

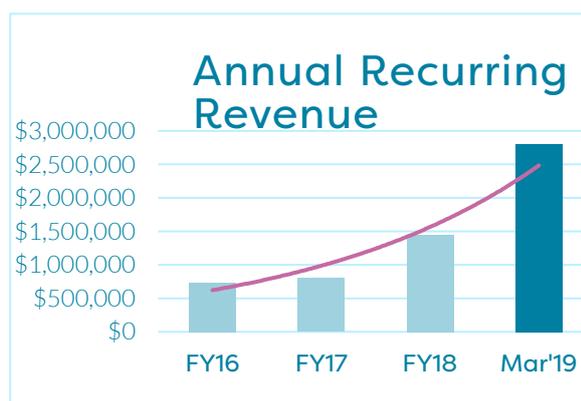
## QUARTERLY REPORT & APPENDIX 4C: 31 MARCH 2019

### CURRENT HIGHLIGHTS

- Cash balance of \$3.3 million at 31 March 2019
- Operating cash flow positive in Q3 FY2019
- Launch of new Software-as-a-Service product, KIQ Cloud
- Geographic expansion with new offices in Sydney and Singapore
- Annualised recurring revenue of \$2.8 million as at 31 March 2019
- Total licenses on issue of 38,780, up 95% in the past 12 months

Knosys Limited (ASX: KNO) (“Knosys” and “Company”) is pleased to report on its March 2019 quarter.

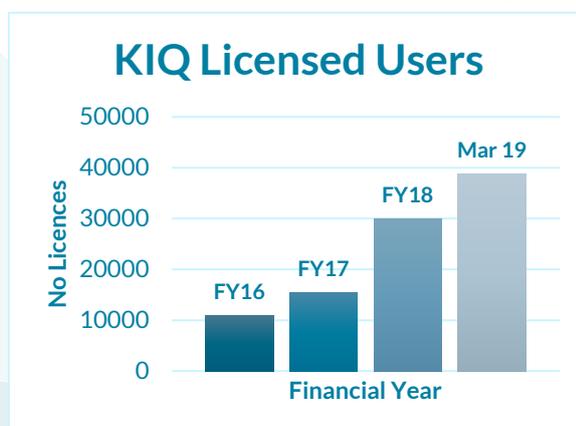
Knosys was operating cash flow positive in Q3 FY2019, which increased the cash balance to \$3.3 million as at 31 March 2019, up \$0.3m from \$3.0 million at the end of Q2 FY2019. This net cash inflow reflects year to date sales growth and the collection of outstanding December 2018 receivables of over \$1 million. Knosys continues to grow its recurring revenues and now has an annualised recurring run rate of \$2.8 million, as at 31 March 2019.



### KIQ Cloud

During the quarter Knosys launched its new Software-as-a-Service product, KIQ Cloud, to bring knowledge management to a broader range of businesses. KIQ Cloud is targeted at mid-market companies with 200+ employees and is also suitable for Enterprise and Government agencies. Knosys is expanding its sales capability with new offices in Sydney and a planned opening in Singapore within the next few months. These new locations will also enhance the opportunities for co-selling KIQ Cloud as part of the Microsoft Gold Partner program.

The total license count at March 2019 was 38,780, representing a 95% increase compared to March 2018. The number of licensed users increased only marginally in Q3 FY2019 compared to December 2018 as the Singtel Singapore operations were onboarded and the internal focus was on the new product launch.



Knosys Managing Director John Thompson said “In the past quarter, our internal focus was on the successful launch of KIQ Cloud, which we believe has the potential to be transformational for Knosys. This product will increase our addressable market, by enabling us access to the mid-market companies with 200+ employees, as well as expanding into the Asia Pacific region.”

#### **Microsoft Gold Partner and Co-sell arrangement**

In February 2019, Knosys announced that it had attained Microsoft Gold Partner status. The partnership will offer significant benefits to Knosys by enabling the company to develop its core technology using Microsoft tools to help scale its solutions and leverage an established ecosystem and partner network to drive co-sell opportunities with Microsoft sales teams in Asia Pacific and worldwide.

#### **Appendix 4C Quarterly statement of cash flows**

The ASX Appendix 4C quarterly statement is attached to this report.

The cash balance at 31 March 2019 was \$3.3 million with net cash inflows of \$0.3m for the quarter, including inflows of \$1.3m from sales receipts.

Gross cash outflows included an increased spend on development, annual insurance payments and capex for new premises.

As required in Section 9 of the Appendix 4C, gross operating outflows for the June 2019 Quarter are estimated at \$1.1m of gross cash outflows. The Appendix 4C does not allow for estimates of operating cash inflows, however the company estimates that the gross operating cash outflows will be offset by operating cash inflows in the June 2019 quarter from customers and R&D rebate. The Company expects a positive cash flow quarter in June 2019, provided all customers pay on agreed terms.

The Company’s revenue model has predominantly been based on billing customers annually in advance. This is reflected in the quarterly cash flow fluctuations. Licence fees invoiced annually in advance are recognised as revenue in the financial accounts each month as the revenue is earned evenly over a 12 month period. Higher customer cash receipts have typically been received in June/July of each year, due to large annual licence renewals, with lower receipts in other months. However, the addition of Singtel and Optus as major customers now provides a spread of cash inflows to Knosys across other quarterly cashflow periods, albeit these cashflows are subject to a mix of annual payments and monthly payments.

For further information please contact:

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#### **ABOUT KNOSYS**

Knosys is a successful, fast-growing Australian cloud software company that is simplifying enterprise knowledge to improve productivity of employees and drive customer experience. Our KIQ Cloud service is the knowledge management platform transforming the digital workplace by ensuring all forms of knowledge are accurate, relevant to the user, compliant and easy to find. The KIQ Cloud knowledge management platform intuitively does the hard work. It uses the knowledge of real experts and the analytic power of machine learning and organises and shares it for greater productivity and successful outcomes. It is an organisation-wide solution for all industries, trusted by businesses and enterprises in the banking, telecommunications and government sectors.

For more information please visit: <http://www.knosys.it>

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Knosys Limited

**ABN**

96 604 777 862

**Quarter ended ("current quarter")**

31 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,308	3,112
1.2 Payments for		
(a) research and development	(108)	(226)
(b) product manufacturing and operating costs	(92)	(320)
(c) advertising and marketing	(51)	(208)
(d) leased assets	-	-
(e) staff and consultant costs	(504)	(1,884)
(f) administration and corporate costs	(230)	(596)
1.3 Dividends received (see note 3)		
1.4 Interest received	15	23
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives (net)	27	27
1.8 Other		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>365</b>	<b>(72)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(53)	(110)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(53)</b>	<b>(110)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,655
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(245)
3.5 Proceeds from borrowings		
3.6 Repayment of convertible notes		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,410</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,981	1,065
4.2 Net cash from / (used in) operating activities (item 1.9 above)	365	(72)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(53)	(110)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	2,410

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,293</b>	<b>3,293</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	191	151
5.2	Call deposits	847	694
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	2,255	2,136
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,293</b>	<b>2,981</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
107

Payments per item 6.1 include:  
Non-Executive directors' remuneration.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	0	0
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(95)
9.2 Product manufacturing and operating costs	(100)
9.3 Advertising and marketing	(75)
9.4 Leased assets	-
9.5 Staff and consultant costs	(600)
9.6 Administration and corporate costs	(185)
9.7 Other – Capex	(20)
<b>9.8 Total estimated cash outflows</b>	<b>(1,075)</b>

**Note:** June 2019 quarter estimated gross cash outflows are expected to be more than offset by estimated receipts from customers (subject to all customers paying on agreed terms) and receipt of an annual R&D rebate.

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 30 April 2019

Print name: Stephen Kerr

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.