

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

**FORM 10-Q**

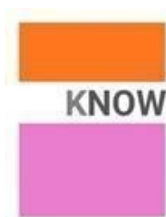
QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2023**

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)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	KNW	NYSE American LLC

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 every Interactive Data File required to be submitted 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 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 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
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 14, 2023: 48,490,685 shares.

**DOCUMENTS INCORPORATED BY REFERENCE:** None.

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ITEM 1. FINANCIAL STATEMENTS

KNOW LABS, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 Unaudited

	March 31, 2023 Unaudited	September 30, 2022 (1)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,226,029	\$ 12,593,692
Total current assets	6,226,029	12,593,692
PROPERTY AND EQUIPMENT, NET	699,740	862,977
OTHER ASSETS		
Other assets	15,766	13,767
Operating lease right of use asset	198,318	287,930
<b>TOTAL ASSETS</b>	<b>\$ 7,139,853</b>	<b>\$ 13,758,366</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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	206,101	215,397
Total current liabilities	3,734,406	3,808,635
NON-CURRENT LIABILITIES:		
Operating lease right of use liability, net of current portion	4,144	87,118
Total non-current liabilities	4,144	87,118
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	3,401,303	9,862,613
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,139,853</b>	<b>\$ 13,758,366</b>

(1) Derived from the audited consolidated balance sheet.

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

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

Unaudited

	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

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

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

	Series C Convertible Preferred Stock		Series D Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	\$	Shares	\$	Shares	\$			
Balance as of October 1, 2021	1,785,715	\$ 1,790	1,016,004	\$ 1,015	35,166,551	\$ 35,168	\$ 82,530,684	\$ (81,326,494)	\$ 1,242,163
Stock compensation expense - employee options	-	-	-	-	-	-	204,170	-	204,170
Issuance of common stock for exercise of warrants	-	-	-	-	801,486	801	765,685	-	766,486
Issuance of common stock for stock option exercises	-	-	-	-	1,875	2	2,342	-	2,344
Net loss	-	-	-	-	-	-	-	(5,356,619)	(5,356,619)
Balance as of December 31, 2021	1,785,715	1,790	1,016,004	1,015	35,969,912	35,971	83,502,881	(86,683,113)	(3,141,456)
Stock compensation expense - employee options	-	-	-	-	-	-	432,481	-	432,481
Conversion of debt offering and accrued interest (Note 7)	-	-	-	-	7,672,860	7,673	15,338,047	-	15,345,720
Issuance of common stock for stock option exercises	-	-	-	-	5,000	5	8,995	-	9,000
Issuance of common stock for services	-	-	-	-	90,000	90	152,910	-	153,000
Issuance of warrant for services	-	-	-	-	-	-	71,220	-	71,220
Net loss	-	-	-	-	-	-	-	(6,140,738)	(6,140,738)
Balance as of March 31, 2022	1,785,715	1,790	1,016,004	1,015	43,737,772	43,739	99,506,534	(92,823,851)	6,729,227
Balance as of October 1, 2022	1,785,715	1,790	1,016,004	1,015	48,156,062	48,158	111,209,388	(101,397,738)	9,862,613
Stock compensation expense - employee options	-	-	-	-	-	-	744,640	-	744,640
Issuance of common stock for stock option exercises	-	-	-	-	1,875	1	2,342	-	2,343
Issuance of common stock for exercise of warrants	-	-	-	-	50,000	50	12,450	-	12,500
Expenses for extension of notes and warrants	-	-	-	-	-	-	206,994	-	206,994
Net loss	-	-	-	-	-	-	-	(3,822,859)	(3,822,859)
Balance as of December 31, 2022	1,785,715	1,790	1,016,004	1,015	48,207,937	48,209	112,175,814	(105,220,597)	7,006,231
Stock compensation expense - employee options	-	-	-	-	-	-	1,182,547	-	1,182,547
Expenses for extension of notes and warrants	-	-	-	-	-	-	142,727	-	142,727
Net loss	-	-	-	-	-	-	-	(4,930,202)	(4,930,202)
Balance as of March 31, 2023	1,785,715	\$ 1,790	1,016,004	\$ 1,015	48,207,937	\$ 48,209	\$ 113,501,088	\$ (110,150,799)	\$ 3,401,303

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

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

	Six Months Ended,	
	March 31, 2023	March 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>(6,340,649)</b>	<b>(1,022,019)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of research and development equipment	(41,857)	(826,956)
<b>NET CASH (USED IN) INVESTING ACTIVITIES:</b>	<b>(41,857)</b>	<b>(826,956)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
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
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>14,843</b>	<b>777,830</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,367,663)</b>	<b>(1,071,145)</b>
CASH AND CASH EQUIVALENTS, beginning of period	12,593,692	12,258,218
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 6,226,029</u>	<u>\$ 11,187,073</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Conversion of debt	\$ -	\$ 14,209,000
Conversion of accrued interest	\$ -	\$ 1,136,720

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. (“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 (“SEC”). 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, 2022, filed with the Securities and Exchange Commission on December 20, 2022. The results of operations for the six months ended March 31, 2023 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 currently has authorized 205,000,000 shares of capital stock, of which 200,000,000 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. At the annual shareholder meeting held on October 15, 2021, the Company’s authorized shares of common stock was increased to 200,000,000 shares of voting common stock, par value \$0.001 per share.

The Company is focused on the development and commercialization of proprietary biosensor technologies which are capable of uniquely identifying and measuring almost any material or analyte using electromagnetic energy to non-invasively detect, record, identify and measure the unique “signature” of said materials or analytes in the human body. The Company calls these its “Bio-RFID” technology platform when pertaining to radio and microwave spectroscopy and “ChromaID” technology platform when pertaining to optical spectroscopy. The data obtained with biosensor technology is analyzed with trade secret algorithms. There are a significant number of analytes in the human body that relate to health and wellness. The Company’s focus is upon those analytes relating to human health, the identification of which provide diagnostic information and require, by their nature, clearance by the United States Food and Drug Administration. The first among those analytes is the non-invasive monitoring of blood glucose levels.

On April 30, 2020, the Company incorporated Particle, Inc. (“Particle”) in the State of Nevada. Particle was focused on the development and commercialization of the Company’s extensive intellectual property relating to electromagnetic energy outside of the medical diagnostic arena which remains the parent company’s singular focus. Since incorporation, Particle has engaged in research and development activities on threaded light bulbs that have a warm white light and can inactivate germs, including bacteria and viruses. It is seeking partners to take the product to market.

On September 17, 2021, the Company incorporated AI Mind, Inc. (“AI Mind”) in the State of Nevada. AI Mind was focused on monetizing intellectual property relating to the artificial intelligence utilized as a part of the data analytics performed with trade secret algorithms. Since incorporation, it focused on creating graphical images which were sold as Non Fungible Tokens (“NFTs”). During the year ended September 30, 2022, the Company began generating revenue from digital asset sales of NFTs and had sales of \$4,360,087 of which substantially all were recorded in the three months ended December 31, 2021. The Company does not expect future revenue from that source or activity in this subsidiary.

**2. LIQUIDITY AND GOING CONCERN**

The Company has cash and cash equivalents of \$6,226,029 and net working capital of \$4,746,689 (exclusive of convertible notes payable) as of March 31, 2023. The Company anticipates that it will record losses from operations for the foreseeable future. During the end of the quarter ended March 31, 2023, the Company made some adjustments to its staffing level and the impact of those adjustments, plus the departure of our chief technology and executive office, has significantly reduced our monthly burn rate. The Company will further adjust its cost structure if new debt or equity capital is not received. The Company believes that it has enough available cash and flexibility with its operating expenses to operate until at least February 2024. As of March 31, 2023, the Company’s accumulated deficit was \$110,150,799. The Company has limited capital resources and intends to seek additional cash via equity and debt offerings.

On September 20, 2022, the Company completed a public offering of the Company’s common stock pursuant to which the Company sold 4,140,000 shares of common stock, at a purchase price of \$2.00 per share, for total gross proceeds of \$8,280,000. After deducting underwriting commissions and other offering expenses, we received net proceeds of \$7,424,679.

The proceeds of warrants currently outstanding, which could be exercised on a cash basis, may generate potential proceeds of up to \$5,892,308. The Company expects that portions of these warrants will be exercised.

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

**Basis of Presentation** – The preparation of these unaudited condensed consolidated financial statements was 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 subsidiaries, Particle and AI Mind. Intercompany 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.

**Equipment** – Equipment consists of machinery, leasehold improvements and furniture and fixtures, 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 2-5 years, except for leasehold improvements which are depreciated over 5 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.

**Revenue Recognition** – The Company determines revenue recognition from contracts with customers through the following steps:

- identification of the contract, or contracts, with the customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of the revenue when, or as, the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. During the three months ended December 31, 2021, the Company generated revenue from digital asset sales of NFTs. The Company engineering team, using its research data, AI and proprietary algorithms, produced NFTs in the form of digital art. The NFTs produced had no recorded cost basis. The Company does not expect future activity or revenue from that source.

**Research and Development Expenses** – Research and development expenses consist of the cost of officers, 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 current research and development efforts are primarily focused on improving its Bio-RFID technology, extending its capacity and developing new and unique applications for this technology. The Company believes that continued development of new and enhanced technologies is essential to its future success. The Company incurred expenses of \$4,306,520 and \$2,134,459 for the six months ended March 31, 2023 and 2022, respectively, on development activities. Included in the expense for 2023 is approximately \$859,000 related to severance and other expenses associated with the departure of the Company’s former chief technology officer and chief executive officer, Philip A. Bosua, and other employees.

**Advertising** – Advertising costs are charged to selling, general and administrative expenses as incurred. Advertising and marketing costs for the six months ended March 31, 2023 and 2022 were \$105,045 and \$387,434, respectively.

**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.



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The recorded value of other financial assets and liabilities, which consist primarily of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued expenses approximate the fair value of the respective assets and liabilities as of March 31, 2023 and September 30, 2022 are based upon the short-term nature of the assets and liabilities.

The Company has a money market account which is considered a Level 1 asset. The balance as of March 31, 2023 and September 30, 2022 was \$6,160,227 and \$11,821,931, respectively.

**Derivative Financial Instruments** – Pursuant to ASC 815 “Derivatives and Hedging”, the Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company then determines if an embedded derivative must be bifurcated and separately accounted for. 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.

The Company determined that the conversion features for purposes of bifurcation within its currently outstanding convertible notes payable were immaterial and there was no derivative liability to be recorded as of March 31, 2023 and September 30, 2022.

**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 and warrants to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost to employees is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period under ASC 718. The Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit.

**Convertible Securities** – Based upon ASC 815-15, the Company has adopted a sequencing approach regarding the application of ASC 815-40 to convertible securities. The Company will evaluate its contracts based upon the earliest issuance date. In the event partial reclassification of contracts subject to ASC 815-40-25 is necessary, due to the Company’s inability to demonstrate it has 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.

As of March 31, 2023, the Company had 48,207,937 shares of common stock issued and outstanding. As of March 31, 2023, there were options outstanding for the purchase of 15,019,596 common shares (including unearned stock option grants totaling 3,999,825 shares related to performance targets), warrants for the purchase of 21,736,313 common shares, and 8,108,356 shares of our common stock issuable upon the conversion of Series C and Series D Convertible Preferred Stock. In addition, the Company currently has 9,020,264 common shares at the current price of \$0.25 per share reserved and are issuable upon conversion of convertible debentures of \$2,255,066. All of the foregoing shares could potentially dilute future earnings per share but are excluded from the March 31, 2023, calculation of net loss per share because their impact is antidilutive.

As of March 31, 2022, there were options outstanding for the purchase of 17,878,245 common shares (including unearned stock option grants totaling 11,550,745 shares related to performance targets), warrants for the purchase of 21,714,023 common shares, and 8,108,356 shares of our common stock issuable upon the conversion of Series C and Series D Convertible Preferred Stock. In addition, the Company currently has 9,020,264 common shares at the current price of \$0.25 per share reserved and are issuable upon conversion of convertible debentures of \$2,255,066. All of which could potentially dilute future earnings per share but are excluded from the March 31, 2022, calculation of net loss per share because their impact is antidilutive.

**Comprehensive loss** – Comprehensive loss is defined as the change in equity of a business during a period from non-owner sources. There were no differences between net loss for the three and six months ended March 31, 2023 and 2022 and comprehensive loss for those periods.

**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 its business. The Company’s future dividend policy will be determined by the board of directors on the basis of various factors, including results of operations, financial condition, capital requirements and investment opportunities.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP 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**

Based on the Company's review of accounting standard updates recently issued, those standards not yet required to be adopted and proposed standards for the future, the Company does believe such items are expected to have a significant impact on the Company's consolidated financial statements.

#### **4. NFT REVENUE**

During the year ended September 30, 2022, the Company generated revenue from digital asset sales of NFTs and had sales of \$4,360,087. The Company's sales of NFTs are generated using the NFT digital exchange, OpenSea. Customers purchasing the NFT's must make payments in the crypto currency, Ethereum. The Ethereum is received into a digital wallet and then moved to an account at Coinbase where the Ethereum is converted to U.S. dollars. During the three months ended December 31, 2021, the Company was not able to establish a digital wallet and corporate account at Coinbase in order to receive the Ethereum. The Company used the digital wallet and Coinbase account of the Company's former CEO. The Company and the former CEO executed an assignment of his account to the Company while the Company established its own Coinbase account. All proceeds received from the sale of NFT were deposited initially in the former CEO's personal digital accounts.

After the sale of the NFT, the Ethereum was converted to US dollars as soon as practically possible. The Company recorded the total value of the gross NFT sale in revenue. Costs incurred in connection with the NFT transaction were recorded in the statement of operations as selling and transactional cost of digital assets and include costs to outside consultants, estimated employee and former CEO special bonus compensation, digital asset conversion losses and estimated sales and use tax. The amount totaled \$3,430,438 for the year ended September 30, 2022. As of March 31, 2023 and September 30, 2022, accrued expenses include \$294,019 and \$343,878 of expenses, respectively, primarily sales and use tax and other expenses.

#### **5. PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2023 and September 30, 2022 was comprised of the following:

	Estimated Useful Lives	March 31, 2023	September 30, 2022
Machinery and equipment	2-3 years	\$ 1,552,121	\$ 1,510,265
Furniture and fixtures	5 years	26,855	26,855
Leasehold improvements	5 years	3,612	3,612
Less: accumulated depreciation		(882,848)	(677,755)
		<u>\$ 699,740</u>	<u>\$ 862,977</u>

Total depreciation expense was \$205,094 and \$118,068 for the six months ended March 31, 2023 and 2022, respectively. All equipment is used primarily for research and development purposes and accordingly \$194,839 in depreciation is classified in research and development expenses during the six months ended March 31, 2023.

#### **6. LEASES**

The Company has entered into operating leases for office and development facilities which range from two to three years and include options to renew. The Company determines whether an arrangement is or contains a lease based upon the unique facts and circumstances at the inception of the lease. Operating lease liabilities and their corresponding right-of-use assets are recorded based upon the present value of the lease payments over the expected lease term. As of March 31, 2023 and September 30, 2022, total operating lease liabilities for remaining long term leases was approximately \$211,000 and \$302,000, respectively. Right of use assets totaled approximately \$198,000 and \$288,000 at March 31, 2023 and September 30, 2022, respectively. In the three months ended March 31, 2023 and 2022, the Company recognized \$46,343 and \$100,103, respectively in total lease costs for the leases. Because the rate implicit in each lease is not readily determinable, the Company uses its estimated incremental borrowing rate to determine the present value of the lease payments. Recently the Company, as a result of certain headcount adjustments, has listed two of its leased premises as available for sublease. There can be no assurance such sublease will be successful or lead to a reduction in current on-going lease payments.

The weighted average remaining lease term for the operating leases was 13 months at March 31, 2023 and the weighted average discount rate was 7%.

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The minimum future lease payments as of March 31, 2023 are as follows:

Years Ended December 31,	\$
2023	\$ 93,120
2024	127,232
Total remaining payments	220,351
Less imputed interest	9,561
Total lease liability	\$ 210,790

## 7. CONVERTIBLE NOTES PAYABLE AND NOTE PAYABLE

Convertible notes payable as of March 31, 2023 and September 30, 2022 consisted of the following:

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

The Company owes Clayton A. Struve, a significant stockholder, \$1,071,000 under convertible promissory or OID notes. We recorded accrued interest of \$90,301 and \$86,562 as of March 31, 2023 and September 30, 2022, respectively. On December 7, 2022, the Company signed Amendments to the convertible promissory or OID notes, extending the due dates to September 30, 2023. The Company expensed \$155,702 during the six months ended March 31, 2023 related to the extension of the notes. The Company recorded in equity the incremental value related to the conversion feature and as such, the Company recorded the extension value as an expense with an offset to additional paid in capital.

### *Convertible Redeemable Promissory Notes with 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 Company recorded accrued interest of \$322,715 and \$287,290 as of March 31, 2023 and September 30, 2022, respectively. On December 7, 2022, the Company approved Amendments to the convertible redeemable promissory notes with Ronald P. Erickson and J3E2A2Z, extending the due dates to January 30, 2023. On January 25, 2023, the Company approved Amendments to the convertible redeemable promissory notes with Ronald P. Erickson and J3E2A2Z, extending the due dates to September 30, 2023. Mr. Erickson controls J3E2A2Z.

### *Convertible Debt Offering*

Beginning in 2019, the Company entered into a series of debt offerings with similar and consistent terms. The Company issued Subordinated Convertible Notes and Warrants in a private placement to accredited investors, pursuant to a series of substantially identical Securities Purchase Agreements, Common Stock Warrants, and related documents. As of September 30, 2022, all convertible notes and accrued interest had been converted to common stock. During the year ended September 30, 2022, amortization related to the debt offerings of \$7,272,911 was recognized as interest expense in the consolidated statements of operations.

Convertible notes payable as of March 31, 2023 and September 30, 2022 are summarized below:

	December 31, 2022	September 30, 2022
Convertible note- Clayton A. Struve	\$ 1,071,000	\$ 1,071,000
Convertible note- Ronald P. Erickson and affiliates	1,184,066	1,184,066
2021 Convertible notes	-	14,209,000
Less conversions of notes	-	(14,209,000)
	<u>\$ 2,255,066</u>	<u>\$ 2,255,066</u>

## 8. EQUITY

### *Authorized Capital Stock*

The Company's authorized capital stock currently consists of 205,000,000 shares, consisting of 200,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share, of which 1,785,715 shares have been designated as series C convertible preferred stock, 1,016,014 shares have been designated as series D convertible preferred stock, and 500 shares have been designated as series F preferred stock.

### *Securities Subject to Price Adjustments*

If in the future, the Company sells its common stock at a price below \$0.25 per share, the conversion price of our outstanding shares of series C convertible preferred stock and series D convertible preferred stock would adjust below \$0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of the convertible promissory notes referred to above and the exercise price of certain outstanding warrants to purchase 10,074,381 shares of common stock would adjust below \$0.25 per share pursuant to the documents governing such instruments. Warrants totaling 4,439,707 would adjust below \$1.20 per share and warrants totaling 4,424,425 would adjust below \$2.40 per share, in each case pursuant to the documents governing such instruments.

### *Common Stock*

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 the Company.

### *Six Months Ended March 31, 2023*

The Company issued 50,000 shares of common stock related to the exercise of warrants and received \$12,500.

The Company issued 1,875 shares related to the exercise of stock option grants and received \$2,343.

### *Warrants to Purchase Common Stock*

### *Six Months Ended March 31, 2023*

On December 7, 2022, the Company signed an Extension of Warrant Agreement with Clayton Struve, extending the exercise dates as follows:

Warrant No./Class	Issue Date	No. Warrant Shares	Exercise Price	Current Expiration Date	Amended Expiration Date
Clayton A. Struve Warrant	08-14-2017	1,440,000	\$ 0.25	08-13-2024	08-13-2025
Clayton A. Struve Warrant	12-12-2017	1,200,000	\$ 0.25	12-11-2024	12-11-2025
Clayton A. Struve Warrant	08-04-2016	1,785,715	\$ 0.25	08-04-2024	08-04-2025
Clayton A. Struve Warrant	02-28-2018	1,344,000	\$ 0.25	02-28-2024	02-28-2025

The Company recorded interest expense of \$194,019 during the six months ended March 31, 2023 related to the extension of the warrants. The Company recorded the original value of warrants in equity and as such, the Company recorded the extension value as an expense with an offset to additional paid in capital.

On January 19, 2023, the Company signed an Extension of Warrant Agreements with Ronald P. Erickson and an entity controlled by Mr. Erickson, extending the exercise dates from January 30, 2023 to January 30, 2024.

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A summary of the warrants outstanding as of March 31, 2023 were as follows:

	March 31, 2023	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	21,786,313	\$ 1.029
Issued	-	-
Exercised	(50,000)	(0.250)
Forfeited	-	-
Expired	-	-
Outstanding at end of period	<u>21,736,313</u>	<u>\$ 1.031</u>
Exercisable at end of period	<u>21,736,313</u>	

The following table summarizes information about warrants outstanding and exercisable as of March 31, 2023:

	March 31, 2023			
	Weighted Average Remaining Life ( In Years)	Weighted Average Exercise Price	Shares Exercisable	Weighted Average Exercise Price
10,519,381	1.44	\$ 0.250	10,519,381	\$ 0.250
6,512,207	1.88	1.20-1.85	6,512,207	1.20-1.85
4,694,725	3.11	2.00-3.00	4,694,725	2.00-3.00
10,000	0.25	4.080	10,000	4.080
<u>21,736,313</u>	<u>2.44</u>	<u>\$ 1.031</u>	<u>21,736,313</u>	<u>\$ 1.031</u>

The significant weighted average assumptions relating to the valuation of the Company's warrants for the three months ended March 31, 2023 were as follows:

**Assumptions**

Dividend yield	0%
Expected life	3-5 years
Expected volatility	104%
Risk free interest rate	2.96%

There were vested warrants of 21,736,313 with an aggregate intrinsic value of \$6,522,016.

**9. STOCK INCENTIVE PLANS**

On August 12, 2021, the Company established its 2021 Equity Incentive Plan (the "2021 Plan"), which was adopted by stockholders on October 15, 2021. The Company initially had 20,000,000 shares of its common stock authorized as the maximum number of shares of common stock that may be delivered to participants under the 2021 Plan, subject to adjustment for certain corporate changes affecting the shares, such as stock splits. This number was increased to 22,000,000 shares of common stock as of January 1, 2022 as a result of the automatic share reserve increase described below.

*Six Months Ended March 31, 2023*

On December 14, 2022, the Company issued a stock option grant to Ronald P. Erickson for 1,000,000 shares at an exercise price of \$1.41 per share. The stock option grant expires in five years. The stock option grant vests quarterly over four years.

On December 14, 2022, the Company issued a stock option grant to Phillip A. Bosua for 1,250,000 shares at an exercise price of \$1.41 per share. The stock option grant expires in five years. The stock option grant vests quarterly over four years.

During the six months ended March 31, 2023, the Company issued stock option grants to ten employees and consultants for 1,588,333 shares at an average exercise price of \$1.392 per share. The stock option grants expire in five years. The stock option grants primarily vest quarterly over four years.

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During the six months ended March 31, 2023, stock option grants for 9,609,232 shares at an average exercise price of \$1.611 per share were forfeited.

Stock option activity for the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021 was as follows:

	Weighted Average		
	Options	Exercise Price	Proceed \$
Outstanding as of September 30, 2020	4,805,000	\$ 1.161	\$ 5,580,550
Granted	10,650,745	1.766	18,807,990
Exercised	(20,625)	(1.359)	(28,031)
Forfeitures	(120,000)	(3.300)	(396,000)
Outstanding as of September 30, 2021	15,315,120	1.565	23,964,509
Granted	6,636,000	1.815	12,045,330
Exercised	(26,293)	(1.376)	(36,170)
Forfeitures	(1,132,457)	(2.057)	(2,329,267)
Outstanding as of September 30, 2022	20,792,370	1.618	33,644,402
Granted	3,838,333	1.403	5,384,116
Exercised	(1,875)	(1.250)	(2,344)
Forfeitures	(9,609,232)	(1.611)	(15,480,581)
Outstanding as of March 31, 2023	15,019,596	\$ 1.568	\$ 23,545,593

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2023:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price Outstanding	Number Exercisable	Weighted Average Exercise Price Exercisable
\$ 0.25	230,000	1.40	\$ 0.250	230,000	\$ 0.250
1.10-1.25	1,843,750	2.71	1.060	1,761,547	1.116
1.28-1.67	9,777,721	3.71	1.399	2,404,146	1.462
1.79-3.67	3,168,125	3.58	2.227	1,316,250	2.187
	15,019,596	3.53	\$ 1.568	5,711,944	\$ 1.439

There are stock option grants of 15,019,596 shares as of March 31, 2023 with an aggregate intrinsic value of \$142,600.

There are 15,019,596 (including unearned stock option grants totaling 3,999,825 shares related to performance milestones) options to purchase common stock at an average exercise price of \$1.568 per share outstanding as of March 31, 2023 under the 2021 Plan. The Company recorded \$1,505,405 and \$636,651 of compensation expense, net of related tax effects, relative to stock options for the six months ended March 31, 2023 and 2022, respectively, in accordance with ASC 718. As of March 31, 2023, there is \$6,094,694 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 3.53 years.

## 10. SIGNIFICANT AND OTHER TRANSACTIONS WITH RELATED PARTIES

### Transactions with Clayton Struve

See Notes 7 and 9 for related party transactions with Clayton A. Struve, a significant stockholder.

### Related Party Transactions with Ronald P. Erickson

See Notes 7, 9 and 11 for related party transactions with Ronald P. Erickson, the Company's Chairman and Chief Executive Officer and affiliated entities.

The Company paid \$40,385 of salaries and vacation pay to Mr. Erickson during the six months ended March 31, 2023 that were previously accrued and reported but were deferred.

On December 14, 2022, the Company issued a stock option grant to Ronald P. Erickson for 1,000,000 shares at an exercise price of \$1.41 per share. The stock option grant expires in five years. The stock option grant vests quarterly over four years.

## **Related Party Transactions with Directors**

On February 15, 2023, the Company issued stock option grants to two directors for a total of 50,000 shares at an exercise price of \$1.24 per share. The stock option grant expires in five years. The stock option grants vested at issuance.

## **11. 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 business. The Company is currently not a party to any pending legal proceeding that is not ordinary routine litigation incidental to the Company's business.

### ***Employment and Related Agreements***

#### **Separation and Release Agreement with Phillip A. Bosua, Former Chief Technology Officer and Chief Executive Officer**

Mr. Bosua resigned effective January 23, 2023. In connection with Mr. Bosua's resignation on January 23, 2023, the Company and Mr. Bosua entered into a Separation and Release Agreement. Under the terms of the Separation Agreement, the Company agreed to (i) pay Mr. Bosua a severance payment equal to \$400,000, less applicable payroll taxes and deductions, upon return of Company Property, (ii) provide COBRA benefits for a period of 18 months, (iii) to hire Mr. Bosua as a consultant for a period of one year at a rate of \$10,000 per month, (iv) to cause Mr. Bosua's current outstanding stock options to cease vesting after the Separation Date, and to cause for all current vested stock options to be exercisable for a period of one year after the Separation Date. Additionally, under the terms of the Separation Agreement, the Company agreed to transfer to Bosua certain enumerated assets of AI Mind, Inc. and agreed to pay \$24,000 in data server costs; in exchange, the Company shall have an exclusive, perpetual and royalty free right to any patent(s) or other intellectual property which Bosua, someone working under direction of Bosua, or any successor or assignee may derive from issued and pending patents and intellectual property of the Company as of the date of the Separation Agreement. The Company shall also have an exclusive, perpetual and royalty free right to any patent(s) or other intellectual property which Bosua, someone working under direction of Bosua, or any successor or assignee develops relating to the Bio-RFID technology within a period of five years after the Separation Date.

As consideration for the foregoing, Mr. Bosua has agreed to customary non-disclosure provisions and to a general release of all claims against the Company and its affiliates. Mr. Bosua and the Company have also agreed to a mutual customary non-disparagement provision. Mr. Bosua also entered into a lock up and leak out agreement with respect to 3,005,000 Common Stock shares owned by Mr. Bosua and shares issuable upon exercise of his vested option awards. In connection with Mr. Bosua's resignation, his employment agreement dated April 10, 2018 was terminated.

During the six months ended March 31, 2023, the Company paid severance of \$400,000, employee taxes of \$14,027 and server costs of \$24,000. During the six months ended March 31, 2023, the Company expensed \$421,782 related to the extension of the vested stock option awards.

#### **Employment Agreement with Ronald P. Erickson, Chairman of the Board and Chief Executive Officer**

See the Employment Agreement for Ronald P. Erickson that was disclosed in Form 10-K filed with the SEC on December 22, 2022. Mr. Erickson was appointed Chief Executive Officer on January 23, 2023.

#### **Employment Agreement with Peter J. Conley, Chief Financial Officer and Senior Vice President, Intellectual Property**

See the Employment Agreement for Peter J. Conley that was disclosed in Form 10-K filed with the SEC on December 22, 2022.

### ***Properties and Operating Leases***

The Company is obligated under the following leases for its various facilities.

#### ***Corporate and Executive 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 current net monthly payment is \$3,334. The monthly payment increases approximately 3% each year and the lease expired on May 31, 2022. On October 31, 2021, the Company extended the lease from June 1, 2022 to May 31, 2023 at \$2,986 per month.

**Lab Facilities**

On May 18, 2021, the Company entered into a lease for its lab facilities located at 914 E Pine Street, Suite 212, Seattle, WA 98122 and leased 2,642 square feet. The net monthly lease payment was \$8,697 and increases by 3% annually. The lease expires on June 30, 2024. The lease can be extended for one additional three-year term

On October 11, 2021, the Company entered into the First Amendment of Lease and added 2,485 square feet for \$,000 per month. On September 20, 2022, the Company entered into the Second Amendment of Lease for additional space. The expanded space will be utilized for research and testing. The Amendment of Lease expires on December 31, 2023.

On September 22, 2022, the Company leased lab facilities and executive offices in Yucca Valley, CA from Phillip Bosua, the Company's former CEO. The Company leased 1,700 square feet of the total 2,134 square feet of the premises and the current net monthly payment is \$7,000. The lease was to expire September 30, 2023 and could be extended on a month to month basis. The Company paid \$91,500 in rent on September 28, 2022 for the period September 1, 2021 to September 30, 2022. The Company paid \$28,000 for the six months ended March 31, 2023. The lease was terminated on January 23, 2023, the date of Mr. Bosua's resignation from the Company.

On November 22, 2022, the Company leased an additional 1,800 square feet of lab facilities at 123 Boylston Ave, Suite C, Seattle, WA 98102 with a net monthly payment is \$2,250. The lease expires on August 31, 2023.

**12. SEGMENT REPORTING**

The Company considers the business to currently have one operating segment; the development of the Bio-RFID™ and “ChromaID™” technologies; Previously, two subsidiary segments were active; (i) Particle, Inc. technology; and (ii) AI Mind sales of NFT products.

Particle commenced operations in the year ended September 30, 2020. It is now looking for partners to take the product to market. AI Mind commenced operations during the year ended September 30, 2021. The Company does not expect future activity or revenue from that source.

The reporting for the three months and six months ended March 31, 2023 and 2022 was as follows (in thousands):

Segment	Revenue	Segment Operating Profit (Loss)	Segment Assets
<b>Three Months Ended March 31, 2023</b>			
Development of the Bio-RFID™ and “ChromaID™” technologies	\$ -	\$ (4,806)	\$ 7,140
Particle, Inc. technology	-	-	-
Digital asset sales	-	-	-
Total segments	<u>\$ -</u>	<u>\$ (4,806)</u>	<u>\$ 7,140</u>
<b>Three Months Ended March 31, 2022</b>			
Development of the Bio-RFID™ and “ChromaID™” technologies	\$ -	\$ (2,682)	\$ 12,543
Particle, Inc. technology	-	(15)	1
Digital asset sales	9	(146)	119
Total segments	<u>\$ 9</u>	<u>\$ (2,843)</u>	<u>\$ 12,663</u>
<b>Six Months Ended March 31, 2023</b>			
Development of the Bio-RFID™ and “ChromaID™” technologies	\$ -	\$ (8,454)	\$ 7,140
Particle, Inc. technology	-	-	-
Digital asset sales	-	-	-
Total segments	<u>\$ -</u>	<u>\$ (8,454)</u>	<u>\$ 7,140</u>
<b>Six Months Ended March 31, 2022</b>			
Development of the Bio-RFID™ and “ChromaID™” technologies	\$ -	\$ (4,778)	\$ 12,543
Particle, Inc. technology	-	(22)	1
Digital asset sales	4,361	1,088	119
Total segments	<u>\$ 4,361</u>	<u>\$ (3,712)</u>	<u>\$ 12,663</u>

During the six months ended March 31, 2023 and 2022, the Company incurred non-cash expenses related to operations of \$,479,344 and \$8,240,647.



### 13. SUBSEQUENT EVENTS

The Company evaluated subsequent events, for the purpose of adjustment or disclosure, up through the date the financial statements were issued. Subsequent to March 31, 2023, there were the following material transactions that require disclosure:

On April 4, 2023, the Company issued 60,000 shares of common stock related to the exercise of a warrant at \$0.25.

On April 4, 2023, the Company issued 50,337 shares of common stock related to the cashless exercise of a warrant at \$0.25. The investor forfeited 19,663 shares.

On April 10, 2023, the Company issued 163,140 shares of common stock related to the cashless exercise of a stock option grant at \$0.25. The former employee forfeited 66,860 shares.

## 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.

### BUSINESS

#### Overview

Know Labs is an emerging leader in non-invasive medical diagnostics. We are focused on the development and commercialization of proprietary sensor technologies which, when paired with our machine learning platform, are capable of uniquely identifying and measuring almost any material or analyte using electromagnetic energy to detect, record, identify and measure the unique "signature" of said materials or analytes. We call this our "Bio-RFID™" technology platform, when pertaining to radio and microwave spectroscopy, and our "ChromaID" technology platform, when pertaining to optical spectroscopy.

ChromaID was the first technology developed and patented by our company. For the past several years, we have focused on extensions and inventions that are derived from and extend beyond our ChromaID technology and intellectual property. We call those inventions the Bio-RFID technology platform. Due to the significant advances made with the Bio-RFID technology in our laboratory, the company has focused its resources on Bio-RFID and the commercialization and development of related patent assets.

The first application of our Bio-RFID technology is in a product to non-invasively monitor blood glucose levels. Our device will provide the user with real-time information on their blood glucose levels. We have previously announced two versions of our non-invasive glucose monitor, the KnowU and the UBand. The KnowU will be a portable monitoring device for intermittent or spot glucose monitoring, and the UBand will be a wearable for continuous glucose monitoring. These products will require US Food and Drug Administration (FDA) clearance before entering the market.

Following FDA clearance of our non-invasive blood glucose monitoring products, Know Labs plans to expand Bio-RFID to other non-invasive medical diagnostic applications. As a platform technology, Bio-RFID can identify numerous other analytes in the human body which are important in medical diagnostics and human health and wellness.

#### Corporate History and Structure

Know Labs, Inc. was incorporated under the laws of the State of Nevada in 1998. Since 2007, our company has been focused primarily on research and development of proprietary spectroscopic technologies spanning the electromagnetic spectrum.

Know Labs has two wholly owned subsidiaries, Particle, Inc. incorporated on April 30, 2020 and AI Mind, Inc. incorporated on September 17, 2021. At this time there is no material activity in either subsidiary while the Company gives all of its attention to its focus of its Bio-RFID technology.

#### The Know Labs Technology

We have internally and under contract with third parties developed proprietary platform technologies to uniquely identify and measure almost any organic and inorganic material or analyte. Our patented technology utilizes electromagnetic energy along a wide range of the electromagnetic spectrum from visible light and infrared to radio wave and microwave wavelengths to perform analytics which allow the user to accurately identify and measure materials and analytes. Our proprietary platform technologies are called Bio-RFID and ChromaID.

Our technologies provide a unique 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. Bio-RFID and ChromaID 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 we believe significant businesses can be built. While we are pursuing our core focus on commercializing our glucose monitor, we believe non-core clinical, non-clinical and medical research applications represent a multitude of opportunities for strategic collaboration, joint development, and licensing agreements with leading companies in their respective industries.

ChromaID was the first technology developed and patented by our company. Working in our lab, we have developed extensions and new inventions derived partly from the ChromaID technology, which we refer to as Bio-RFID. Bio-RFID utilizes spectroscopy at higher wavelengths than ChromaID’s optical range to span radio wave and microwave segments of the electromagnetic spectrum. We believe an important competitive differentiator for Bio-RFID to be its ability to not only identify a wide range of organic and inorganic materials and analytes, but to do so non-invasively, and in real-time, which potentially enables new multivariate models of clinical diagnostics, and health and wellness monitoring.

#### **Bio-RFID: Hardware and Software**

Our Bio-RFID technology embodies two key components: hardware and software. The key hardware component is a sensor which both sends and receives a radio frequency signal. The data obtained by the receiving aspect of the sensor is analyzed by software. Today, the sensor portion of our hardware development is essentially complete. This sensor is currently being used in our internal tests, and has been for the past several months, gathering millions of data points to further refine our algorithm. It is the core component in our Generation 1 prototype device, photographs of which we have recently disclosed, and will be the core component of our eventual final marketed product pending FDA clearance.

As a consequence, a significant amount of our focus has shifted to algorithm development. This involves sophisticated development of algorithms which derive meaningful information from the raw data obtained by our sensor. These algorithms are developed through the utilization of artificial intelligence (AI) and machine learning (ML) by means of training a neural network (NN) model. We will continue data collection to further refine the accuracy of the algorithm until we feel confident that we can be successful in FDA clinical trials and bring to the market the first non-invasive blood glucose monitor.

#### **Bio-RFID: Early Results**

We have previously announced the results of an internal exploratory study comparing tests between our Bio-RFID technology and the leading continuous glucose monitors from Abbott Labs (Freestyle Libre®) and DexCom (G6®). These results provided evidence of a high degree of correlation between our Bio-RFID technology and the current industry leaders and their continuous glucose monitors. Our patented technology is fundamentally differentiated from these industry leaders as our technology completely non-invasively monitors blood glucose levels. We also believe Bio-RFID successfully addresses the limiting qualities of optical technologies whose diagnostic capacities may be inhibited by skin tones and other factors.

We continue to build the internal and external development team necessary to commercialize our technology as well as make additional patent filings covering the intellectual property created with new inventions. Our ability to obtain exacting results from the data collected through our Bio-RFID sensor technology, also referred to as radio frequency spectroscopy or RF spectroscopy, is enabled by our trade secret algorithms built through our machine learning platform. We have been refining these algorithms so they can accurately determine blood glucose levels. We believe our algorithms can also provide accurate measurements for blood alcohol and blood oxygen levels, which we have identified in preliminary tests. We expect them to provide the analytics for the long list of other analytes in the human body that we will pursue non-invasive detection of, many of which are set forth in our issued patent USPTO 11,033,208 B1.

#### **Bio-RFID: Validation and FDA Clearance**

We are also focused on building strong external validation of the Bio-RFID technology. This initiative should provide additional evidence and support as we look to approach the FDA. For example, we announced the results of a proof-of-principle study titled, “*Detecting Unique Analyte-Specific Radio Frequency Spectral Responses in Liquid Solutions, Implications for Non-Invasive Physiologic Monitoring.*” This study was conducted in collaboration with Mayo Clinic and its results were presented at the 2023 American Physiological Society (APS) Summit. The study demonstrated the accuracy of the Bio-RFID sensor in quantifying different analytes in vitro, proving a 100% accuracy rate in the study.

We have also announced the results of our technical feasibility study titled, “*Technical Feasibility of a Novel Sensor for Non-Invasive Blood Glucose Monitoring Compared to Dexcom G6®.*” These results were presented at the American Association of Clinical Endocrinology (AACE) Annual Meeting in Seattle, WA. The purpose of this technical feasibility study was to demonstrate hardware and software infrastructure stability, and to collect additional data to determine the accuracy of the sensor at quantifying BGC in vivo non-invasively using radio frequency, by means of training a neural network (NN) model to predict readings of the Dexcom G6® as a proxy for BGC.

We have successfully completed our foundational studies, created a stable sensor that delivers repeatable results, and developed a software infrastructure to manage and interpret large, novel datasets.

We have also begun the internal process to pursue FDA clearance for our non-invasive blood glucose monitor. Our Chief Medical Officer and medical and regulatory advisory board will guide us in this process. Additionally, our third-party quality assurance and documentation consultants will help ensure that the rigorous requirements of the FDA are met. We are unable to estimate the time necessary for FDA approval or the likelihood of success in that endeavor.

While the first focus of our Bio-RFID platform is non-invasive glucose monitoring, it is important to note that the Bio-RFID platform has the capacity to monitor and identify other analytes in the human body. Each additional analyte we identify over time will require its own subsequent FDA clearance, the success of which we are unable to estimate at this time. KnowU and UBand should be the foundation platform for the development of these future applications of Bio-RFID.

### **Product Strategy**

We have announced the development of our non-invasive glucose monitor and our desire to obtain FDA clearance for the marketing of this product. We are currently undertaking internal development work of these products for the commercial marketplace. We have also announced the engagement of several strategic partners and advisors focused on sensor technology, product design, data science, machine learning, manufacturing and regulatory affairs, who we will work with to bring this product to market. We have also disclosed images of a new prototype during the 2023 American Physiological Society Summit and the 2023 American Association of Clinical Endocrinology Annual Meeting, which depicts the most up-to-date renderings of the sensor being used during clinical tests. We will make further announcements regarding this product as development, testing, manufacturing, and regulatory approval work progresses.

Our efforts are entirely focused on productizing Bio-RFID and collecting high quality data for validation purposes, including third-party studies, and appropriate and required clinical trials. At this point in our development cycle, the hardware continues to be miniaturized and optimized, the product form factor is nearing completion, and the algorithms which provide accurate results from the data collected by our sensor are being refined to improve accuracy.

### **Sales and Marketing**

While we continue with our internal development efforts and the move toward FDA approved clinical trials and expected (but not guaranteed) clearance of our first product, a non-invasive blood glucose monitor, we will explore the several potential avenues for moving our first product and potential follow-on products into the marketplace. The avenues being explored include direct to consumer, initial launch partners, broad distribution partners, licensing partners and private label approaches to the market among others. We have begun to build our internal commercial and marketing team in preparation for detailed strategic thinking about the optimal approach to the marketplace. We attend and engage in conferences focused on diabetes management and technology, which are valuable for building Know Labs' reputation and network in the space.

### **Competition**

We group the competition into three large categories. Those are (i) large global technology companies who may enter the blood glucose monitoring and other medical diagnostic markets, (ii) legacy providers of blood glucose monitoring technology, and (iii) new entrants working to achieve a non-invasive solution or more acceptable blood glucose monitoring solutions which may or may not be similar to our technology. With regard to companies in each category, we perform due diligence from all publicly available sources of information on their relevant technologies and their product plans. This information informs and refines our activities and underscores our sense of urgency as we work to bring our own technology to the marketplace. The addressable market is very large and there is room for a multitude of providers of blood glucose monitoring services. As it relates to competitors, we continue to focus on building the world's most robust patent portfolio in this space. PatSnap Research and ipCapital Group, two leading patent analytic firms, ranked Know Labs #1 for global patent leadership in non-invasive glucose monitoring patents.

## Competitive Advantages

We believe our key competitive strengths include:

- Through first principles, Bio-RFID's ability to not only identify a wide range of organic and inorganic materials and analytes, but to do so non-invasively, and in real time, which potentially enables new multivariate models of clinical diagnostics, and health and wellness monitoring.
- Our Bio-RFID technology is non-invasive, using radio waves to identify and measure what is going on inside the body in real-time.
- Our Bio-RFID technology platform can be integrated into a variety of wearable, mobile or counter-top form factors, and we believe interoperability with existing products from current market leaders.
- No needles nor invasive transmitters in your body, making Bio-RFID sensors convenient and pain-free.
- No expensive supplies, such as test strips and lancets, are required to operate Bio-RFID devices.

## Growth Strategy

The key elements of our strategy to grow our business include:

- Initially, entering the diabetes glucose monitoring market with our non-invasive glucose monitoring devices.
- Following our entry into the glucose monitoring market, entering other clinical monitoring markets for continuous, non-invasive hormone, medication metabolites, endocrinology components and biomolecular monitoring.
- Applying our Bio-RFID platform technology to lifestyle analysis, clinical trials and chronic illnesses. We believe that potential use cases include real-time wearable medication monitoring and detection of, for example, ovulation and hormone deficiency.
- Significantly, every new application will function utilizing the same sensor. We expect that hardware changes will not be required to target new analytes, so you will not need a new device, but an updated software algorithm will be required.
- Each new application provides new opportunities for monetization of the Bio-RFID platform technology. Each additional analyte we identify over time will require its own subsequent FDA approval.

## Research and Development

Our current research and development efforts are primarily focused on improving our Bio-RFID technology, extending its capacity, and developing new and unique applications for this technology and the machine learning platform that drives its analytics. As part of this effort, we continuously perform clinical testing of our devices following IRB-approved protocols, and 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. We engage third party experts as required to supplement our internal team. We incurred expenses of \$2,563,000, \$5,386,000 and \$3,970,000 for the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, respectively, on development activities.

## Intellectual Property

The cornerstone of our foundational platform technology is our intellectual property portfolio. We have pursued an active intellectual property strategy which includes focus on patents where appropriate and a diligent protection of trade secrets. To date, we have been granted 30 patents and 19 design patents. We currently have a number of patents pending and continue, on a regular basis, with the filing of new patents. If we include pending patents, our IP portfolio reaches 159 patents issued and pending, which positions the company as the top worldwide IP holder in non-invasive blood glucose monitoring, according to ipCapital Group, a leading IP and innovation consulting firm serving clients since 1998. We possess all rights, title and interest to the issued patents.

Our issued patents will expire at various times between 2027 and 2041. Pending patents, if and when issued, may have expiration dates that extend further in time. 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 our ChromaID and Bio-RFID technology and a number of unique applications. We have filed patents, which are pending, on the additional fundamental aspects of our Bio-RFID technology and growing number of unique applications. We will continue, over time, to expand our patent portfolio.

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

## Related Patent Assets

Inherent in a platform technology is the ability to develop or license technology in diverse fields of use apart from our core focus. We focus on human health and wellness with a first focus on the non-invasive monitoring of blood glucose. We will pursue the identification of a multitude of analytes in the human body that are important to diagnostics over time. We will also identify, over time, opportunities for our intellectual property to be deployed in areas outside of human health and wellness.

We may, although we cannot guarantee that we will, create other such subsidiaries over time. Additionally, we may license our intellectual property to third parties so that they may pursue activities that are not a part of our core focus.

## Employees

As of March 31, 2023, we had 10 full-time employees. This is a reduction from the 19 full-time employees as of December 31, 2022. Our senior management and other personnel are primarily located in our Seattle, Washington offices with some hybrid remote work. The Company expanded its utilization of consulting firms and individual contractors to supplement our reduced workforce in an effort to reduce fixed expenses and extend operating resources.

## RESULTS OF OPERATIONS

### Overview

We are focused on the development and commercialization of proprietary biosensor technologies which, when paired with our artificial intelligence, or AI, deep learning platform, are capable of uniquely identifying and measuring almost any material or analyte using electromagnetic energy to detect, record, identify and measure the unique “signature” of said materials or analytes. We call these our “Bio-RFID™” technology platform when pertaining to radio and microwave spectroscopy; and “ChromaID” technology platform when pertaining to optical spectroscopy. The data obtained with our biosensor technology is analyzed with our trade secret algorithms which are driven by our AI deep learning platform.

ChromaID is the first technology developed and patented by our company. For the past several years, we have focused on extensions and new patentable inventions that are derived from and extend beyond our ChromaID technology and intellectual property. We call this technology platform 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. Today, the primary focus of our company is on our Bio-RFID technology, its commercialization and development of related patent assets. Through our wholly owned subsidiaries, our company works to exploit additional opportunities and markets that our broad intellectual property and trade secret portfolio addresses.

On April 30, 2020, we incorporated our wholly owned subsidiary, Particle, Inc. Particle was focused on the development and commercialization of our extensive intellectual property relating to electromagnetic energy outside of the medical diagnostic arena which remains our company’s singular focus. Since incorporation, Particle was engaged in research and development activities on threaded light bulbs that have a warm white light and can inactivate germs, including bacteria and viruses. Particle is now looking for partners to take this product to market.

On September 17, 2021 we incorporated our wholly owned subsidiary, AI Mind, Inc., for the purpose of identifying and capitalizing on market opportunities for our AI deep learning platform (discussed below). The first activity undertaken by AI Mind was the creation of graphical images expressed as non-fungible tokens, or NFTs, utilizing the AI deep learning platform. During the year ended September 30, 2022, AI Mind, operating our AI deep learning platform, began generating revenue from digital asset sales of NFT’s and had sales of \$4,351,000. We do not expect any significant future revenue from the sale of NFT’s.

### Recent Developments

On January 23, 2023, Phillip A. Bosua resigned from the Board of Directors and from his position as our Chief Executive Officer.

On January 23, 2023, our Board of Directors appointed Ronald P. Erickson, the current Chairman of the Board, to the position of Chief Executive Officer.

On January 27, 2023, we announced the following new officers/transitions: Masanori King Takee, Chief Technology Officer, Leo Trautwein, Chief Commercial Officer, and Jessica English, Chief Marketing Officer.

### Principal Factors Affecting Our Financial Performance

Our operating results are primarily affected by the following factors:

- the ability of our research and development team to produce an FDA clearance quality technology;
- our ability to recruit and maintain quality personnel with the talent to bring our technology to the market;
- the production of market ready products which can sustain FDA clearance quality results;
- the clearance by the FDA after their rigorous clinical trial process of our products for the marketplace;
- the receptivity of the marketplace and the addressable diabetes community to our new non-invasive glucose monitoring technology; and
- access to sufficient capital to support us until its products achieve FDA clearance and are accepted in the marketplace.

**Segment Reporting**

The Financial Accounting Standards Board, or FASB, Accounting Standard Codification, or ASC, Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. We consider our business to currently consist of one operating segment, the development of the Bio-RFID™ and “ChromaID” technologies. Previous segments included (i) Particle, Inc. technology; and (ii) AI Mind, Inc. sales of NFT products. Particle commenced operations in the year ended September 30, 2020. It is now looking for partners to take the product to market. AI Mind commenced operations during the year ended September 30, 2022. We do not expect future activity or revenue from that source.

**Results of Operations**

The following table sets forth key components of our results of operations during the three months ended March 31, 2023 and 2022.

(dollars in thousands)

	Three Months Ended March 31,			
	2023	2022	\$ Variance	% Variance
Revenue- digital asset sales	\$ -	\$ 9	\$ (9)	-100.0%
Research and development and operating expenses-				
Research and development expenses	2,563	1,249	1,314	-105.2%
Selling, general and administrative expenses	2,243	1,448	795	-54.9%
Selling and transactional costs for digital assets	-	155	(155)	100.0%
Total research and development and operating expenses	4,806	2,852	1,954	-68.5%
Operating loss	(4,806)	(2,843)	(1,963)	-69.0%
Other income (expense):				
Interest expense	(124)	(3,298)	3,174	96.2%
Total other (expense), net	(124)	(3,298)	3,174	96.2%
Loss before income taxes	(4,930)	(6,141)	1,211	19.7%
Income tax expense	-	-	-	0.0%
Net loss	\$ (4,930)	\$ (6,141)	\$ 1,211	19.7%

**Revenues.** Digital asset sales for the three months ended March 31, 2023 was \$0 as compared to \$9,000 for the three months ended March 31, 2022. We do not expect future activity or revenue from that source. Our Artificial Intelligence (AI) deep learning platform generated revenue- digital asset sales of \$4,361,000 from Non-Fungible Token (NFT) sales for the six months ended March 31, 2022.

**Research and Development Expenses.** Research and development expenses for the three months ended March 31, 2023 increased \$1,314,000 to \$2,563,000 as compared to \$1,249,000 for the three months ended March 31, 2022. The increase was due to increased personnel costs, use of consultant, expenditures related to the development of our Bio-RFID™ technology and approximately \$859,000 of cash termination expenses related to the departure of an executive officer and other employees. During the end of the three months ended March 31, 2023, we reduced our headcount by nine and operating expenses and used external consultants to reduce the future cost of the development of our Bio-RFID™ technology.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses for the three months ended March 31, 2023 increased \$795,000 to \$2,243,000 as compared to \$1,448,000 for the three months ended March 31, 2022. The increase primarily was due to (i) an increase of \$526,000 in stock based compensation; (ii) an increase in insurance of \$41,000; (iii) an increase in travel expenses of \$56,000; (iv) an increase corporate development expenses of \$66,000; (v) an increase in professional expenses of \$70,000; and (vi) an increase in other expenses of \$10,000. As part of the selling, general and administrative expenses for the six months ended March 31, 2023 and 2022, we recorded \$198,000 and \$243,000, respectively, of investor relationship and business development expenses.

As part of the selling, general and administrative expenses for the three months ended March 31, 2023 and 2021, we recorded \$146,000 and \$79,000, respectively, of investor relationship expenses and business development expenses.

**Selling and Transactional Costs for Digital Asset Sales.** Selling and transactional costs for digital asset sales were \$0 for the three months ended March 31, 2023 as compared to \$155,000 for the three months ended March 31, 2022. We do not expect future activity or revenue from that source. Our Artificial Intelligence (AI) deep learning platform generated revenue- digital asset sales of \$4,361,000 from Non-Fungible Token (NFT) sales for the six months ended March 31, 2022.

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**Other (Expense), Net.** Other expense, net for the three months ended March 31, 2023 was \$124,000 as compared to other expense, net of \$3,298,000 for the three months ended March 31, 2022. The other expense, net for the three months ended March 31, 2023 included (i) interest expense of \$124,000.

The other expense, net for the three months ended March 31, 2022 related to convertible notes payable and the amortization of the beneficial conversion feature and value of warrants issued.

**Net Loss.** Net loss for the three months ended March 31, 2023 was \$4,930,000 as compared to \$6,141,000 for the three months ended March 31, 2022. The net loss for the three months ended March 31, 2023 included non-cash expenses of \$1,427,000. The non-cash items include (i) depreciation and amortization of \$102,000; (ii) stock based compensation- stock options of \$1,183,000; (iii) expenses for extension of notes, warrants and stock options of \$143,000; and offset by (iv) other of \$1,000.

The net loss for the three months ended March 31, 2022 included (i) non-cash expenses of \$3,830,000. The non-cash items include (ii) depreciation and amortization of \$77,000; (iii) issuance of common stock for services and expenses of \$153,000; (iv) issuance of common stock warrants for service of \$71,000; (v) stock based compensation- stock options of \$432,000; (vi) amortization of debt discount as interest expense of \$3,088,000; and offset by (vii) other of \$9,000.

## Results of Operations

The following table sets forth key components of our results of operations during the six months ended March 31, 2023 and 2022.

(dollars in thousands)

	Six Months Ended March 31,			
	2023	2022	\$ Variance	% Variance
Revenue- digital asset sales	\$ -	\$ 4,361	\$ (4,361)	-100.0%
Research and development and operating expenses-				
Research and development expenses	4,307	2,135	2,172	-101.7%
Selling, general and administrative expenses	4,147	2,665	1,482	-55.6%
Selling and transactional costs for digital assets	-	3,273	(3,273)	100.0%
Total research and development and operating expenses	8,454	8,073	381	-4.7%
Operating loss	(8,454)	(3,712)	(4,742)	-127.7%
Other income (expense):				
Interest expense	(299)	(7,785)	7,486	96.2%
Total other (expense), net	(299)	(7,785)	7,486	96.2%
Loss before income taxes	(8,753)	(11,497)	2,744	23.9%
Income tax expense	-	-	-	0.0%
Net loss	\$ (8,753)	\$ (11,497)	\$ 2,744	23.9%

**Revenues.** Digital asset sales for the six months ended March 31, 2023 was \$0 as compared to \$4,361,000 for the six months ended March 31, 2022. We do not expect future activity or revenue from that source.

**Research and Development Expenses.** Research and development expenses for the six months ended March 31, 2023 increased \$2,172,000 to \$4,307,000 as compared to \$2,135,000 for the six months ended March 31, 2022. The increase was due to increased personnel, use of consultant, expenditures related to the development of our Bio-RFID™ technology and approximately \$859,000 of termination cash expenses related to the departure of an executive officer.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses for the six months ended March 31, 2023 increased \$1,482,000 to \$4,147,000 as compared to \$2,665,000 for the six months ended March 31, 2022. The increase primarily was due to (i) an increase of \$1,066,000 in stock based compensation; (ii) an increase in insurance of \$324,000; (iii) an increase in travel expenses of \$102,000; offset by (iv) a decrease in other expenses of \$10,000. As part of the selling, general and administrative expenses for the six months ended March 31, 2023 and 2022, we recorded \$198,000 and \$243,000, respectively, of investor relationship and business development expenses.

**Selling and Transactional Costs for Digital Asset Sales.** Selling and transactional costs for digital asset sales were \$0 for the six months ended March 31, 2023 as compared to \$3,273,000 for the six months ended March 31, 2022. We do not expect future activity or revenue from that source. Our Artificial Intelligence (AI) deep learning platform generated revenue- digital asset sales of \$4,361,000 from Non-Fungible Token (NFT) sales for the six months ended March 31, 2022.



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**Other (Expense), Net.** Other expense, net for the six months ended March 31, 2023 was \$299,000 as compared to other expense, net of \$7,785,000 for the six months ended March 31, 2022. The other expense, net for the six months ended March 31, 2023 included (i) interest expense of \$299,000.

The other expense, net for the six months ended March 31, 2022 included interest expense related to convertible notes payable and the amortization of the beneficial conversion feature and value of warrants issued.

**Net Loss.** Net loss for the six months ended March 31, 2023 was \$8,753,000 as compared to \$11,497,000 for the six months ended March 31, 2022. The net loss for the six months ended March 31, 2023 included non-cash expenses of \$2,479,000. The non-cash items include (i) depreciation and amortization of \$205,000; (ii) stock based compensation- stock options of \$1,927,000; (iii) expenses for extension of notes, warrants and stock options of \$350,000; and offset by (iv) other of \$3,000.

The net loss for the six months ended March 31, 2022 included (i) non-cash expenses of \$8,241,000. The non-cash items include (ii) depreciation and amortization of \$118,000; (iii) issuance of common stock for services and expenses of \$153,000; (iv) issuance of common stock warrants for service of \$71,000; (v) stock based compensation- stock options of \$636,000; (vi) amortization of debt discount as interest expense of \$7,273,000; and offset by (vii) other of \$11,000.

### **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.

As of March 31, 2023, we had cash and cash equivalents of \$6,226,000 and net working capital of approximately \$4,747,000 (exclusive of convertible notes payable). We have experienced net losses since inception. As of March 31, 2023, we had an accumulated deficit of \$110,151,000 and net losses in the amount of \$8,753,000 and \$20,071,000 and \$25,360,000 during the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, respectively. We incurred non-cash expenses of \$2,479,000, \$12,142,000, and \$17,701,000 during the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, respectively.

During the end of the quarter ended March 31, 2023, the Company made some adjustments to its staffing level and the impact of those adjustments, plus the departure of our chief technology and executive office, has significantly reduced our monthly burn rate. The Company will further adjust its cost structure if new debt or equity capital is not received. We believe that our cash on hand will be sufficient to fund our operations at least through February 2024.

We have financed our corporate operations and our technology development through the issuance of convertible debentures, the issuance of preferred stock, the sale of common stock and the exercise of warrants. During 2023, we expect to raise additional funds through the issuance of convertible debentures or equity.

On September 20, 2022, we completed a public offering of our common stock pursuant to which we sold 4,140,000 shares of common stock, at a purchase price of \$2.00 per share, for total gross proceeds of \$8,280,000. After deducting underwriting commissions and other offering expenses, we received net proceeds of \$7,425,000.

The proceeds of warrants currently outstanding, which are not expected to be exercised on a cashless basis, may generate potential proceeds of up to approximately \$15,892,000. We cannot provide assurance that any of these warrants will be exercised.

### **Operating Activities**

Net cash used in operating activities for the six months ended March 31, 2023 and 2022 was \$6,341,000 and \$1,022,000, respectively. The net cash used in operating activities for the six months ended March 31, 2023 was primarily related to (i) a net loss of \$8,753,000; and (ii) working capital changes of \$67,000; and offset by (iii) non-cash expenses of \$2,479,000.

The net cash used in operating activities for the six months ended March 31, 2022 was primarily related to (i) a net loss of \$11,497,000; offset by (ii) working capital changes of \$2,235,000 related to Our Artificial Intelligence (AI) Deep Learning Platform has generated initial revenue from Non-Fungible Token (NFT) sales and incurred certain expenses; and (iii) non-cash expenses of \$8,241,000.

### **Investing Activities**

Net cash used in investing activities for the six months ended March 31, 2023 and 2022 was \$42,000 and \$827,000, respectively. There amounts were 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, 2023 and 2022 was \$15,000 and \$778,000, respectively. The net cash provided by financing activities for the six months ended March 31, 2023 was primarily related to (i) proceeds from the issuance of common stock for the exercise of warrants of \$13,000; and (ii) proceeds from the issuance of common stock for the exercise of stock option grants of \$2,000.

The net cash provided by financing activities for the six months ended March 31, 2022 was primarily related to (i) proceeds from the issuance of common stock for the exercise of warrants of \$767,000; and (ii) proceeds from the issuance of common stock for the exercise of stock option grants of \$12,000.

Our contractual cash obligations as of March 31, 2023 are summarized in the table below:

Contractual Cash Obligations (1)	Total	Less Than 1 Year	1-3 Years	3-5 Years	Greater Than 5 Years
Operating leases	\$ 216,532	\$ 189,121	\$ 27,411	\$ -	\$ -
Convertible notes payable	2,255,066	2,255,066	-	-	-
	<u>\$ 2,471,598</u>	<u>\$ 2,444,187</u>	<u>\$ 27,411</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Convertible notes payable includes \$2,255,066 that can be converted into common stock upon demand. 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, 2023.

**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.**

We had no holdings of derivative financial or commodity instruments at March 31, 2023.

We are exposed to financial market risks, including changes in interest rates. We do not use any financial instruments for speculative or trading purposes. Fluctuations in interest rates would not have a material effect on our financial position, results of operations or cash flows.

**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.

**b) Inherent Limitations on Internal controls**

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, 2023, there were no other changes in our internal controls over financial reporting, which were identified in connection with our management’s evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that materially affected, or is reasonably likely to have a material effect 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

#### SUMMARY OF RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks summarized below. These risks are discussed more fully in the “*Risk Factors*” section immediately following this summary. These risks include, but are not limited to, the following:

##### Risks Related to Our Business and Industry

- Implementation of technology initiatives could disrupt our operations in the near term and fail to provide the anticipated benefits.
- If our information technology systems suffer interruptions or failures, including as a result of cyber-attacks, our business operations could be disrupted and our reputation could suffer.
- We rely on software and services from other parties. Defects in or the loss of access to software or services from third parties could increase our costs and adversely affect the quality of our products.
- Failure to comply with data privacy and security laws and regulations could adversely affect our operating results and business.

##### Risks Related to Ownership of Our Common Stock

- The market price of our common stock may fluctuate, and you could lose all or part of your investment.
- We may not be able to maintain a listing of our common stock on the NYSE American.
- We do not expect to declare or pay dividends in the foreseeable future.
- Future issuances of our common stock or securities convertible into, or exercisable or exchangeable for, our common stock, or the expiration of lock-up agreements that restrict the issuance of new common stock or the trading of outstanding common stock, could cause the market price of our securities to decline and would result in the dilution of your holdings.
- Future issuances of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future issuances of preferred stock, which could rank senior to our common stock for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our common stock.

### RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should carefully read and consider all of the risks described below, together with all of the other information contained or referred to in this report, before making an investment decision with respect to our common stock. If any of the following events occur, our financial condition, business and results of operations (including cash flows) may be materially adversely affected. In that event, the market price of our common stock could decline, and you could lose all or part of your investment.*

#### Risks Related to Our Business and Industry

*The near-term effects of the recent COVID-19 pandemic are known, as they adversely affected our business. Some longer term effects, such as supply chain issues and inflation, are known and may, from time to time, adversely affect our business, results of operations, financial condition, liquidity and cash flow. At the same time, new variants of Covid-19 have appeared. We will remain alert to the impact of these and other infectious diseases on our employees and our business.*

On January 30, 2020, the World Health Organization announced a global health emergency caused by a new strain of the coronavirus, or COVID-19, and advised of the risks to the international community as the virus spread globally. In March 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The spread of COVID-19 caused public health officials to recommend precautions to mitigate the spread of the virus, especially as to travel and congregating in large numbers. Over time, the incidence of COVID-19 and its variants has diminished although periodic spikes in incidence occur. Consequently, restrictions imposed by various governmental health organizations may change over time. Several states have lifted restrictions only to reimpose such restrictions as the number of cases rise and new variants arise.

Over the past three years, the impact of COVID-19 has had adverse effects on our business by slowing down our ability to work with third parties outside of Seattle on testing and validation. We have witnessed supply chain-related delays and increasing costs due to inflation. It is difficult to predict what other future adverse effects, if any, COVID-19 and related viral strains and related matters can have on our business, or against the various aspects of same.

We may experience long-term disruptions to our operations resulting from changes in government policy or guidance; quarantines of employees, customers and suppliers in areas affected by the pandemic and the presence of new variants of COVID-19; and closures of businesses or manufacturing facilities critical to its business or supply chains. We are actively monitoring, and will continue to actively monitor, the issues evolving from the pandemic and the potential impact on our operations, financial condition, liquidity, suppliers, industry and workforce.

***We are subject to general securities market uncertainties resulting from the COVID-19 pandemic and geo-political and economic considerations.***

National securities markets in the United States and worldwide have undergone unprecedented stress in recent years due to, among other things, uncertainties surrounding the COVID-19 pandemic, uncertainties surrounding the military conflict in Ukraine, uncertainties regarding the economy and increasing inflation, and the resulting reactions and outcomes of governments, businesses and the general population. These uncertainties have resulted in declines in all market sectors and governmental actions to support the markets. As a result, until these matters have stabilized, the markets may not be available to us for the purpose of raising required capital. Should we not be able to obtain financing when required, in the amounts necessary to execute on our plans in full, or on terms which are economically feasible, we may be unable to obtain the capital necessary to pursue our strategic plan and may have to reduce the planned future growth and/or scope of our operations.

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

We are currently operating at a loss and using substantial cash to fund our operation. We believe that our cash on hand will be sufficient to fund our operations through February 2024. We may 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. Strategic collaborations may include features which could limit the Company's ultimate potential. If such financings 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 and our operations and financial condition may be materially adversely affected.

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

As of March 31, 2023, we had cash and cash equivalents of \$6,226,000 and net working capital of approximately \$4,747,000 (exclusive of convertible notes payable). We have experienced net losses since inception. As of March 31, 2023, we had an accumulated deficit of \$110,151,000 and net losses in the amount of \$8,753,000 and \$20,071,000 and \$25,360,000 during the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, respectively. We incurred non-cash expenses of \$2,479,000, \$12,142,000, and \$17,701,000 during the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, respectively.

We believe that our cash on hand will be sufficient to fund our operations at least through February 2024.

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We have financed our corporate operations and our technology development through the issuance of convertible debentures, the issuance of preferred stock, the sale of common stock and the exercise of warrants. During 2023, we expect to raise additional funds through the issuance of convertible debentures or equity.

On September 20, 2022, we completed a public offering of our common stock pursuant to which we sold 4,140,000 shares of common stock, at a purchase price of \$2.00 per share, for total gross proceeds of \$8,280,000. After deducting underwriting commissions and other offering expenses, we received net proceeds of \$7,425,000.

The proceeds of warrants currently outstanding, which are not expected to be exercised on a cashless basis, may generate potential proceeds of up to approximately \$15,892,000. We cannot provide assurance that any of these warrants will be exercised.

***As of March 31, 2023, we owed approximately \$2,578,000 and if we do not satisfy these obligations, the lenders may have the right to demand payment in full or exercise other remedies.***

We owe \$2,255,000 under various convertible promissory notes as of March 31, 2023, including \$1,184,000 owed to entities controlled by Ronald P. Erickson, our Chairman and Chief Executive Officer. Mr. Erickson and/or entities with which he is affiliated also have accounts payable and accrued liabilities of \$323,000 as of March 31, 2023 related accrued interest and expenses. We may need 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, 2023, we had an accumulated deficit of \$110,151,000 and net losses in the amount \$8,753,000, \$20,071,000 and \$25,360,000 during the six months ended March 31, 2023 and the years ended September 30, 2022 and 2021, 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 businesses have 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.

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

We are in the early stages of commercializing our technology. Failure to develop and sell products based upon our technology could have a material adverse effect on our business, financial condition and results of operations. To date, we have not generated revenue from sales of our technology or 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 upon external resources for many engineering and product development services. If we are unable to secure engineering or product development partners or establish satisfactory engineering and product development capabilities, we may not be able to successfully commercialize our 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 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.

Historically, we have not had sufficient internal resources to work on all necessary 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. Moreover, third parties have their own internal demands on time and resources which may not always align with ours. Hence, our own expectations for development and product timelines may not be shared by third parties upon whom we rely.

***We are in the early stages of commercialization and our 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 technology and related products are an attractive alternative to existing technologies. We will need to demonstrate that our products provide accurate and cost-effective alternatives to existing technologies. Compared to most competing technologies, our technology is new, and most potential customers will have limited knowledge of, or experience with, our products. Prior to implementing our technology and related products, some potential customers may be required to devote significant time and effort to testing and validating our products. Any failure of our 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.

Many factors influence the perception of a new technology 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.

***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. While our continued operation and ultimate success is not dependent upon one individual, our success does 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 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 directors' and officers' liability insurance and commercial liability insurance policies. Claims, however, 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, and confidentiality procedures to protect our intellectual property rights. Creating and maintaining a strong patent portfolio 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 United States Patent and Trademark Office 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 parties* 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 not been engaged in litigation but 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 our company, 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.

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.

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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.

***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.

***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 will 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 monitoring of blood glucose. There is no assurance that we will be successful in developing glucose monitoring medical applications for our technology. If we were to be successful in developing glucose monitoring medical applications of our technology, prior clearance by the FDA and other governmental regulatory bodies will be required before the technology could be introduced into the marketplace. Our devices leverage Machine Learning (ML) and Artificial Intelligence (AI) to process the massive data collected through the Bio-RFID sensor. ML/AI also controls the sensor operation, enabling the device to emit and capture data, and, ultimately, to identify and measure blood glucose levels. Machine learning-enabled device software functions (ML-DSF) continue to be evaluated by the FDA, which recently released new guidance proposing a science-based approach for AI/ML-enabled medical devices to be modified and improved more quickly. There is no assurance that such regulatory approval would be obtained for a glucose monitoring medical diagnostic device or other applications requiring such approval. The FDA can refuse to grant, delay, and limit or deny approval of an application for clearance of marketing a glucose monitoring device for many reasons. We may not obtain the necessary regulatory approvals or clearances to market these 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.



***We or our manufacturers may be unable to obtain or maintain international regulatory clearances or approvals for our current or future products, or our distributors may be unable to obtain necessary qualifications, which could harm our business.***

Sales of our products internationally are subject to foreign regulatory requirements that vary widely from country to country. In addition, the FDA regulates exports of medical devices from the U.S. Complying with international regulatory requirements can be an expensive and time-consuming process, and marketing approval or clearance is not certain. The time required to obtain clearances or approvals, if required by other countries, may be longer than that required for FDA clearance or approvals, and requirements for such clearances or approvals may significantly differ from FDA requirements. We may rely on third-party distributors to obtain regulatory clearances and approvals required in other countries, and these distributors may be unable to obtain or maintain such clearances or approvals. Our distributors may also incur significant costs in attempting to obtain and in maintaining foreign regulatory approvals or clearances, which could increase the difficulty of attracting and retaining qualified distributors. If our distributors experience delays in receiving necessary qualifications, clearances or approvals to market our products outside the U.S., or if they fail to receive those qualifications, clearances or approvals, we may be unable to market our products or enhancements in international markets effectively, or at all.

Foreign governmental authorities that regulate the manufacture and sale of medical devices have become increasingly stringent and, to the extent we market and sell our products outside of the U.S., we may be subject to rigorous international regulation in the future. In these circumstances, we would be required to rely on our foreign independent distributors to comply with the varying regulations, and any failures on their part could result in restrictions on the sale of our product in foreign countries.

***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 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 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 Securities and Exchange Commission, or 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.

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.

## Risks Related to Ownership of Our Common Stock

### *We may not be able to maintain a listing of our common stock on NYSE American.*

Our common stock is currently listed on NYSE American. We must meet certain financial and liquidity criteria to maintain the listing of our common stock on NYSE American. If we fail to meet any listing standards or if we violate any listing requirements, our common stock may be delisted. In addition, our board of directors may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our common stock from NYSE American may materially impair our stockholders' ability to buy and sell our common stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our common stock. The delisting of our common stock could significantly impair our ability to raise capital and the value of your investment.

### *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;
- Low liquidity; 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.

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

As of March 31, 2023, we had 48,207,937 shares of common stock issued and outstanding. As of March 31, 2023, there were options outstanding for the purchase of 15,019,596 common shares (including unearned stock option grants totaling 3,999,825 shares related to performance targets), warrants for the purchase of 21,736,313 common shares, and 8,108,356 shares of our common stock issuable upon the conversion of Series C and Series D Convertible Preferred Stock. In addition, we currently have 9,020,264 common shares at the current price of \$0.25 per share reserved and are issuable upon conversion of convertible debentures of \$2,255,066. All of the foregoing shares could potentially dilute future earnings per share but are excluded from the March 31, 2023, calculation of net loss per share because their impact is antidilutive.

Significant shares of common stock are held by our principal stockholders, other company insiders and other large stockholders. As "affiliates," as defined under Rule 144 under the Securities Act, 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 capital raises or other issuances of equity or debt securities may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.***

Pursuant to our articles of incorporation, we are authorized to issue 200,000,000 shares of common stock. To the extent that common stock is 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 shares 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.

Pursuant to our articles of incorporation, we are also authorized to issue 5,000,000 shares of blank check preferred stock. Any preferred stock that we issue in the future may rank ahead of our common stock in terms of dividend priority or liquidation premiums and may have greater voting rights than our common stock. In addition, such preferred stock may contain provisions allowing those shares to be converted into shares of common stock, which could dilute the value of our common stock to current stockholders and could adversely affect the market price, if any, of our common stock. In addition, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our company. Although we have no present intention to issue any shares of authorized preferred stock, there can be no assurance that we will not do so in the future.

In the future, we may also attempt to increase our capital resources by offering 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.

Because our decision to issue securities or incur debt in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financing. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the value of your shares and diluting your interest in us.

***The exercise prices of certain warrants, and the conversion prices of our outstanding convertible notes payable and our preferred stock may require further adjustment.***

If in the future, we sell our common stock at a price below \$0.25 per share, the conversion price of our outstanding shares of series C convertible preferred stock and series D convertible preferred stock would adjust below \$0.25 per share pursuant to the documents governing such instruments. In addition, the conversion price of the convertible promissory notes referred to above and the exercise price of certain outstanding warrants to purchase 10,074,381 shares of common stock would adjust below \$0.25 per share pursuant to the documents governing such instruments. Warrants totaling 4,439,707 would adjust below \$1.20 per share and warrants totaling 4,424,425 would adjust below \$2.40 per share, in each case pursuant to the documents governing such instruments.

***If our 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 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.

***If securities industry analysts do not publish research reports on us, or publish unfavorable reports on us, then the market price and market trading volume of our common stock could be negatively affected.***

Any trading market for our common stock may be influenced in part by any research reports that securities industry analysts publish about us. We do not currently have and may never obtain research coverage by securities industry analysts. If no securities industry analysts commence coverage of us, the market price and market trading volume of our common stock could be negatively affected. In the event we are covered by analysts, and one or more of such analysts downgrade our common stock, or otherwise reports on us unfavorably, or discontinues coverage of us, the market price and market trading volume of our common stock could be negatively affected.

*If our securities become subject to the penny stock rules, it would become more difficult to trade our common stock.*

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on NYSE American or another national securities exchange and if the price of our common stock is less than \$5.00, our common stock could be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their common stock.

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

Our articles of incorporation, 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.

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

During the three months ended March 31, 2023, we had no unregistered sales of equity securities.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None

## **ITEM 5. OTHER INFORMATION**

None

**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
<a href="#">10.1</a>	<a href="#">Amendment 8 dated December 7, 2022 to Convertible Redeemable Promissory Note dated January 31, 2018, by and between Know Labs, Inc. and J3E2A2Z LP. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 9, 2022)</a>
<a href="#">10.2</a>	<a href="#">Amendment 8 dated December 7, 2022 to Convertible Redeemable Promissory Note dated January 31, 2018, by and between Know Labs, Inc. and J3E2A2Z LP. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 9, 2022)</a>
<a href="#">10.3</a>	<a href="#">Amendment 8 dated December 7, 2022 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 December 9, 2022)</a>
<a href="#">10.4</a>	<a href="#">Amendment 8 dated December 7, 2022 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 December 9, 2022)</a>
<a href="#">10.5</a>	<a href="#">Amendment 8 dated December 7, 2022 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 December 9, 2022)</a>
<a href="#">10.6</a>	<a href="#">Amendment 7 dated December 7, 2022 to Senior Secured Convertible Redeemable Note dated February 28, 2018 by and between Know Labs, Inc. and Clayton A. Struve (incorporated by reference to the Company's Current Report on Form 8-K, filed December 9, 2022)</a>
<a href="#">10.7</a>	<a href="#">Extension of Warrant Agreement dated December 7, 2022 by and between Know Labs, Inc. and Clayton A. Struve. (incorporated by reference to the Company's Current Report on Form 8-K, filed December 9, 2022)</a>
<a href="#">10.8*</a>	<a href="#">Separation and Release Agreement dated January 23, 2023 by and between Know Labs, Inc. and Philip Bosua (Filed herewith)</a>
<a href="#">10.9</a>	<a href="#">Extension of Warrant Agreement dated January 19, 2023 by and between Know Labs, Inc. and Ronald P. Erickson. (incorporated by reference to the Company's Current Report on Form 8-K, filed January 23, 2023)</a>
<a href="#">10.10</a>	<a href="#">Extension of Warrant Agreement dated January 19, 2023 by and between Know Labs, Inc. and J3E2A2Z LP. (incorporated by reference to the Company's Current Report on Form 8-K, filed January 23, 2023)</a>
<a href="#">10+11</a>	<a href="#">Amendment 9 dated January 25, 2023 to Convertible Redeemable Promissory Note dated January 31, 2018, by and between Know Labs, Inc. and J3E2A2Z LP. (incorporated by reference to the Company's Current Report on Form 8-K, filed January 25, 2023)</a>
<a href="#">10.12</a>	<a href="#">Amendment 9 dated January 25, 2023 to Convertible Redeemable Promissory Note dated January 31, 2018, by and between Know Labs, Inc. and J3E2A2Z LP. (incorporated by reference to the Company's Current Report on Form 8-K, filed January 25, 2023)</a>
<a href="#">31.1*</a>	<a href="#">Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2*</a>	<a href="#">Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1**</a>	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2**</a>	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">101.INS*</a>	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document).
<a href="#">101.SCH*</a>	Inline XBRL Taxonomy Extension Schema Document
<a href="#">101.CAL*</a>	Inline XBRL Taxonomy Extension Calculation Linkbase Document
<a href="#">101.DEF*</a>	Inline XBRL Taxonomy Extension Definition Linkbase Document
<a href="#">101.LAB*</a>	Inline XBRL Taxonomy Extension Labels Linkbase Document
<a href="#">101.PRE*</a>	Inline XBRL Taxonomy Extension Presentation Linkbase Document
<a href="#">104*</a>	The Cover Page Interactive Data File, formatted in Inline XBRL (included within the Exhibit 101 attachments)

\* Filed herewith

\*\* Furnished herewith

† Executive compensation plan or arrangement

**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: May 15, 2023

By: /s/ Ronald P. Erickson  
Ronald P. Erickson  
Chief Executive Officer, and Director  
(Principal Executive Officer)

Date: May 15, 2023

By: /s/ Peter J. Conley  
Peter J. Conley  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald P. Erickson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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: May 15, 2023

/s/ Ronald P. Erickson  
Ronald P. Erickson  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter J. Conley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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(s) 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: May 15, 2023

/s/ Peter J. Conley  
Peter J. Conley  
Chief Financial Officer  
(Principal Financial and Accounting Officer)



**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 Quarterly Report of Know Labs, Inc. (the “ Company”) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Ronald P. Erickson, Chief Executive Officer (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

*/s/ Ronald P. Erickson*

\_\_\_\_\_  
Ronald P. Erickson  
Chief Executive Officer  
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Know Labs, Inc. and will be retained by Know Labs, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**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 Quarterly Report of Know Labs, Inc. (the “ Company”) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned Peter J. Conley, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

*/s/ Peter J. Conley*

\_\_\_\_\_  
Peter J. Conley

Chief Financial Officer

*(Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906 has been provided to Know Labs, Inc. and will be retained by Know Labs, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

## SEPARATION AND RELEASE AGREEMENT

THIS SEPARATION AND RELEASE AGREEMENT (“**Agreement**”) is entered into by and between Phillip Bosua (“**Employee**”) and Know Labs, Inc. f/k/a Visualant, Inc. a Nevada Corporation with its principal place of business in Seattle, King County, Washington (“**Employer**” or “**Company**”) and collectively, the “**Parties**” on this 23rd day of January 2023 in consideration of the mutual undertakings set forth below.

**WHEREAS**, Employer and Employee desire to end the employment relationship on amicable grounds and Employee desires to obtain the severance benefits provided herein, to which Employee is not otherwise entitled for a voluntary resignation.

**NOW, THEREFORE**, Employer and Employee agree to be contractually bound as follows:

1. Separation of Employment and Resignations. Employee’s employment with Employer will end on the 23<sup>rd</sup> day of January 2023 (the “**Separation Date**”). All entitlement to further wages and benefits will cease as of the Separation Date except as expressly provided in this Agreement; provided Employee will be entitled to payment of all compensation earned through the Separation Date, with such compensation to consist solely of accrued wages during the current pay period. As of the first day following the Effective Date, as set out below, Employee shall be deemed to resign as CEO and CTO of Know Labs, Inc. and as a member of the Board of Directors of Know Labs, Inc.

2. Severance Benefits. In consideration of the representations, promises, and covenants in this Agreement, each of which Employee acknowledges to be a material inducement to enter into this Agreement, Employer will provide Employee with:

a. Severance pay in the amount of Four Hundred Thousand Dollars (\$400,000). Severance pay will be paid in a lump sum, less lawfully required withholdings, on Employer’s first regular payroll date occurring after the Property Return Date of all Company Property as provided for in Section 10 of this Agreement. Employee agrees to pay all taxes and/or tax assessments due to be paid by Employee, and to indemnify the Company for any claims, costs and/or penalties caused by Employee’s failure to pay such taxes and/or tax assessments.

b. In addition, Employer will reimburse Employee for benefits under the terms of the Employer’s health insurance plan through COBRA, if Employee so elects such coverage, for a period of eighteen (18) months beginning the month following the Separation Date, such benefits to be for coverage as provided by Employer immediately preceding the Separation Date. The Employer’s obligation to provide for reimbursement for COBRA health insurance shall cease in the month following the month in which Employee is eligible for alternate coverage through employment or otherwise and Employee shall, within five (5) business days of eligibility for such coverage, notify Employer of such eligibility. Employer shall report such reimbursement on IRS form 1099 when required by law to do so.

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c. In addition, Employer will pay Employee estimated data server costs in the amount of Twenty-Four Thousand Dollars (\$24,000), paid in a lump sum. Such estimated data server costs represent a good faith estimate of the cost to operate the Evoque Data Center (an enumerated asset to be transferred to Employee, listed in Exhibit B) for six (6) months the value of which will be reported on form 1099.

d. In addition, Employer will immediately take such corporate actions as necessary to allow Employee to (i) carry out a cashless exercise (in addition to existing methods to exercise vested option awards) of all vested option awards as of the Separation Date, and (ii) extend the period of time that Employee may exercise all or some of the vested option awards to three hundred and sixty five (365) days after the Separation Date. Employer will promptly inform Employee when such corporate actions are complete and provide appropriate instructions and documentation to Employee to allow Employee to exercise such rights.

3. Consulting Agreement. Employee shall provide services as a service provider and not an employee for a period of one year following the Effective Date. Employer shall pay \$10,000 per month for whatever services are reasonably required to maintain intellectual property of Employer and for such other services as Employer and Employee may mutually agree. Either Employer or Employee, as a service provider, may terminate the consultancy upon thirty (30) days' written notice and the consultancy may be renewable on such terms as the Parties may agree. Employee agrees the services to be provided in this consultancy are as an independent contractor and not as an employee and shall indemnify and hold harmless Employer from any employment tax, assessment or penalty which may be assessed against Employer.

4. Ownership of AI Mind, Inc. And Confidentiality of Trade Secrets. Employer shall transfer to Employee certain enumerated assets of AI Mind, Inc. and certain assets associated with that entity as the Parties shall agree upon. Employer shall have an exclusive, perpetual and royalty free right to any patent(s) or other intellectual property which Employee, someone working under direction of the Employee, or any successor or assignee may derive from issued and pending patents and intellectual property of Employer as of the date of this agreement. Employer shall also have an exclusive, perpetual and royalty free right to any patent(s) or other intellectual property which Employee, someone working under direction of the Employee, or any successor or assignee develops relating to the Bio-RFID technology within a period of five (5) years after the Separation Date. Except as provided in this Agreement, Employee acknowledges that, during Employee's employment, Employee has received confidential information belonging to Employer. Employee acknowledges Employee's continuing obligation to protect such information in accordance with all applicable statutory and common laws. Employee hereby agrees not to use or disclose any of the Employer's trade secrets and confidential and proprietary information acquired during Employee's employment with the Employer; provided, however, that Employee may use those certain enumerated assets of AI Mind, Inc. and certain assets associated with that entity without limitation. There are important limitations on the confidentiality obligations described in this section, which are contained in 18 U.S.C. § 1833(b), the federal Defend Trade Secret Act, and nothing in this Agreement is intended to penalize, prevent, hinder, or discourage any disclosure protected by that section. Accordingly, Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney and, solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal.

5. Lease Obligation. That certain lease between Employer and Employee dated September 22, 2022, for premises located at 58969 Carmelita Circle, Yucca Valley, Ca 92284 shall be terminated as of the day following the Effective Date with no further obligation by Employer to Employee for insurance or other obligations associated with the premises demised under said lease. Said premises shall revert to Employee in good and reasonable condition. Any ratable lease payment due at the Effective Date shall be paid.

6. Release. Employee acknowledges that the payment and other benefits provided in this Agreement exceed what Employee would have otherwise been entitled to absent this Agreement in the case of a voluntary quit. In consideration of these payment and benefits, Employee, and Employee's marital community, heirs, executors, administrators, and assigns, fully release Employer, and its past and present affiliates, predecessors, successors, assigns, officers, directors, employees, agents, attorneys and insurers ("Employer Releasees") from any and all claims, disputes, causes of action, liabilities or damages (including attorneys' fees and costs actually incurred), of every kind and nature whatsoever, whether known or unknown, including without limitation those arising from or relating to Employee's employment with Employer, and the separation of Employee's employment, based on acts or omissions occurring at any time up to the date Employee executes this Agreement except for:

- a. Any claim for payment or performance pursuant to the terms of this Agreement or
- b. The right to file a claim with, or participate in a proceeding by, the Equal Employment Opportunity Commission ("EEOC"), the Washington State Human Rights Commission ("WSHRC"), the National Labor Relations Board ("NLRB") and any other federal, state or local agency charged with the enforcement of any laws, although by signing this release Employee waives his rights to individual relief or financial benefit based on claims asserted in such a charge or complaint, except where such a waiver of individual relief is prohibited.

This release includes, but is not limited to, any claims that Employee might have for reemployment or for additional compensation or benefits and applies to claims that Employee might have under any federal, state, or local law, including by way of illustration only, Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991; the Americans With Disabilities Act; the Employee Retirement Income Security Act; the Federal Fair Labor Standards Act; the Equal Pay Act; the Family Medical Leave Act; the Washington Minimum Wage Act; the National Labor Relations Act; the Uniformed Services Employment and Reemployment Rights Act; the Occupational Safety and Health Act; the Washington Industrial Safety and Health Act; the Washington Law Against Discrimination and any other statute, regulation, or common law of any applicable jurisdiction. Employee warrants that Employee is not aware of any facts that would allow Employee to claim that Employee was discriminated against due to Employee's membership in any category protected by law. Employee warrants that he has been fully paid for all hours that he worked while employed with Employer, and that no factual basis exist for any wage claims. Employee also warrants he is not aware of any industrial injury or occupational disease incurred through his employment with Employer.

Employee acknowledges and agrees that through this release, Employee is giving up all rights and claims of every kind and nature whatsoever, known or unknown, contingent or liquidated, that Employee may have against Employer or Employer affiliates, and which may be lawfully released except for the rights specifically granted to Employee pursuant to this Agreement.

Employer acknowledges that the Employee's execution of this Agreement and other benefits provided in this Agreement are provided voluntarily. In consideration of such execution and benefits, Employer Releases fully release Employee, and Employee's marital community, heirs, executors, administrators, and assigns from any and all known claims, disputes, causes of action, liabilities or damages (including attorneys' fees and costs actually incurred), of every kind and nature whatsoever, including without limitation those arising from or relating to Employer's employment of Employee, and the separation of Employee's employment, based on acts or omissions occurring at any time up to the date Employee executes this Agreement except for any claim for performance pursuant to the terms of this Agreement.

7. Claims or Charges: Employee represents that Employee has not filed any complaints, charges, or lawsuits against Employer with any court or governmental agency. Employer represents that Employer has not filed any complaints, charges, or lawsuits against Employee with any court or governmental agency.

8. Knowing and Voluntary Release. Employee acknowledges that Employee has been given full opportunity and has been encouraged to consult an attorney of Employee's choice regarding this Agreement, and that Employee either has done so or has knowingly and voluntarily foregone such consultation. Employee acknowledges that Employee understands the significance and consequences of this Agreement and that Employee has signed the Agreement knowingly and voluntarily, without coercion or undue pressure of any kind. Employee expressly confirms that this Agreement is to be given full force and effect according to each and all of its expressed terms and provisions, including those relating to unknown claims, damages, and charges.

9. No Admission of Liability. Nothing contained in this Agreement is intended to constitute an admission of any liability by Employer to Employee or Employee and Employer expressly denies any such liability.

10. Return of Property. Except as otherwise provided in this Section, Employee acknowledges that prior to the payment of Severance Benefits, Employee will make best efforts to return to Employer all Company-owned property in Employee's possession and access to any and all Company-related accounts as detailed in the comprehensive list attached hereto as Exhibit 'A' ("Company Property"). Within five (5) business days' after the Separation Date ("Property Return Date"), Employer must inform Employee in writing if it believes Employee has failed to materially abide by the terms of the Employee's return of property obligations in this Section 10, including a detailed written description of how Employee has failed to materially abide by such obligations; if Employer does not provide such written notice to Employee by the Property Return Date, then Employee's obligations with regard to payment contingencies in Section 2 of this Agreement shall be deemed satisfied. Employee shall retain certain property of Employer at the Yucca Valley, CA facility and Employer shall transfer title to such property to Employee, a list of which is attached hereto as Exhibit 'B'. Except as detailed in Exhibit B, all Company-owned accounts, equipment, property, and documents must be returned to the Company and Employee agrees to assist the Company with gaining access to any and all employer-owned accounts as set forth in this Section 10. Employer will assist with returning all personal items of Employee from Company facilities to Employee following identification by Employee of such personal property.

11. Non-Disparagement. Neither Party shall disparage the other. As used in this Section 11 the term 'disparage' shall mean any statement, utterance or depiction which diminishes the social, business or professional reputation of a party. Nothing in this Section 11 shall have application to any evidence or testimony required by any court, arbitrator, or government agency or to any remarks otherwise protected by law. In compliance with SEC requirements, upon the Effective Date the Parties will collaborate and agree upon a press release to be issued by Employer regarding Employee's resignation with the 8-K filing requirement.

12. Confidentiality. Employee will not disclose the existence or terms of this Agreement, except to the extent disclosure is required to obtain tax, accounting, or legal advice, or to the extent disclosure is compelled by legal process. Employee acknowledges and agrees that Employee will remain obligated to maintain the confidentiality of all non-public business and information of Employer that Employee may have received during the course of employment except to the extent otherwise required by or inconsistent with applicable law. Employee agrees this provision is exempt from coverage through RCW 49.44.211.

13. Lock Up and Leak Out Agreement. Employee shall have executed and delivered to Employer a Lock-Up Agreement ("Lock Up") with respect to 3,005,000 Common Stock shares of the Company ("Lock Up Shares") as well as any then after acquired shares pursuant to the greater of (a) 1,629,600 vested option awards owned by Employee or (b) the actual number of vested option awards owned by Employee as of the Separation Date, in the form attached as Exhibit 'C' to this Agreement.

14. In the Employer corporate history, Employee shall be recognized as the inventor of the Bio-RFID technology.

15. Assistance. Employee agrees not to aid any current, former, or future Employer employee to initiate, pursue, or raise any complaints, concerns, claims, or litigation of any kind against the Employer, unless compelled to do so by a valid subpoena or court order. If compelled to testify or otherwise provide evidence in any proceeding, Employee shall provide Employer with immediate notice of receipt of a subpoena, court order or other demand for participation by giving notice to Ron Erickson or his successor in sufficient time for Employer to oppose such testimony or participation. To the extent prohibited by law, this paragraph does not prevent Employee from participating in government investigations.

Separation and Release Agreement – 5

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16. Governing Law. This Agreement will be interpreted in accordance with the laws of the State of Washington, without reference to its choice of law rules.

17. Breach and Enforcement. A breach of any of the terms of this Agreement or any other dispute will entitle the aggrieved party to initiate arbitration for breach or any other dispute arising from this Agreement or other dispute between the Parties. The parties hereby consent to the exclusive jurisdiction of arbitration through Judicial Dispute Resolution LLC (JDR). The arbitrator shall have jurisdiction to determine issues subject to arbitration, formation of contract and any other 'gateway' issue to the exclusion of the civil court system except for enforcement of any arbitration award. The rules of JDR shall apply to pre-hearing and hearing procedures. The Parties intend for this arbitration provision to be as broad as may be allowed under the Federal Arbitration Act, 9 U.S.C. §§ 1-13.

18. Severability. It is understood and agreed that if any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions will nevertheless continue to be valid and enforceable.

19. Older Worker Benefit Protection Act Provision. Employee has twenty-one (21) days to consider whether to execute this Agreement, but understands that Employee waives the right to the full consideration period if Employee executes the Agreement prior to the expiration of the 21-day period. Employee and Employer agree that changes to the Employer's offer contained in this Agreement, whether material or immaterial, will not restart the twenty-one (21) day consideration period. Employee also has seven (7) days following execution of this Agreement to revoke Employee's acceptance of its terms by delivering written notice to Employer. If Employee does not revoke the Agreement within the seven (7) day period, this Agreement will become enforceable on the eighth (8<sup>th</sup>) day following the date a signed copy of this Agreement was delivered to Employer ("**Effective Date**"). Employee acknowledges that Employee has been advised to consult an attorney before signing this Agreement.

20. Complete Agreement. This Agreement represents and contains the entire understanding between the parties in connection with the subject matter of this Agreement. It is expressly acknowledged and recognized by the parties that there are no oral or written collateral agreements, understandings, or representations between the parties other than as contained in this Agreement, and any such prior agreements are specifically terminated.

21. Section 409A. The Parties intend that all payments and benefits in this Agreement comply with Section 409A of the US Internal Revenue Code of 1986, as amended (the "Code"), and any ambiguities or ambiguous terms herein will be interpreted consistent with this intent. Every payment, installment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Notwithstanding anything to the contrary in this Agreement, Employer makes no guarantee or representation that payments provided for under this Agreement will be exempt from, or comply with, Section 409A of the Code and the Treasury Regulations promulgated thereunder.

22. No Assignment. Employee represents and warrants to Employer that Employee has not assigned or otherwise transferred any interest in any Claim that he may have against the Employer Releasees. Employee agrees to indemnify and hold harmless Employer Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from the Employee.



23. Attorney Fees. Each Party shall be solely responsible for his, her, or its own attorney's fees and costs in the event of any litigation or other dispute between them concerning the application, enforcement, or effect of this Agreement, including any action to recover damages or other relief based on claims released by this Agreement. The parties expressly waive any right to recover attorney's fees and costs in any such litigation or dispute.

24. Headings. The headings and captions in this Agreement are for convenience only, and in no way define or describe the scope or content of any provision of this Agreement.

25. Reliance. Employee represents and acknowledges that in executing this Agreement, Employee does not rely and has not relied upon any representation or statement, not set forth herein, made by Employer or by any of Employer's agents, representatives, or attorneys with regard to the subject matter, basis, or effect of this Agreement or otherwise.

26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

**PLEASE READ CAREFULLY. YOU ARE ADVISED TO CONSULT WITH AN ATTORNEY  
BEFORE SIGNING. THIS IS A VOLUNTARY SEPARATION AND RELEASE AGREEMENT  
THAT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

*(signature page follows)*

**Phillip Bosua**

/s/ Phillip Bosua  
Signature

1/23/2023  
Date

Phillip Bosua  
Printed Name

**Know Labs, Inc.**

/s/ Ronald Erickson  
Signature

1/23/2023  
Date

Ronald Erickson  
Printed Name

Chairman  
Title

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Not used

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Exhibit B

<b>Item</b>	<b>Asset Type</b>	<b>Notes</b>
Not used		

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Know Labs, Inc.  
500 Union Street, Suite 810  
Seattle, Washington 98101

Ladies and Gentlemen:

This agreement is being delivered to you in connection with the Separation and Release Agreement dated January 23, 2023 (the "Separation Agreement") between Phillip Bosua ("Bosua") and Know Labs, Inc. a Nevada corporation ("KNW"). This Agreement shall have an effective date of January 23, 2023 ("Effective Date").

In order to induce KNW and Bosua to enter into the Separation Agreement and terms contemplated thereby, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees that there will be a Lock-Up period from the Effective Date until March 17, 2023, in connection with the insider lock up related to the NYSE listing (the "Lock-Up Period") and thereafter a Leak-Out period extending until June 30, 2026 (the "Leak-Out Period") (together Lock-Up Period and Leak-Out Period are referred to as (the "Lock-Up/Leak-Out Period").

As of the Effective Date, Bosua owns (i) 3,005,000 shares of KNW common stock, par value \$0.001 ("Common Stock"), and (ii) the greater of (a) 1,629,600 vested option awards or (b) the actual number of vested option awards as of the Separation Date ("Options"). The Options may be exercised, including via cashless exercise, within 365 days of the Separation Date in accordance with the Option Award terms, as revised by KNW in connection with this Separation Agreement (collectively, the Common Stock and any shares hereinafter acquired pursuant to the exercise of Options, are referred to as the "Shares").

Notwithstanding the foregoing, all selling restrictions in this Lock-Up/Leak-Out letter are waived for sales of Shares from Bosua to Todd Baszucki (and Todd's Baszucki's affiliated entities and families members).

#### Lock-Up Period

During the Lock-Up Period the undersigned, will not, without the prior written consent of KNW, directly or indirectly:

- (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, owned by the undersigned or with respect to which the undersigned has the power of disposition, or
- (ii) enter into any swap or other agreement, arrangement or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequence of ownership of any Common Stock or any securities convertible into or exercisable or exchangeable for any Common Stock,

whether any transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock, other securities, in cash or otherwise. Moreover, if:

- (1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs, or
- (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period,

the Lock-Up Period shall be extended and the restrictions imposed by this agreement shall continue to apply until the expiration of the 18-day period beginning on the date of issuance of the earnings release or the occurrence of the material news or material event, as the case may be, unless KNW waives, in writing, such extension.

#### Leak-Out Period

During the Leak-out Period, the undersigned may sell no more than: (i) one million five hundred thousand (1,500,000) Shares during the first twelve months following the Lock-Up Period, and thereafter commencing on April 1, 2024 (ii) may sell a maximum of 375,000 Shares per quarter (or 1,500,000 shares per year). In the event the stock price of the KNW Common Stock as reported on the NYSE American is \$5.00 per share or higher ("Stock Price Threshold"), Bosua may sell a maximum of 750,000 shares per quarter. If during any quarter, the Stock Price Threshold is not met, the lower quarterly maximum of 375,000 shares shall apply. Quarterly limitations during the Leak-Out Period shall be adjusted for any stock dividends, stock splits or reverse splits. Regardless of the number of Shares sold by the undersigned, all selling restrictions set forth above shall expire, and this Lock-Up/Leak-Out letter shall be terminated, at 11:59pm PST on June 30, 2026.

During the Leak-Out Period shares of Common Stock may only be sold at or above the lowest "offer" or "ask" prices stated by the relevant market maker for the Common Stock on the NYSE American or any nationally recognized exchange on which the Common Stock is publicly traded. The undersigned further agrees that (a) no sales will be made at the "bid" prices for the Common Stock, and that (b) it will not engage in any short selling of the Common Stock during the Lock-Up/Leak-Out Period.

For purposes hereof "Stock Price Threshold" shall mean the ten (10) day average price per share at which KNW trades during the ten trading days immediately preceding the first date of any calendar quarter during the Leak-Out Period (adjusted for any stock dividends, stock splits or reverse splits).

#### Permitted Transfers During the Lock-Up/Leak-Out Period

Notwithstanding the provisions set forth elsewhere in this letter agreement, the undersigned may, without the prior written consent of KNW,

(1) If Shares are owned in the name of a Limited Liability Company ("LLC") make a pro-rata distribution of the Shares to the Members of the LLC, and instruct KNW's transfer agent to retitle such Shares on a pro-rata basis in the names of the LLC's Members, and to thereafter hold such distributed Shares either in book entry or certificate form in the names of the LLC Members; or

(2) transfer any Shares or any securities convertible into or exchangeable or exercisable for Common Stock as a bona fide gift or gifts, or by will or intestacy, to any member of the immediate family (as defined below) of the undersigned or to a trust the beneficiaries of which are exclusively the undersigned or members of the undersigned's immediate family or to a charity or educational institution;

*provided, however,* that it shall be a condition to such permitted transfers referenced above that

(A) the transferee executes and delivers to KNW not later than one business day prior to such transfer, a written agreement, in substantially the form of this agreement and otherwise satisfactory in form and substance to KNW, and

(B) if the undersigned is required to file a report under Section 16(a) of the Securities Exchange Act of 1934, as amended, reporting a reduction or other change in beneficial ownership of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock by the undersigned during the Lock-Up Period (as the same may be extended as described above), the undersigned shall include a statement in such report to the effect that such transfer or distribution is not a transfer for value and that such transfer is being made as a gift or by will or intestacy, as the case may be; or

For purposes of this paragraph, "immediate family" shall mean a spouse, child, grandchild or other lineal descendant (including by adoption), father, mother, brother or sister of the undersigned.

(3) exercise or convert currently outstanding warrants, options and convertible debentures, as applicable, and exercise options under an acceptable stock option plan, so long as the undersigned agrees that the shares of Common Stock received from any such exercise or conversion will be subject to this agreement.

The undersigned further agrees that (i) it will not, during the Lock-Up Period (as the same may be extended as described above), make any demand for or exercise any right with respect to any registration under the Securities Act of 1933, as amended (the "1933 Act"), of any Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, including under any current or future registration rights agreement or similar agreement to which the undersigned is a party or under which the undersigned is entitled to any right or benefit to have any securities included in a registration statement filed by the Company for resale or other transaction, and (ii) the Company may, with respect to any Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock owned or held (of record or beneficially) by the undersigned, cause the transfer agent or other registrar to enter stop transfer instructions and implement stop transfer procedures with respect to such securities during the Lock-Up Period (as the same may be extended as described above).

(4) transfer any Shares to Todd Baszucki (and Todd's Baszucki's affiliated entities and families members).

In addition, the undersigned hereby waives any and all notice requirements and rights with respect to the registration of any securities pursuant to any current or future agreement, instrument, understanding or otherwise, including any registration rights agreement or similar agreement, to which the undersigned is a party or under which the undersigned is entitled to any right or benefit and any tag-along rights or other similar rights to have any securities (debt or equity).

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this agreement and that this agreement has been duly executed and delivered by the undersigned and is a valid and binding agreement of the undersigned. This agreement and all authority herein conferred are irrevocable and shall survive the death or incapacity of the undersigned and shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

It is further expressly agreed that the restrictions, terms and provisions of this letter do not extend to any participation which the undersigned may undertake, alone or with, others in any bridge or other financing completed from the Effective Date through the end of the Lock-Up/Leak Out Period, it being understood and agreed that the transaction documents of those financings will govern all participants as may therein be set forth.

Notwithstanding anything set forth above, the undersigned acknowledges that KNW in its sole discretion may unilaterally (i) reduce the holding periods described above, (ii) increase the number of shares which the undersigned may sell pursuant to this Lock-Up/Leak Out letter, (iii) eliminate any other selling restrictions set forth above, or (iv) terminate the Lock-Up/Leak-Out letter. In the event of a M&A transaction which includes the sale of all or substantially all of the equity and/or assets of Know Labs, Inc the Lock-Up/Leak-Out shall be terminated at the closing thereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this agreement as of the date first set forth above.

Yours very truly,

/s/ Phillip Bosua

Print Name: Phillip Bosua

*Signature Page — Lock Up/Leak-Out Letter to Know Labs, Inc.*