

May 15, 2023

KNOW LABS

Know Labs, Inc. Reports Second Quarter FY2023 Results

SEATTLE--(BUSINESS WIRE)-- [Know Labs, Inc.](#) (NYSE American: KNW), an emerging developer of non-invasive medical diagnostic technology, today reported financial results for the second quarter ended March 31, 2023.

Financial Highlights:

- Know Labs reported a net loss of \$4.93 million dollars in the second quarter of 2023, compared to a net loss of \$6.14 million dollars in the year-ago period, which translates to Earnings Per Share of a loss of \$0.10, an improvement over the year ago period of a loss of \$0.16.
- Research and development expense for the second quarter was \$2.56 million dollars as compared to \$1.25 million dollars in 2022. The increase in R&D expense was related to staff increases in engineering, third party technical services and expenditures related to the development of our Bio-RFID technology and Generation 1 device, as we continue to execute our path to FDA clinical trials and commercialization.
- Selling, general and administrative expense for the quarter was \$2.24 million dollars versus \$1.49 million in 2022, which increased versus the prior year primarily to due to key additions to the executive team and increases in third party services.
- As of March 31, 2023, we had cash and cash equivalents of \$6.27 million dollars, as compared to \$12.59 million at the end of September 30, 2022. Net cash used in operations for the six months ended March 31, 2023 was \$6.34 million dollars compared with \$1.02 million in the prior year. During the quarter ended March 31, 2023, the Company made adjustments to its staffing and the impact of those adjustments will significantly reduce our monthly burn rate. Given the significant reduction in fixed expenses, the Company believes that it has enough available cash and flexibility with its operating expenses to operate until at least February 2024.
- Shareholder equity for the second quarter 2023 was \$3.4 million versus \$9.9 million as of September 30, 2022.

Income Statement:

	Three Months Ended,		Six Months Ended,	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
REVENUE- DIGITAL ASSET SALES	\$ -	\$ 8,687	\$ -	\$ 4,360,087
OPERATING EXPENSES-				
RESEARCH AND DEVELOPMENT EXPENSES	2,563,469	1,248,707	4,306,520	2,134,459
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,242,658	1,448,227	4,147,729	2,665,174
SELLING AND TRANSACTIONAL COSTS FOR DIGITAL ASSETS	-	154,502	-	3,272,862
Total operating expenses	4,806,127	2,851,436	8,454,249	8,072,495
OPERATING LOSS	(4,806,127)	(2,842,749)	(8,454,249)	(3,712,408)
OTHER (EXPENSE):				
Interest expense, net	(124,075)	(3,297,989)	(298,812)	(7,784,949)
Total other (expense), net	(124,075)	(3,297,989)	(298,812)	(7,784,949)
LOSS BEFORE INCOME TAXES	(4,930,202)	(6,140,738)	(8,753,061)	(11,497,357)
Income tax expense	-	-	-	-
NET LOSS	\$ (4,930,202)	\$ (6,140,738)	\$ (8,753,061)	\$ (11,497,357)
Basic and diluted loss per share	\$ (0.10)	\$ (0.16)	\$ (0.18)	\$ (0.31)
Weighted average shares of common stock outstanding- basic and diluted	48,207,937	37,872,406	48,197,581	36,655,905

Balance Sheet:

	March 31, 2023	September 30, 2022 (1)
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,226,029	\$ 12,593,692
Total current assets	<u>6,226,029</u>	<u>12,593,692</u>
PROPERTY AND EQUIPMENT, NET	699,740	862,977
OTHER ASSETS		
Other assets	15,766	13,767
Operating lease right of use asset	<u>198,318</u>	<u>287,930</u>
TOTAL ASSETS	<u>\$ 7,139,853</u>	<u>\$ 13,758,366</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 516,204	\$ 526,968
Accrued expenses	434,321	462,940
Accrued expenses - related parties	322,714	348,264
Convertible notes payable, net	2,255,066	2,255,066
Current portion of operating lease right of use liability	<u>206,101</u>	<u>215,397</u>
Total current liabilities	<u>3,734,406</u>	<u>3,808,635</u>
NON-CURRENT LIABILITIES:		
Operating lease right of use liability, net of current portion	<u>4,144</u>	<u>87,118</u>
Total non-current liabilities	<u>4,144</u>	<u>87,118</u>
COMMITMENTS AND CONTINGENCIES (Note 11)	-	-
STOCKHOLDERS' EQUITY		
Preferred stock - \$0.001 par value, 5,000,000 shares authorized, Series C and D shares issued		
and outstanding as follows:		
Series C Convertible Preferred stock \$0.001 par value, 1,785,715 shares authorized, 1,785,715 shares issued and outstanding at 3/31/2023 and 9/30/2022, respectively	1,790	1,790
Series D Convertible Preferred stock \$0.001 par value, 1,016,014 shares authorized, 1,016,004 shares issued and outstanding at 3/31/2023 and 9/30/2022, respectively	1,015	1,015
Common stock - \$0.001 par value, 200,000,000 shares authorized, 48,207,937 and 48,156,062		
shares issued and outstanding at 3/31/2023 and 9/30/2022, respectively	48,209	48,158
Additional paid in capital	113,501,088	111,209,388
Accumulated deficit	(110,150,799)	(101,397,738)
Total stockholders' equity	<u>3,401,303</u>	<u>9,862,613</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 7,139,853</u>	<u>\$ 13,758,366</u>
(1) Derived from audited consolidated balance sheet.	-	-

Cash Flow:

	Six Months Ended,	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,753,061)	\$ (11,497,357)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	205,094	118,068
Issuance of common stock for services	-	153,000
Issuance of common stock warrants for services	-	71,220
Stock based compensation- stock option grants	1,927,187	636,651
Right of use, net	(2,658)	(11,203)
Interest expense for extension of notes and warrants	349,721	-
Amortization of debt discount to interest expense	-	7,272,911
Changes in operating assets and liabilities:		
Other long-term assets	(1,999)	-
Accounts receivable-related party	-	(119,210)
Accounts payable - trade and accrued expenses	(64,933)	2,353,901
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(6,340,649)</u>	<u>(1,022,019)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of research and development equipment	(41,857)	(826,956)
NET CASH (USED IN) INVESTING ACTIVITIES:	<u>(41,857)</u>	<u>(826,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock for stock options exercise	2,343	11,344
Proceeds from issuance of common stock for warrant exercise	12,500	766,486
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>14,843</u>	<u>777,830</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,367,663)	(1,071,145)
CASH AND CASH EQUIVALENTS, beginning of period	<u>12,593,692</u>	<u>12,258,218</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 6,226,029</u>	<u>\$ 11,187,073</u>

Conference Call:

Know Labs will host an audio webcast to discuss its results and provide a business update today, May 15, 2023, at 4:30 pm ET (1:30 pm PT). The live webcast will be available on the Investors page of the Company's website, www.knowlabs.co/investors, and a replay will be available for six months.

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

Webcast: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=V4PBKLvm>

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

About Know Labs, Inc.

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

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

Safe Harbor Statement

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

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