three months ended March 31, 2018.

The net loss for the three months ended March 31, 2018 included non-cash expenses of non-cash items of \$1,037,000. The non-cash items include (i) depreciation and amortization of \$16,000; (ii) stock based compensation of \$2,000; (iii) conversion of interest and amortization of debt discount of \$323,000; (iv) conversion of accrued liabilities of \$492,000; (v) issuance of warrants for debt conversion of \$110,000; (vi) other of \$94,000.

We expect losses to continue as we commercialize our ChromaID™ and Bio-RFID™ technology.

(dollars in thousands)

	Six Months Ended March 31,			
	2019 (Restated)	2018	\$ Variance	% Variance
Revenue	\$ 1,196	\$ 2,325	\$ (1,129)	-48.6%
Cost of sales	927	1,851	(924)	49.9%
Gross profit	269	474	(205)	-43.2%
Research and development expenses	391	241	150	-62.2%
Selling, general and administrative expenses	1,693	992	701	-70.7%
Operating loss	(1,815)	(759)	(1,056)	89.7%
Other (expense) income:				
Interest expense	(409)	(1,087)	678	62.4%
Other income (expense)	13	19	(6)	-31.6%
Total other income (expense)	(396)	(1,068)	672	62.9%
(Loss) before income taxes	(2,211)	(1,827)	(384)	-21.0%
Income taxes - current (benefit)	-	-	-	0.0%
Net loss	\$ (2,211)	\$ (1,827)	\$ (384)	-21.0%

#### SIX MONTHS ENDED MARCH 31, 2019 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 2018

##### Sales

Net revenue for the six months ended March 31, 2019 decreased \$1,129,000 to \$1,196,000 as compared to \$2,325,000 for the six months ended March 31, 2018. The decrease was due to lower sales by TransTech. We have focused TransTech on maximizing profits at the lower sales level.

##### Cost of Sales

Cost of sales for the six months ended March 31, 2019 decreased \$924,000 to \$927,000 as compared to \$1,851,000 for the six months ended March 31, 2018. The decrease was due to lower sales by TransTech. We have focused TransTech on maximizing profits at the lower sales level.

Gross profit was \$269,000 for the six months ended March 31, 2019 as compared to \$474,000 for the six months ended March 31, 2018. Gross profit was 23.4% for the six months ended March 31, 2019 as compared to 20.4% for the six months ended March 31, 2018. We have focused TransTech on maximizing profits at the current sales level.

##### Research and Development Expenses

Research and development expenses for the six months ended March 31, 2019 increased \$150,000 to \$391,000 as compared to \$241,000 for the six months ended March 31, 2018. The increase was due to expenditures related to the development of our Bio-RFID™ technology.

##### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended March 31, 2019 increased \$1,376,701,000 to \$2,368,169,000 as compared to \$992,000 for the six months ended March 31, 2018.

The increase primarily was due to (i) increased corporate development expense of \$389,211,000; (ii) increased stock based compensation of \$83,528,600; (iii) increased issuance of capital stock for shares and services of \$278,000; and (iv) increased other expenses of \$15,211,600. As part of the selling, general and administrative expenses for the six months ended March 31, 2019, we recorded \$467,000 of investor relation expenses and business development expenses.

##### Other Income (Expense)

Other expense for the six months ended March 31, 2019 was \$439,600 as compared to other expense of \$1,068,000 for the six months ended March 31, 2018. The other expense for the six months ended March 31, 2019 included (i) interest expense of \$1,740,900; offset by (ii) other income of \$13,000.

The other expense for the six months ended March 31, 2018 included (i) interest expense of \$1,087,000; offset by (ii) other income of \$19,000. The interest expense related a senior convertible exchangeable debenture issued on December 12, 2017 and February 28, 2018 in conjunction with a Securities Purchase Agreement dated August 14, 2017.

#### **Net Loss**

Net loss for the six months ended March 31, 2019 was \$2,211,000 as compared to a net loss of \$1,827,000 for the six months ended March 31, 2018. The net loss for the six months ended March 31, 2019, included non-cash expenses of \$1,146,000. The non-cash items include (i) depreciation and amortization of \$133,000; (ii) stock based compensation of \$293,000; (iii) issuance of capital stock for services and expenses of \$349,000; (iv) amortization of debt discount of \$362,000; and (v) other of \$9,000. TransTech's net loss from operations was \$36,000 for the six months ended March 31, 2019 as compared to a net income from operations of \$38,000 for the six months ended March 31, 2018.

The net loss for the six months ended March 31, 2018 included non-cash expenses of non-cash items of \$1,272,000. The non-cash items include (i) depreciation and amortization of \$30,000; (ii) stock based compensation of \$71,000; (iii) conversion of interest and amortization of debt discount of \$475,000; (iv) conversion of accrued liabilities of \$492,000; (v) issuance of warrants for debt conversion of \$110,000; and (vi) other of \$30,000.

We expect losses to continue as we commercialize our ChromaID™ and Bio-RFID™ technology.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

We had cash of approximately \$3,062,000 and net working capital deficit of approximately \$1,308,000 (net of convertible notes payable and notes payable) as of March 31, 2019. We have experienced net losses since inception and we expect losses to continue as we commercialize our ChromaID™ technology. As of March 31, 2019, we had an accumulated deficit of \$37,003,000 and net losses in the amount of \$2,211,000, \$3,258,000 and \$3,901,000 for the six months ended March 31, 2019 and years ended September 30, 2018 and 2017, respectively. We believe that our cash on hand will be sufficient to fund our operations through December 31, 2019.

As of March 31, 2019, we closed rounds of a debt offering and received gross proceeds of \$3,809,976 in exchange for issuing Subordinated Convertible Notes (the "Convertible Notes") and Warrants (the "Warrants") in a private placement to 35 accredited investors, pursuant to a series of substantially identical Securities Purchase Agreements, Common Stock Warrants, and related documents.

The Convertible Notes have a principal amount of \$3,809,976 and bear annual interest of 8%. Both the principal amount and the interest are payable on a payment-in-kind basis in shares of Common Stock of the Company (the "Common Stock"). They are due and payable (in Common Stock) on the earlier of (a) mandatory and automatic conversion of the Convertible Notes into a financing that yields gross proceeds of at least \$10,000,000 (a "Qualified Financing") or (b) on the one-year anniversary of the Convertible Notes (the "Maturity Date"). Investors will be required to convert their Convertible Notes into Common Stock in any Qualified Financing at a conversion price per share equal to the lower of (i) \$1.00 per share or (ii) a 25% discount to the price per share paid by investors in the Qualified Financing. If the Convertible Notes have not been paid or converted prior to the Maturity Date, the outstanding principal amount of the Convertible Notes will be automatically converted into shares of Common Stock at the lesser of (a) \$1.00 per share or (b) any adjusted price resulting from the application of a "most favored nations" provision, which requires the issuance of additional shares of Common Stock to investors if the Company issues certain securities at less than the then-current conversion price.

We expect to continue offering additional Convertible Notes and Warrants on substantially the same terms until April 15, 2019 (unless extended at our discretion) or until we have raised a maximum of \$5 million in gross proceeds (or such other amount determined by us).

The opinion of our independent registered public accounting firm on our audited financial statements as of and for the year ended September 30, 2018 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon raising capital from financing transactions.

We need additional financing to implement our business plan and to service our ongoing operations and pay our current debts. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing when it is needed, we will need to restructure our operations, and divest all or a portion of our business. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, and could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then-existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back, eliminate the development of business opportunities or file for bankruptcy and our operations and financial condition may be materially adversely affected.

We have financed our corporate operations and our technology development through the issuance of convertible debentures, the issuance of preferred stock, the sale common stock, issuance of common stock in conjunction with an equity line of credit, loans by our Chairman and the exercise of warrants.

## Operating Activities

Net cash used in operating activities for the six months ended March 31, 2019 was \$1,148,000. This amount was primarily related to (i) a net loss of \$2,211,000; and (ii) working capital changes of \$81,000; offset by (iii) non-cash expenses of \$1,146,000. The non-cash items include (iv) depreciation and amortization of \$133,000; (v) stock based compensation of \$293,000; (vi) issuance of capital stock for services and expenses of \$349,000; (vii) amortization of debt discount of \$343,000; and (viii) other of \$9,000.

## Investing Activities

Net cash used in investing activities for the six months ended March 31, 2019 was \$75,000. This amount was primarily related to the investment in equipment for research and development.

## Financing Activities

Net cash provided by financing activities for the six months ended March 31, 2019 was \$3,350,000. This amount was primarily related to issuance of convertible notes payable for cash of \$3,810,000, offset by repayments of line of credit of \$92,000 and payments for issuance costs for notes payable of \$368,000

Our contractual cash obligations as of March 31, 2019 are summarized in the table below:

<b>Contractual Cash Obligations (1)</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>Greater Than 5 Years</b>
Operating leases	\$ 389,994	\$ 187,652	\$ 196,526	\$ 5,816	\$ -
Convertible notes payable (Restated)	6,065,042	6,065,042	-	-	-
	<u>\$ 6,455,036</u>	<u>\$ 6,252,694</u>	<u>\$ 196,526</u>	<u>\$ 5,816</u>	<u>\$ -</u>

(1) Convertible notes payable includes \$3,808,976 that converts into common stock at the maturity date during early 2020. We expect to incur capital expenditures related to the development of the "Bio-RFID™" and "ChromaID™" technologies. None of the expenditures are contractual obligations as of March 31, 2019.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is not applicable.

## ITEM 4. CONTROLS AND PROCEDURES

### a) Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive and principal financial officers concluded as of March 31, 2019 that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in our internal controls over financial reporting discussed immediately below.

### Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weakness during its assessment of internal controls over financial reporting:

*Personnel:* We do not employ a full time Chief Financial Officer. Our Chairman serves as interim Chief Financial Officer. We utilize a consultant to assist with our financial reporting.

*Audit Committee:* While we have an audit committee, we lack a financial expert. During 2019, the Board expects to appoint an additional independent Director to serve as Audit Committee Chairman who is an “audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”) and as adopted under the Sarbanes-Oxley Act of 2002.

***(b) Management's Report on Internal Control Over Financial Reporting.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of March 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework*. Based on its evaluation, management has concluded that the Company’s internal control over financial reporting was not effective as of March 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated can provide only reasonable, but not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost.

***c) Changes in Internal Control over Financial Reporting***

During the three months ended March 31, 2019, there were no changes in our internal controls over financial reporting during this fiscal quarter that materially affected, or is reasonably likely to have a materially affect, on our internal control over financial reporting.



## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We may from time to time become a party to various legal proceedings arising in the ordinary course of our business. We are currently not a party to any pending legal proceeding that is not ordinary routine litigation incidental to our business.

### ITEM 1A. RISK FACTORS

There are certain inherent risks which will have an effect on the Company's development in the future and the most significant risks and uncertainties known and identified by our management are described below.

### ITEM 1A. RISK FACTORS

There are certain inherent risks which will have an effect on the Company's development in the future and the most significant risks and uncertainties known and identified by our management are described below.

### RISK FACTORS

There are certain inherent risks which will have an effect on the Company's development in the future and the most significant risks and uncertainties known and identified by our management are described below.

#### Risks Relating to the Company Generally

*We need additional financing to support our technology development and ongoing operations, pay our debts and maintain ownership of our intellectual properties.*

We are currently operating at a loss. We believe that our cash on hand will be sufficient to fund our operations through December 31, 2019. We need additional financing to implement our business plan and to service our ongoing operations, pay our current debts (described below) and maintain ownership of our intellectual property. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing when it is needed, we will need to restructure our operations and/or divest all or a portion of our business. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, and could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then-existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back, eliminate the development of business opportunities or file for bankruptcy and our operations and financial condition may be materially adversely affected. There can be no assurance that we will be able to sell that number of shares, if any.

*We need to continue as a going concern if our business is to succeed.*

Because of our recurring losses and negative cash flows from operations, the audit report of our independent registered public accountants on our consolidated financial statements for the year ended September 30, 2018 contains an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern. Factors identified in the report include our historical net losses, negative working capital, and the need for additional financing to implement our business plan and service our debt repayments. If we are not able to attain profitability in the near future our financial condition could deteriorate further, which would have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment. Further, we may be unable to pay our debt obligations as they become due, which include obligations to secured creditors. If we are unable to continue as a going concern, we might have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. Additionally, we are subject to customary operational covenants, including limitations on our ability to incur liens or additional debt, pay dividends, redeem stock, make specified investments and engage in merger, consolidation or asset sale transactions, among other restrictions. In addition, the inclusion of an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern and our lack of cash resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relations with third parties.

*As of March 31, 2019, we owe approximately \$2,733,927 and if we do not satisfy these obligations, the lenders may have the right to demand payment in full or exercise other remedies.*

Mr. Erickson and/or entities with which he is affiliated also have accrued compensation, travel and interest of approximately \$478,861 as of March 31, 2019.

Including Mr. Erickson, we owe \$2,255,066 under various convertible promissory notes as of March 31, 2019.

This excludes \$3,809,976 of Subordinated Convertible Notes (the "Convertible Notes") and Warrants (the "Warrants") in a private placement to 35 accredited investors, pursuant to a series of substantially identical Securities Purchase Agreements, Common Stock Warrants, and related documents that closed on May 28, 2019. The Convertible Notes converts into common stock at the maturity date during early 2020.

We require additional financing, to service and/or repay these debt obligations. If we raise additional capital through borrowing or other debt financing, we may incur substantial interest expense. If and when we raise more equity capital in the future, it will result in substantial dilution to our current stockholders.

***We have a history of operating losses and there can be no assurance that we can achieve or maintain profitability.***

We have experienced net losses since inception. As of March 31, 2019, we had an accumulated deficit of \$37,003,000 and net losses in the amount of \$2,211,000, \$3,258,000 and \$3,901,000 for the six months ended March 31, 2019 and years ended September 30, 2018 and 2017, respectively. There can be no assurance that we will achieve or maintain profitability. If we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Failure to become and remain profitable would impair our ability to sustain operations and adversely affect the price of our common stock and our ability to raise capital. Our operating expenses may increase as we spend resources on growing our business, and if our revenue does not correspondingly increase, our operating results and financial condition will suffer. Our ChromaID and Bio-RFID business has produced minimal revenues, and may not produce significant revenues in the near term, or at all, which would harm our ability to continue our operations or obtain additional financing and require us to reduce or discontinue our operations. You must consider our business and prospects in light of the risks and difficulties we will encounter as business with an early-stage technology in a new and rapidly evolving industry. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, operating results and financial condition.

***If the company were to dissolve or wind-up operations, holders of our common stock would not receive a liquidation preference.***

If we were to wind-up or dissolve our company and liquidate and distribute our assets, our common stockholders would share in our assets only after we satisfy any amounts we owe to our creditors and preferred equity holders. If our liquidation or dissolution were attributable to our inability to profitably operate our business, then it is likely that we would have material liabilities at the time of liquidation or dissolution. Accordingly, it is very unlikely that sufficient assets will remain available after the payment of our creditors and preferred equity holders to enable common stockholders to receive any liquidation distribution with respect to any common stock.

***We may not be able to generate sufficient revenue from the commercialization of our ChromaID and Bio-RFID technology and related products to achieve or sustain profitability.***

We are in the early stages of commercializing our ChromaID and Bio-RFID technology. Failure to develop and sell products based upon our ChromaID and Bio-RFID technology, grant additional licenses and obtain royalties or develop other revenue streams will have a material adverse effect on our business, financial condition and results of operations.

To date, we have generated minimal revenue from sales of our products. We believe that our commercialization success is dependent upon our ability to significantly increase the number of customers that are using our products. In addition, demand for our products may not materialize, or increase as quickly as planned, and we may therefore be unable to increase our revenue levels as expected. We are currently not profitable. Even if we succeed in introducing our technology and related products to our target markets, we may not be able to generate sufficient revenue to achieve or sustain profitability.

***We currently rely in part upon external resources for engineering and product development services. If we are unable to secure an engineering or product development partner or establish satisfactory engineering and product development capabilities, we may not be able to successfully commercialize our ChromaID and Bio-RFID technology.***

Our success depends upon our ability to develop products that are accurate and provide solutions for our customers. Achieving the desired results for our customers requires solving engineering issues in concert with them. Any failure of our ChromaID and Bio-RFID technology or related products to meet customer expectations could result in customers choosing to retain their existing methods or to adopt systems other than ours.

We have not historically had sufficient internal resources which can work on engineering and product development matters. We have used third parties in the past and will continue to do so. These resources are not always readily available and the absence of their availability could inhibit our research and development efforts and our responsiveness to our customers. Our inability to secure those resources could impact our ability to provide engineering and product development services and could have an impact on our customers' willingness to use our technology.

***We are in the early stages of commercialization and our ChromaID and Bio-RFID technology and related products may never achieve significant commercial market acceptance.***

Our success depends on our ability to develop and market products that are recognized as accurate and cost-effective. Many of our potential customers may be reluctant to use our new technology. Market acceptance will depend on many factors, including our ability to convince potential customers that our ChromaID and Bio-RFID technology and related products are an attractive alternative to existing light-based technologies. We will need to demonstrate that our products provide accurate and cost-effective alternatives to existing light-based authentication technologies. Compared to most competing technologies, our technology is relatively new, and most potential customers have limited knowledge of, or experience with, our products. Prior to implementing our technology and related products, potential customers are required to devote significant time and effort to testing and validating our products. In addition, during the implementation phase, customers may be required to devote significant time and effort to training their personnel on appropriate practices to ensure accurate results from our technology and products. Any failure of our technology or related products to meet customer expectations could result in customers choosing to retain their existing testing methods or to adopt systems other than ours.

Many factors influence the perception of a system including its use by leaders in the industry. If we are unable to induce industry leaders in our target markets to implement and use our technology and related products, acceptance and adoption of our products could be slowed. In addition, if our products fail to gain significant acceptance in the marketplace and we are unable to expand our customer base, we may never generate sufficient revenue to achieve or sustain profitability.

***Our management has concluded that we have material weaknesses in our internal controls over financial reporting and that our disclosure controls and procedures are not effective.***

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. During the audit of our financial statements for the year ended September 30, 2018, our management identified material weaknesses in our internal control over financial reporting. If these weaknesses continue, investors could lose confidence in the accuracy and completeness of our financial reports and other disclosures.

In addition, our management has concluded that our disclosure controls and procedures were not effective due to the lack of an audit committee "financial expert." These material weaknesses, if not remediated, create an increased risk of misstatement of the Company's financial results, which, if material, may require future restatement thereof. A failure to implement improved internal controls, or difficulties encountered in their implementation or execution, could cause future delays in our reporting obligations and could have a negative effect on us and the trading price of our common stock.

***If components used in our finished products become unavailable, or third-party manufacturers otherwise experience delays, we may incur delays in shipment to our customers, which would damage our business.***

We depend on third-party suppliers for substantially all of our components and products. We purchase these products and components from third-party suppliers that serve the advanced lighting systems market and we believe that alternative sources of supply are readily available for most products and components. However, consolidation could result in one or more current suppliers being acquired by a competitor, rendering us unable to continue purchasing necessary amounts of key components at competitive prices. In addition, for certain of our customized components, arrangements for additional or replacement suppliers will take time and result in delays. We purchase products and components pursuant to purchase orders placed from time to time in the ordinary course of business. This means we are vulnerable to unanticipated price increases and product shortages. Any interruption or delay in the supply of components and products, or our inability to obtain components and products from alternate sources at acceptable prices in a timely manner, could harm our business, financial condition and results of operations.

While we believe alternative manufacturers for these products are available, we have selected these particular manufacturers based on their ability to consistently produce these products per our specifications ensuring the best quality product at the most cost-effective price. We depend on our third-party manufacturers to satisfy performance and quality specifications and to dedicate sufficient production capacity within scheduled delivery times. Accordingly, the loss of all or one of these manufacturers or delays in obtaining shipments could have a material adverse effect on our operations until such time as an alternative manufacturer could be found.

***Our wholly-owned TransTech subsidiary revenues are declining***

We have not been able to successfully address this revenue decline, which is expected to result in winding down this subsidiary during the three months ending June 30, 2019. The loss of the TransTech subsidiary revenue will impact the Company's top line revenues and its operating results and may result in expenses associated with the winding down. We cannot predict with certainty how the winding down will affect our overall operations.

***We are dependent on key personnel.***

Our success depends to a significant degree upon the continued contributions of key management and other personnel, some of whom could be difficult to replace, including Ronald P. Erickson, our Chairman and Phil Bosua, our Chief Executive Officer. We do not maintain key person life insurance covering any of our officers. Our success will depend on the performance of our officers, our ability to retain and motivate our officers, our ability to integrate new officers into our operations, and the ability of all personnel to work together effectively as a team. Our officers do not currently have employment agreements. Our failure to retain and recruit officers and other key personnel could have a material adverse effect on our business, financial condition and results of operations. Our success also depends on our continued ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, manufacturing, administrative and sales and marketing personnel. Competition for these individuals is intense, and we may not be able to successfully recruit, assimilate or retain sufficiently qualified personnel. In particular, we may encounter difficulties in recruiting and retaining a sufficient number of qualified technical personnel, which could harm our ability to develop new products and adversely impact our relationships with existing and future customers. The inability to attract and retain necessary technical, managerial, manufacturing, administrative and sales and marketing personnel could harm our ability to obtain new customers and develop new products and could adversely affect our business and operating results.

***We have limited insurance which may not cover claims by third parties against us or our officers and directors.***

We have limited directors' and officers' liability insurance and commercial liability insurance policies. Claims by third parties against us may exceed policy amounts and we may not have amounts to cover these claims. Any significant claims would have a material adverse effect on our business, financial condition and results of operations. In addition, our limited directors' and officers' liability insurance may affect our ability to attract and retain directors and officers.

***Our inability to effectively protect our intellectual property would adversely affect our ability to compete effectively, our revenue, our financial condition and our results of operations.***

We rely on a combination of patent, trademark, and trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. Obtaining and maintaining a strong patent position is important to our business. Patent law relating to the scope of claims in the technology fields in which we operate is complex and uncertain, so we cannot be assured that we will be able to obtain or maintain patent rights, or that the patent rights we may obtain will be valuable, provide an effective barrier to competitors or otherwise provide competitive advantages. Others have filed, and in the future are likely to file, patent applications that are similar or identical to ours or those of our licensors. To determine the priority of inventions, or demonstrate that we did not derive our invention from another, we may have to participate in interference or derivation proceedings in the USPTO or in court that could result in substantial costs in legal fees and could substantially affect the scope of our patent protection. We cannot be assured our patent applications will prevail over those filed by others. Also, our intellectual property rights may be subject to other challenges by third parties. Patents we obtain could be challenged in litigation or in administrative proceedings such as *ex parte* reexam, *inter partes* review, or post grant review in the United States or opposition proceedings in Europe or other jurisdictions.

There can be no assurance that:

- any of our existing patents will continue to be held valid, if challenged;
- patents will be issued for any of our pending applications;
- any claims allowed from existing or pending patents will have sufficient scope or strength to protect us;
- our patents will be issued in the primary countries where our products are sold in order to protect our rights and potential commercial advantage; or
- any of our products or technologies will not infringe on the patents of other companies.

If we are enjoined from selling our products, or if we are required to develop new technologies or pay significant monetary damages or are required to make substantial royalty payments, our business and results of operations would be harmed.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents and/or applications due in several stages over the lifetime of patents and/or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. We may or may not choose to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If we choose to forgo patent protection or allow a patent application or patent to lapse purposefully or inadvertently, our competitive position could suffer.

Legal actions to enforce our patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of our patents or a finding that they are unenforceable. We may or may not choose to pursue litigation or interferences against those that have infringed on our patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could have a material adverse effect on our results of operations and business.

***Claims by others that our products infringe their patents or other intellectual property rights could prevent us from manufacturing and selling some of our products or require us to pay royalties or incur substantial costs from litigation or development of non-infringing technology.***

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. We may receive notices that claim we have infringed upon the intellectual property of others. Even if these claims are not valid, they could subject us to significant costs. Any such claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert our attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all. We have engaged in litigation and litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation may also be necessary to defend against claims of infringement or invalidity by others. A successful claim of intellectual property infringement against us and our failure or inability to license the infringed technology or develop or license technology with comparable functionality could have a material adverse effect on our business, financial condition and operating results.

***If we are unable to secure a sales and marketing partner or establish satisfactory sales and marketing capabilities at the Know Labs parent Company level we may not be able to successfully commercialize our technology.***

If we are not successful entering into appropriate collaboration arrangements, or recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty successfully commercializing our technology, which would adversely affect our business, operating results and financial condition.

We may not be able to enter into collaboration agreements on terms acceptable to us or at all. In addition, even if we enter into such relationships, we may have limited or no control over the sales, marketing and distribution activities of these third parties. Our future revenues may depend heavily on the success of the efforts of these third parties. If we elect to establish a sales and marketing infrastructure we may not realize a positive return on this investment. In addition, we must compete with established and well-funded pharmaceutical and biotechnology companies to recruit, hire, train and retain sales and marketing personnel. Factors that may inhibit our efforts to commercialize technology without strategic partners or licensees include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

***Government regulatory approval may be necessary before some of our products can be sold and there is no assurance such approval will be granted.***

Our technology may have a number of potential applications in fields of use which will require prior governmental regulatory approval before the technology can be introduced to the marketplace. For example, we are exploring the use of our technology for certain medical diagnostic applications, with an initial focus on the continuous monitoring of blood glucose.

There is no assurance that we will be successful in developing continuous glucose monitoring (CGM) medical applications for our technology.

If we were to be successful in developing continuous glucose monitoring medical applications of our technology, prior approval by the FDA and other governmental regulatory bodies will be required before the technology could be introduced into the marketplace.

There is no assurance that such regulatory approval would be obtained for a continuous glucose monitoring medical diagnostic or other applications requiring such approval.

The FDA can refuse to grant, delay, limit or deny approval of an application for approval of our UBAND CGM for many reasons.

We may not obtain the necessary regulatory approvals or clearances to market these continuous glucose monitoring systems in the United States or outside of the United States.

Any delay in, or failure to receive or maintain, approval or clearance for our products could prevent us from generating revenue from these products or achieving profitability.

***Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.***

Cyber incidents can result from deliberate attacks or unintentional events. We collect and store on our networks sensitive information, including intellectual property, proprietary business information and personally identifiable information of our customers. The secure maintenance of this information and technology is critical to our business operations. We have implemented multiple layers of security measures to protect the confidentiality, integrity and availability of this data and the systems and devices that store and transmit such data. We utilize current security technologies, and our defenses are monitored and routinely tested internally and by external parties. Despite these efforts, threats from malicious persons and groups, new vulnerabilities and advanced new attacks against information systems create risk of cybersecurity incidents. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

These threats can come from a variety of sources, ranging in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to state-sponsored attacks. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past several years, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications may be vulnerable to cyber-attack, malicious intrusion, malfeasance, loss of data privacy or other significant disruption and may be subject to unauthorized access by hackers, employees, consultants or other service providers. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff.

There can be no assurance that we will not be subject to cybersecurity incidents that bypass our security measures, impact the integrity, availability or privacy of personal health information or other data subject to privacy laws or disrupt our information systems, devices or business, including our ability to deliver services to our customers. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities.

***We may engage in acquisitions, mergers, strategic alliances, joint ventures and divestitures that could result in final results that are different than expected.***

In the normal course of business, we engage in discussions relating to possible acquisitions, equity investments, mergers, strategic alliances, joint ventures and divestitures. Such transactions are accompanied by a number of risks, including the use of significant amounts of cash, potentially dilutive issuances of equity securities, incurrence of debt on potentially unfavorable terms as well as impairment expenses related to goodwill and amortization expenses related to other intangible assets, the possibility that we may pay too much cash or issue too many of our shares as the purchase price for an acquisition relative to the economic benefits that we ultimately derive from such acquisition, and various potential difficulties involved in integrating acquired businesses into our operations.

From time to time, we have also engaged in discussions with candidates regarding the potential acquisitions of our product lines, technologies and businesses. If a divestiture such as this does occur, we cannot be certain that our business, operating results and financial condition will not be materially and adversely affected. A successful divestiture depends on various factors, including our ability to effectively transfer liabilities, contracts, facilities and employees to any purchaser; identify and separate the intellectual property to be divested from the intellectual property that we wish to retain; reduce fixed costs previously associated with the divested assets or business; and collect the proceeds from any divestitures.

If we do not realize the expected benefits of any acquisition or divestiture transaction, our financial position, results of operations, cash flows and stock price could be negatively impacted.

***Our growth strategy depends in part on our ability to execute successful strategic acquisitions. We have made strategic acquisitions in the past and may do so in the future, and if the acquired companies do not perform as expected, this could adversely affect our operating results, financial condition and existing business.***

We may continue to expand our business through strategic acquisitions. The success of any acquisition will depend on, among other things:

- the availability of suitable candidates;
- higher than anticipated acquisition costs and expenses;
- competition from other companies for the purchase of available candidates;
- our ability to value those candidates accurately and negotiate favorable terms for those acquisitions;
- the availability of funds to finance acquisitions and obtaining any consents necessary under our credit facility;
- the ability to establish new informational, operational and financial systems to meet the needs of our business;
- the ability to achieve anticipated synergies, including with respect to complementary products or services; and
- the availability of management resources to oversee the integration and operation of the acquired businesses.

We may not be successful in effectively integrating acquired businesses and completing acquisitions in the future. We also may incur substantial expenses and devote significant management time and resources in seeking to complete acquisitions. Acquired businesses may fail to meet our performance expectations. If we do not achieve the anticipated benefits of an acquisition as rapidly as expected, or at all, investors or analysts may not perceive the same benefits of the acquisition as we do. If these risks materialize, our stock price could be materially adversely affected.

*We are subject to corporate governance and internal control requirements, and our costs related to compliance with, or our failure to comply with existing and future requirements could adversely affect our business.*

We must comply with corporate governance requirements under the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as additional rules and regulations currently in place and that may be subsequently adopted by the SEC and the Public Company Accounting Oversight Board. These laws, rules, and regulations continue to evolve and may become increasingly stringent in the future. The financial cost of compliance with these laws, rules, and regulations is expected to remain substantial.

Our management has concluded that our disclosure controls and procedures were not effective due to the lack of an audit committee “financial expert.” We expect to appoint an additional independent director to serve as Audit Committee Chairman. This director will be an “audit committee financial expert” as defined by the SEC. However, we cannot assure you that we will be able to fully comply with these laws, rules, and regulations that address corporate governance, internal control reporting, and similar matters in the future. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition, and the value of our securities.

*The exercise prices of certain warrants, convertible notes payable and the Series A, C, and D Preferred Shares and Convertible Notes Payable may require further adjustment.*

In the future, if we sell our common stock at a price below \$0.25 per share, the exercise price of 1,785,715 outstanding shares of Series C Preferred Stock, 1,016,004 outstanding shares Series D Preferred Stock that adjust below \$0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of a Convertible Note Payable of \$6,065,042 (9,020,264 common shares at the current price of \$0.25 per share and 3,808,976 common shares at the current price of \$1.00 per share). In addition, the Company currently has outstanding warrants to purchase 12,664,385 shares of common stock would adjust below \$0.25 per share pursuant to the documents governing such instruments). Finally, the Company currently has outstanding warrants to purchase 2,392,185 shares of common stock would adjust below \$1.00 per share pursuant to the documents governing such instruments.

#### **Risks Relating to Our Stock**

*The price of our common stock is volatile, which may cause investment losses for our stockholders.*

The market price of our common stock has been and is likely in the future to be volatile. Our common stock price may fluctuate in response to factors such as:

- Announcements by us regarding liquidity, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments and litigation;
- Issuance of convertible or equity securities and related warrants for general or merger and acquisition purposes;
- Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes;
- Sale of a significant number of shares of our common stock by stockholders;
- General market and economic conditions;
- Quarterly variations in our operating results;
- Investor and public relation activities;
- Announcements of technological innovations;
- New product introductions by us or our competitors;
- Competitive activities; and
- Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of our common stock, regardless of our actual operating performance. These factors could have a material adverse effect on our business, financial condition and results of operations.

***Transfers of our securities may be restricted by virtue of state securities “blue sky” laws, which prohibit trading absent compliance with individual state laws. These restrictions may make it difficult or impossible to sell shares in those states.***

Transfers of our common stock may be restricted under the securities or securities regulations laws promulgated by various states and foreign jurisdictions, commonly referred to as “blue sky” laws. Absent compliance with such individual state laws, our common stock may not be traded in such jurisdictions. Because the securities held by many of our stockholders have not been registered for resale under the blue sky laws of any state, the holders of such shares and persons who desire to purchase them should be aware that there may be significant state blue sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. These restrictions may prohibit the secondary trading of our common stock. Investors should consider the secondary market for our securities to be a limited one.

***Three individual investors could have significant influence over matters submitted to stockholders for approval.***

As of March 31, 2019, four individuals in the aggregate, assuming the exercise of all warrants to purchase common stock, hold shares representing approximately 54% of our common stock on a fully-converted basis and could be considered a control group for purposes of SEC rules. However, the agreement with one of these individuals limits his ownership to 4.99% individually. Beneficial ownership includes shares over which an individual or entity has investment or voting power and includes shares that could be issued upon the exercise of options and warrants within 60 days after the date of determination. If these persons were to choose to act together, they would be able to significantly influence all matters submitted to our stockholders for approval, as well as our officers, directors, management and affairs. For example, these persons, if they choose to act together, could significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of us on terms that other stockholders may desire.

***The sale of a significant number of our shares of common stock could depress the price of our common stock.***

Sales or issuances of a large number of shares of common stock in the public market or the perception that sales may occur could cause the market price of our common stock to decline. As of March 31, 2019, we had 18,192,949 shares of common stock issued and outstanding, held by 122 stockholders of record. The number of stockholders, including beneficial owners holding shares through nominee names, is approximately 2,300. Each share of common stock entitles its holder to one vote on each matter submitted to the stockholders for a vote, and no cumulative voting for directors is permitted. Stockholders do not have any preemptive rights to acquire additional securities issued by us. As of March 31, 2019, there were options outstanding for the purchase of 2,282,668 common shares, warrants for the purchase of 17,572,583 common shares, and 4,894,071 shares of the Company’s common stock issuable upon the conversion of Series A, Series C and Series D Convertible Preferred Stock. In addition, the Company currently has 13,262,779 common shares (9,020,264 common shares at the current price of \$0.25 per share and 3,808,976 common shares at the current price of \$1.00 per share) and are issuable upon conversion of convertible debentures of \$6,065,042. All of which could potentially dilute future earnings per share.

Significant shares of common stock are held by our principal stockholders, other company insiders and other large stockholders. As “affiliates” of Know Labs, as defined under Securities and Exchange Commission Rule 144 under the Securities Act of 1933, our principal stockholders, other of our insiders and other large stockholders may only sell their shares of common stock in the public market pursuant to an effective registration statement or in compliance with Rule 144.

These options, warrants, convertible notes payable and convertible preferred stock could result in further dilution to common stockholders and may affect the market price of the common stock.

***Future issuance of additional shares of common stock and/or preferred stock could dilute existing stockholders. We have and may issue preferred stock that could have rights that are preferential to the rights of common stock that could discourage potentially beneficial transactions to our common stockholders.***

Pursuant to our certificate of incorporation, we currently have authorized 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. To the extent that common shares are available for issuance, subject to compliance with applicable stock exchange listing rules, our board of directors has the ability to issue additional shares of common stock in the future for such consideration as the board of directors may consider sufficient. The issuance of any additional securities could, among other things, result in substantial dilution of the percentage ownership of our stockholders at the time of issuance, result in substantial dilution of our earnings per share and adversely affect the prevailing market price for our common stock.

An issuance of additional shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over our common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors’ authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve. The issuance of preferred stock could impair the voting, dividend and liquidation rights of common stockholders without their approval.



***Future capital raises may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.***

If we raise additional capital by issuing equity securities, our existing stockholders' percentage ownership will be reduced and these stockholders may experience substantial dilution. We may also issue equity securities that provide for rights, preferences and privileges senior to those of our common stock. If we raise additional funds by issuing debt securities, these debt securities would have rights senior to those of our common stock and the terms of the debt securities issued could impose significant restrictions on our operations, including liens on our assets. If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or candidate products, or to grant licenses on terms that are not favorable to us.

***We do not anticipate paying any cash dividends on our capital stock in the foreseeable future.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business, and we do not anticipate paying any cash dividends on our capital stock in the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

***Anti-takeover provisions may limit the ability of another party to acquire our company, which could cause our stock price to decline.***

Our certificate of incorporation, as amended, our bylaws and Nevada law contain provisions that could discourage, delay or prevent a third party from acquiring our company, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

***Our articles of incorporation allow for our board to create new series of preferred stock without further approval by our stockholders, which could adversely affect the rights of the holders of our common stock; our Series A Preferred Stock contains provisions that restrict our ability to take certain actions without the consent of at least 66% of the Series A Preferred Stock then outstanding.***

Our Board of Directors has the authority to fix and determine the relative rights and preferences of preferred stock. Our Board of Directors also has the authority to issue preferred stock without further stockholder approval. As a result, our Board of Directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock. In addition, our Board of Directors could authorize the issuance of a series of preferred stock that has greater voting power than our common stock or that is convertible into our common stock, which could decrease the relative voting power of our common stock or result in dilution to our existing stockholders.

In addition, our articles of incorporation restrict our ability to take certain actions without the approval of at least 66% of the Series A Preferred Stock then outstanding. These actions include, among other things:

- authorizing, creating, designating, establishing or issuing an increased number of shares of Series A Preferred Stock or any other class or series of capital stock ranking senior to or on a parity with the Series A Preferred Stock;
- adopting a plan for the liquidation, dissolution or winding up the affairs of our company or any recapitalization plan (whether by merger, consolidation or otherwise);
- amending, altering or repealing, whether by merger, consolidation or otherwise, our articles of incorporation or bylaws in a manner that would adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock; and
- declaring or paying any dividend (with certain exceptions) or directly or indirectly purchase, redeem, repurchase or otherwise acquire any shares of our capital stock, stock options or convertible securities (with certain exceptions).

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the three months ended March 31, 2019, we had the following unregistered sales of equity securities:

We issued 56,498 shares of common stock and cancelled warrants to purchase 6,502 shares of common stock at \$0.25 per share to a consultant and an investor related to the cashless exercise of warrants.

We issued 145,000 shares of common stock for services provided by two consultants. The shares were valued at \$246,900 or \$1.703 per share.

On January 2, 2019, we issued 100,000 shares of common stock for services provided to Ronald P. Erickson. The shares were valued at \$102,000 or \$1.02 per share.

On January 29, 2019, a holder of Series A Preferred Stock converted 20,000 shares into 80,000 shares of common stock.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

There have been no events which are required to be reported under this item.

**ITEM 4. MINE SAFETY DISCLOSURES**

N/A.

**ITEM 5. OTHER INFORMATION**

This item is not applicable.

## ITEM 6. EXHIBITS

The exhibits required to be filed herewith by Item 601 of Regulation S-K, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated by reference, as follows:

- (a) Exhibits

### Exhibit

### No. Description

3.1	<a href="#"><u>Restatement of the Articles of Incorporation dated September 13, 2013 (incorporated by reference to the Company's Current Report on Form 8-K/A2, filed September 17, 2013)</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws (incorporated by reference to the Company's Form 8-K, filed August 17, 2012)</u></a>
3.3	<a href="#"><u>Certificate of Amendment to the Restatement of the Articles of Incorporation dated June 11, 2015 (incorporated by reference to the Company's Current Report on Form 8-K, filed June 17, 2015)</u></a>
3.4	<a href="#"><u>Amended and Restated Certificate of Designations, Preferences and Rights of the Company's Series A Convertible Preferred Stock dated July 21, 2015 (incorporated by reference to the Company's Current Report on Form 8-K, filed July 29, 2015)</u></a>
3.5	<a href="#"><u>Correction to Amended and Restated Certificate of Designations, Preferences and Rights of its Series A Convertible Preferred Stock dated March 8, 2016 (incorporated by reference to the Company's Current Report on Form 8-K, filed March 15, 2016)</u></a>
3.6	<a href="#"><u>Amendment 2 of Series A Preferred Stock Terms dated February 19, 2016 (incorporated by reference to the Company's Current Report on Form 8-K, filed March 15, 2016)</u></a>
3.7	<a href="#"><u>Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K, filed August 11, 2016)</u></a>
3.8	<a href="#"><u>Form of Series C Convertible Preferred Stock 2016 (incorporated by reference to the Company's Registration Statement on Form S-1, filed September 1, 2016)</u></a>
3.9	<a href="#"><u>Certificate of Correction and Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock (incorporated by reference to the Company's Amended Current Report on Form 8-K/A, filed January 9, 2017)</u></a>
3.10	<a href="#"><u>Certificate of Designations, Preferences and Rights of Series D Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K, filed on February 10, 2017)</u></a>
3.11	<a href="#"><u>Amended and Restated Certificate of Designations, Preferences and Rights of Series D Convertible Preferred Stock. (incorporated by reference to the Company's Current Report on Form 8-K, filed May 5, 2017)</u></a>
3.12	<a href="#"><u>Second Amended and Restated Certificate of Designations, Preferences and Rights of Series D Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K, filed July 19, 2018)</u></a>
3.13	<a href="#"><u>Articles of Merger (incorporated by reference to the Company's Current Report on Form 8-K, filed May 3, 2018)</u></a>
3.14	<a href="#"><u>Second Amended and Restated Certificate of Designations, Preferences and Rights of Series D Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K, filed July 20, 2018)</u></a>
3.15	<a href="#"><u>Certificate of Designation of Series F Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K, filed August 3, 2018)</u></a>
4.1	<a href="#"><u>2011 Stock Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A, filed January 11, 2013)</u></a>
10.1	<a href="#"><u>Form of Preferred Stock and Warrant Purchase Agreement by and between Visualant, Incorporated and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed May 5, 2017)</u></a>
10.2	<a href="#"><u>Form of Amended and Restated Registration Rights Agreement, by and between Visualant, Incorporated and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed May 5, 2017)</u></a>

10.3	<a href="#">Form of Series F Warrant to Purchase Common Stock by and between Visualant, Incorporated and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed May 5, 2017)</a>
10.4	<a href="#">Securities Purchase Agreement dated August 14, 2017 by and between Visualant, Incorporated and accredited investor (incorporated by reference to the Company's Current Report on Form 8-K, filed August 18, 2017)</a>
10.5	<a href="#">Senior Secured Convertible Redeemable Debenture dated December 12, 2017 by and between Visualant, Incorporated and accredited investor. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 22, 2017)</a>
10.6	<a href="#">General Security Agreement dated December 12, 2017 by and between Visualant, Incorporated and accredited investor (incorporated by reference to the Company's Current Report on Form 8-K, filed August 18, 2017)</a>
10.7	<a href="#">Common Stock Purchase Warrant dated December 12, 2017 issued by Visualant, Incorporated to accredited investor. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 22, 2017)</a>
10.8	<a href="#">Schedule A to Subordination Agreement dated December 12, 2017 by and between an entity affiliated with Ronald P. Erickson and accredited investor. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 22, 2017)</a>
10.9	<a href="#">Senior Secured Convertible Redeemable Debenture dated February 28, 2018 by and between Visualant, Incorporated and accredited investor. (incorporated by reference to the Company's Current Report on Form 8-K, filed March 7, 2018)</a>
10.1	<a href="#">Common Stock Purchase Warrant dated February 28, 2018 issued by Visualant, Incorporated to accredited investor. (incorporated by reference to the Company's Current Report on Form 8-K, filed March 7, 2018)</a>
10.11	<a href="#">Consulting and Services Agreement dated July 6, 2017 amongst Visualant, Incorporated, Blaze, Inc. and Phillip A. Bosua (incorporated by reference to the Company's Form 10-K filed on December 29, 2017)</a>
10.12	<a href="#">Note and Account Payable Conversion Agreement dated January 31, 2018 by and between Visualant, Incorporated and J3E2A2Z LP (incorporated by reference to the Company's Current Report on Form 8-K, filed March 21, 2018)</a>
10.13	<a href="#">Convertible Redeemable Promissory Note dated January 31, 2018 by and between Visualant, Incorporated and J3E2A2Z LP (incorporated by reference to the Company's Current Report on Form 8-K, filed March 21, 2018)</a>
10.14	<a href="#">Convertible Redeemable Promissory Note for Accounts Payable dated January 31, 2018 by and between Visualant, Incorporated and J3E2A2Z LP (incorporated by reference to the Company's Current Report on Form 8-K, filed March 21, 2018)</a>
10.15	<a href="#">Common Stock Purchase Warrant dated January 31, 2018 by and between Visualant, Incorporated and Ronald P. Erickson (incorporated by reference to the Company's Current Report on Form 8-K, filed March 21, 2018)</a>
10.16	<a href="#">Common Stock Purchase Warrant dated January 31, 2018 by and between Visualant, Incorporated and J3E2A2ZLP (incorporated by reference to the Company's Current Report on Form 8-K, filed March 21, 2018)</a>
10.17	<a href="#">Employment Agreement dated April 10, 2018 by and between Visualant, Incorporated and Phillip A. Bosua. (incorporated by reference to the Company's Annual Report on Form 10-K, filed December 21, 2018)</a>
10.18	<a href="#">Amended Employment Agreement dated April 10, 2018 by and between Visualant, Incorporated and Ronald P. Erickson. (incorporated by reference to the Company's Annual Report on Form 10-K, filed December 21, 2018)</a>
10.19	<a href="#">Agreement and Plan of Merger, dated as of April 10, 2018, by and among Visualant, Incorporated, 500 Union Corporation, and RAAI Lighting, Inc. (incorporated by reference to the Company's Annual Report on Form 10-K, filed December 21, 2018)</a>
10.2	<a href="#">Certificate of Merger, dated as of April 10, 2018, by 500 Union Corporation (incorporated by reference to the Company's Current Report on Form 8-K, filed April 17, 2018)</a>
10.21	<a href="#">Fifth Modification of Loan and Security Agreement dated June 6, 2017 by and between TransTech Systems, Inc. and Capital Source Business Finance Group (incorporated by reference to the Company's Current Report on Form 8-K, filed June 26, 2018)</a>
10.22	<a href="#">Form of subscription agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed June 29, 2018)</a>

10.23	<a href="#">Form of common stock purchase warrant (incorporated by reference to the Company's Current Report on Form 8-K, filed June 29, 2018)</a>
10.24	<a href="#">Amendment 1 dated November 16, 2018 to Senior Secured Convertible Redeemable Note dated September 30, 2016 by and between Know Labs, Inc. and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed November 16, 2018)</a>
10.25	<a href="#">Amendment 1 dated November 16, 2018 to Senior Secured Convertible Redeemable Note dated August 14, 2017 by and between Know Labs, Inc. and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed November 16, 2018)</a>
10.26	<a href="#">Amendment 1 dated November 16, 2018 to Senior Secured Convertible Redeemable Note dated December 12, 2017 by and between Know Labs, Inc. and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed November 16, 2018)</a>
10.27	<a href="#">Sixth Modification of Loan and Security Agreement effective December 12, 2018 by and between TransTech Systems, Inc. and Capital Source Business Finance Group (incorporated by reference to the Company's Current Report on Form 8-K, filed December 20, 2018)</a>
10.28	<a href="#">Form of Securities Purchase Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
10.29	<a href="#">Form of Subscription Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
10.3	<a href="#">Form of Subordinated Convertible Note (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
10.31	<a href="#">Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
10.32	<a href="#">Form of Subordination Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
10.33	<a href="#">Form of Registration Rights Agreement (incorporated by reference to the Company's Current Report on Form 8-K, filed March 6, 2019)</a>
14.1	<a href="#">Code of Ethics dated November 2018 (incorporated by reference to the Company's Current Report on Form 8-K, filed November 27, 2018)</a>
31.01	<a href="#">Certification of Principal Executive Officer Pursuant to Rule 13a-14. Filed herewith.</a>
31.02	<a href="#">Certification of Principal Financial Officer Pursuant to Rule 13a-14, as amended. Filed herewith.</a>
32.01	<a href="#">CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act, as amended. Filed herewith.</a>
32.02	<a href="#">CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act, as amended. Filed herewith.</a>

[99.1 Audit Committee Charter dated November 2018 \(incorporated by reference to the Company's Current Report on Form 8-K, filed November 27, 2018\)](#)

[99.2 Compensation Committee Charter dated November 2018 \(incorporated by reference to the Company's Current Report on Form 8-K, filed November 27, 2018\)](#)

[99.3 Nominations and Corporate Governance Committee Charter dated November 2018 \(incorporated by reference to the Company's Current Report on Form 8-K, filed November 27, 2018\)](#)

101.INS\* XBRL Instance Document

101.SCH\* XBRL Taxonomy Extension Schema Document

101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB\* XBRL Taxonomy Extension Labels Linkbase Document

101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document

\* Filed Herewith. Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**KNOW LABS, INC.**

(Registrant)

Date: January 22, 2020

By: /s/ Phillip A Bosua  
Phillip A. Bosua  
Chief Executive Officer, and Director  
(Principal Executive Officer)

Date: January 22, 2020

By: /s/ Ronald P. Erickson  
Ronald P. Erickson  
Interim Chief Financial Officer, and Treasurer  
(Principal Financial and Accounting Officer)

## SECTION 302 CERTIFICATIONS

I, Phillip A. Bosua, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Know Labs, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(a) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 22, 2020

/s/ Phillip A. Bosua  
Phillip A. Bosua  
Principal Executive Officer

---



## SECTION 302 CERTIFICATIONS

I, Ronald P. Erickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Know Labs, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(a) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ronald P. Erickson  
Interim Chief Financial Officer (Principal Accounting Officer)  
January 22, 2020

---

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Know Labs, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip A. Bosua, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Phillip A. Bosua  
Phillip A. Bosua  
Principal Executive Officer  
January 22, 2020

---

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Know Labs, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald P. Erickson, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive and Financial and Accounting Officer of the Company with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed or used by any person or for any reason other than as specifically required by law.

/s/ Ronald P. Erickson  
Interim Chief Financial Officer (Principal Accounting Officer)  
January 22, 2020

---