

CURRENT HIGHLIGHTS

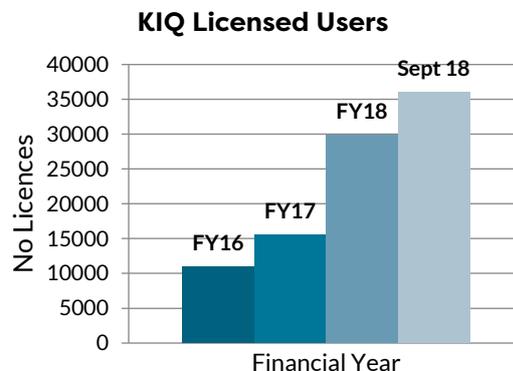
- A second consecutive quarter of positive cashflow, with net operating cash inflow of \$0.4m
- Successful completion of a fully underwritten rights issue raising \$2.6m in August 2018
- Cash balance of \$3.8m million at 30 September 2018 and a strengthened balance sheet
- Total licences on issue now over 36,000, up over 100% in past 12 months
- Sales pipeline increased by 100% compared to the previous quarter

Knosys Limited (ASX: KNO) (“Knosys” and “Company”) is pleased to report another strong quarter in terms cashflow and operations.

During the quarter Knosys finalised the extension of a major long-term contract with its largest customer, ANZ, for a further 3 years, plus two 1 year options, with an expanded user base. With Singtel and Optus now onboard as major customers, Knosys is proving itself as a leading vendor of knowledge management solutions in the region.

The total licence count at September 2018 was over 36,000, representing a 100+% increase compared to September 2017.

The total user licences will increase further in the December 2018 quarter, mainly due to the implementation of Knosys software within Singtel’s Singapore operations. The continued growth in user licence numbers is displayed in the adjacent chart.



Knosys Managing Director John Thompson said “In the past quarter, we have successfully laid the foundation for the next stage of growth. With the support of new and existing investors we have significantly improved our balance sheet and provided funding for operations moving forward.”

“With the capital raising now behind us our intention is to focus on building our sales and marketing capabilities, while continuing to invest in the KnowledgeIQ (KIQ) product to release new features towards the second half of FY19.”

“We have established an active M&A process to identify companies who are delivering innovative new solutions that automate processes, increase productivity, or reduce risk within a business. Whilst early stage, this initiative may offer the opportunity to accelerate our growth by delivering complementary products to an expanded customer base.

Appendix 4C Quarterly statement of cash flows

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

The cash balance at 30 September 2018 was \$3.8 million with net operating cash inflows of \$372k for the quarter, including inflows of \$1.6m from sales revenues which includes over \$1 million from the newly extended contract with Knosys' long term major customer, ANZ bank.

Gross operating cash outflows were inflated by the one off costs for recruitment fees and annual bonus payments.

Cashflows from Finance Activities for the quarter included new capital inflows of \$2.65m (less costs) raised from the fully underwritten the rights issue in August 2018.

As required in Section 9 of the Appendix 4C, gross operating outflows for the December 2018 Quarter are estimated at \$950k of operating cash outflows, and \$70k of capital expenditure is related to the office relocation into larger premises.

The Appendix 4C does not allow for estimates of operating cash inflows, however the company estimates that the gross operating cash outflows will be more than offset by operating cash inflows in the December 2018 quarter.

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 in the June/July of each year, due to large annual licence renewals, and lower receipts in other months reflect this revenue model. However, the addition of Singtel and Optus as major customers will now provide a spread of cash inflows to Knosys across other quarterly cashflow periods.

For further information please contact:

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Knosys Limited

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ABOUT KNOSYS

Our mission is to improve organisational intelligence by empowering people with knowledge. Knosys is a leading Australian software company specialising in knowledge management. Our premier solution, KnowledgeIQ, unlocks the intelligence within an organisation to help employees learn faster and work smarter. Our responsive, browser-based software is an organisation-wide application for all industries, with our largest clients in banking, telecommunications and government. Our clients choose KnowledgeIQ because they value knowledge management, organisational learning, delivering a seamless customer experience, information governance and compliance, and improving efficiencies and business outcomes.

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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,603	1,603
1.2 Payments for		
(a) research and development	(54)	(54)
(b) product manufacturing and operating costs	(119)	(119)
(c) advertising and marketing	(46)	(46)
(d) leased assets	-	-
(e) staff and consultant costs	(827)	(827)
(f) administration and corporate costs	(188)	(188)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives (net)		
1.8 Other		
1.9 Net cash from / (used in) operating activities	372	372
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(9)	(9)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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)		
2.6 Net cash from / (used in) investing activities	(9)	(9)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,655	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)	(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)		
3.10 Net cash from / (used in) financing activities	2,410	2,410

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,065	1,065
4.2 Net cash from / (used in) operating activities (item 1.9 above)	372	372
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(9)	(9)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,410	2,410

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,838	3,838

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,862	32
5.2	Call deposits	1,841	898
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	135	135
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,838	1,065

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

Current quarter \$A'000
28

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

Current quarter \$A'000
-
-

8. Financing facilities available <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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(70)
9.2 Product manufacturing and operating costs	(90)
9.3 Advertising and marketing	(120)
9.4 Leased assets	-
9.5 Staff and consultant costs	(590)
9.6 Administration and corporate costs	(80)
9.7 Other – Capex re new premises	(70)
9.8 Total estimated cash outflows	(1,020)

Note: December quarter estimated gross operating cash outflows are expected to be offset by estimated revenues of over \$1.1million flowing from existing customers in the December quarter.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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: 31 October 2018

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.