



Know Labs, Inc. Reports Fourth Quarter and Fiscal Year 2023 Results

December 19, 2023

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

Financial Highlights:

- Know Labs reported a net loss of \$15.29 million dollars in FY2023, compared to a net loss of \$20.07 million dollars in FY2022, a reduction in net loss of 23.8%. This translates to Earnings Per Share of a loss of \$0.41, better than FY2022 Earnings Per Share Loss of \$0.50, an improvement of 18%, before preferred stock dividends.
- In FY2023, recorded a non-cash charge to earnings of \$4.77 million principally related to the fair market value of dividends on our Series C and D preferred stock in the amount of \$2.96 million, that were either paid or accrued in shares of common stock, and the remaining \$1.81 million non-cash charge comprised of \$310,000 in depreciation & amortization, \$550,000 loss on the sale of assets, \$507,000 loss on debt extinguishment, \$350,000 from the modification of notes and warrants and \$142,000 from the amortization of operating lease right of use during FY 2023.
- Research and development expense for FY2023 was \$7.73 million dollars as compared to \$5.39 million dollars in FY2022, an increase of 43.5% year over year. The increase in R&D expense was related to increases in engineering, third-party technical services, and expenditures related to the development of our Generation 1 device, which we completed and announced on June 7th, as we continue to execute our path to FDA clinical trials and commercialization.
- Selling, general and administrative expenses for FY2023 was \$6.57 million, which was lower by \$1.55 million than the \$8.12 million dollars in FY 2022, an improvement of 19.1%, as we continue our initiatives to reduce our cash burn.
- As of September 30, 2023, we had cash and cash equivalents of \$8.02 million dollars, as compared to \$12.59 million at the end of September 30, 2022. Net cash used in operations for FY2023 was \$10.35 million dollars compared with \$6.92 million in the prior year.
- During the year ended September 30, 2023, the Company made adjustments to its fixed expenses and the impact of those adjustments has significantly reduced our monthly burn rate. Given the significant reduction in fixed expenses, the Company believes that it has enough available cash and flexibility with its operating expenses to operate until at least June 30, 2024. As we have stated in our FY 2023 10-K, we expect to raise additional funds through the issuance of equity, preferred stock and convertible debentures.
- Shareholder equity for the fiscal year 2023 was \$3.74 million versus \$9.86 million in fiscal year 2022.

Income Statement:

KNOW LABS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended,	
	<u>September 30, 2023</u>	<u>September 30, 2022</u>
REVENUE- DIGITAL ASSET SALES	\$ -	\$ 4,360,087
OPERATING EXPENSES-		
RESEARCH AND DEVELOPMENT EXPENSES	7,727,467	5,385,586
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,570,597	8,118,137
SELLING AND TRANSACTIONAL COSTS FOR DIGITAL ASSETS	(274,019)	3,430,438
Total operating expenses	<u>14,024,045</u>	<u>16,934,161</u>
OPERATING LOSS	<u>(14,024,045)</u>	<u>(12,574,074)</u>

OTHER INCOME (EXPENSE), NET		
Interest income	127,145	15,283
Interest expense	(389,626)	(8,034,081)
Loss on debt extinguishment	(506,865)	-
Other (expense) income, net	(495,776)	521,628
Total other (expense), net	<u>(1,265,122)</u>	<u>(7,497,170)</u>
LOSS BEFORE INCOME TAXES	(15,289,167)	(20,071,244)
Income tax expense	<u>-</u>	<u>-</u>
NET LOSS	(15,289,167)	(20,071,244)
Common stock dividends on Series D Preferred Stock	(1,627,230)	-
Deemed dividends on Series C and D Preferred Stock	<u>(3,526,653)</u>	<u>-</u>
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ (20,443,050)</u>	<u>\$ (20,071,244)</u>
Basic and diluted loss per share	<u>\$ (0.41)</u>	<u>\$ (0.50)</u>
Weighted average shares of common stock outstanding- basic and diluted	49,581,467	40,370,473

Balance Sheet:

KNOW LABS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,023,716	\$ 12,593,692
Total current assets	<u>8,023,716</u>	<u>12,593,692</u>
PROPERTY AND EQUIPMENT, NET	81,325	862,977
OTHER ASSETS		
Other assets	15,766	13,767
Operating lease right-of-use asset	<u>145,090</u>	<u>287,930</u>
TOTAL ASSETS	<u>\$ 8,265,897</u>	<u>\$ 13,758,366</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 1,292,861	\$ 526,968
Accrued expenses	94,062	462,940
Accrued expenses - related parties	218,334	348,264
Convertible notes payable, net	2,761,931	2,255,066
Current portion of operating lease right-of-use liability	<u>154,797</u>	<u>215,397</u>
Total current liabilities	<u>4,521,985</u>	<u>3,808,635</u>
NON-CURRENT LIABILITIES:		
Operating lease right-of-use liability, net of current portion	<u>-</u>	<u>87,118</u>
Total non-current liabilities	<u>-</u>	<u>87,118</u>

COMMITMENTS AND CONTINGENCIES (Note 11)

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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, 30,000 shares authorized, 17,858 shares issued and outstanding at 9/30/2023 and 9/30/2022, respectively

1,790 1,790

Series D Convertible Preferred stock \$0.001 par value, 20,000 shares authorized, 10,161 shares issued and outstanding at 9/30/2023 and 9/30/2022, respectively

1,015 1,015

Common stock - \$0.001 par value, 200,000,000 shares authorized, 80,358,463 and 48,156,062

shares issued and outstanding at 9/30/2023 and 9/30/2022, respectively

80,358 48,158

Additional paid in capital

125,501,537 111,209,388

Accumulated deficit

(121,840,788) (101,397,738)

Total stockholders' equity

3,743,912 9,862,613

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 8,265,897 \$ 13,758,366

Cash Flow:

KNOWLABS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended,	
	September 30, 2023	September 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (15,289,167)	\$ (20,071,244)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	313,019	320,995
Issuance of common stock for services	-	183,000
Issuance of common stock warrants for services	-	451,487
Gain on debt settlement	(50,000)	(268,872)
Loss on disposal of property and equipment	549,431	-
Loss on debt extinguishment	506,865	-
Modification of notes and warrants - interest expense	349,721	-
Stock based compensation- stock option grants	2,955,933	4,421,634
Gain on forgiveness of notes payable-PPP Loans	-	(252,700)
Amortization of operating lease right-of-use asset	142,840	35,963
Amortization of debt discount to interest expense	-	7,272,911
Changes in operating assets and liabilities:		
Other long-term assets	(1,999)	-
Operating lease right-of-use liability	(147,719)	(22,917)
Accounts payable - trade and accrued expenses	317,085	1,009,935
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(10,353,991)</u>	<u>(6,919,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(80,797)	(855,468)
NET CASH (USED IN) INVESTING ACTIVITIES:	<u>(80,797)</u>	<u>(855,468)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock for NYSE uplisting	-	8,280,000
Proceeds from issuance of common stock offering, net	5,472,791	-
Payments for stock for NYSE uplisting	-	(855,321)

Settlement of notes payable-PPP loans	-	(179,103)
Proceeds from issuance of common stock for stock options exercise	4,687	26,687
Proceeds from issuance of common stock for warrant exercise	387,334	838,487
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,864,812	8,110,750
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,569,976)	335,474
CASH AND CASH EQUIVALENTS, beginning of period	12,593,692	12,258,218
CASH AND CASH EQUIVALENTS, end of period	\$ 8,023,716	\$ 12,593,692

Supplemental disclosures of cash flow information:

Interest paid	\$	-	\$	-
Taxes paid	\$	-	\$	-

Supplemental disclosure of non-cash financing activity:

Conversion of debt	\$	-	\$	14,209,000
Conversion of accrued interest	\$	-	\$	1,136,720
Common stock dividends on Series D Preferred Stock	\$	1,627,230	\$	-
Deemed dividends on Series C and D Preferred Stock	\$	3,526,653	\$	-
Issuance costs from common stock offering	\$	1,527,209	\$	-

Conference Call:

Know Labs will host an audio webcast to discuss its results and provide a business update today, December 19, 2023, at 4:30pm 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=MtMDMZ5d>

A copy of the form 10-K filed with the SEC can also be downloaded from the Company's website. All holders, including stockholders and bondholders, can request and receive a hard copy of the complete audited financial statements free of charge. Requests must be submitted to ask@knowlabs.co.

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

Safe Harbor Statement

This release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements appear in a number of places in this release and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of Know Labs, Inc., its directors or its officers with respect to, among other things: (i) financing plans; (ii) trends affecting its financial condition or results of operations; (iii) growth strategy and operating strategy; and (iv) performance of products. You can identify these statements by the use of the words "may," "will," "could," "should," "would," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," "likely," "forecast," "probable," "potential," and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond Know Labs, Inc.'s ability to control, and actual results may differ materially from those projected in the forward-looking statements as a result of various factors. These risks and uncertainties also include such additional risk factors as are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2023, Forms 10-Q and 8-K, and in other filings we make with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Relations section of our website at www.knowlabs.co. 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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