

QUARTERLY REPORT & APPENDIX 4C 31 DECEMBER 2018

CURRENT HIGHLIGHTS

- Cash balance of \$3.0 million at 31 December 2018
- Receivables of \$1.4m at 31 December 2018, \$1m collected by mid-January
- Singtel Singapore operations fully implemented
- Office of Public Prosecutions (OPP) annual renewal, with 17% licence number increase
- Total licences on issue now over 38,500, up 115% in past 12 months

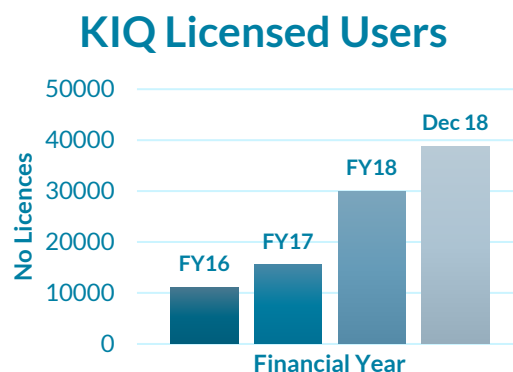
Knosys Limited (ASX: KNO) ("Knosys" and "Company") is pleased to report on its December 2018 quarter.

During the quarter Knosys fully implemented its knowledge management system, KnowledgeIQ, within Singtel's Singapore operations and also completed the annual licence renewal of the OPP contract, with a 17% increase in licensed users over the prior year.

The December quarter completes a strong half year, where Singtel, Optus and ANZ Bank were solidified as major customers, demonstrating the value of KnowledgeIQ for these customers.

The total licence count at December 2018 was over 38,500, representing a 115+% increase compared to December 2017.

The total user licences increased in the December 2018 quarter, due mainly due to the implementation at 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 consolidated our position with our key enterprise and mid-tier customers and have continued to expand our sales reach, marketing efforts and our pipeline. We are excited by the new business opportunities that have resulted from our increased sales and marketing efforts."

"We are clearly focused on building our sales and marketing capabilities and are looking to complement these efforts with the development of key partnerships and resellers, where these make commercial sense for all parties. During the next quarter we intend to broaden our APAC footprint with the opening of our Singapore office and we will also launch our new KIQ cloud service in Australia and Singapore at the same time."

"We are continuing our active M&A process to identify companies who are delivering innovative new solutions that automate processes, increase productivity, or reduce risk within a business. We are aiming to find appropriate opportunities 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 31 December 2018 was \$3.0 million with net operating cash outflows of \$809k for the quarter, including inflows of \$0.2m from sales receipts. Knosys had estimated that it would receive a further \$1m in debtor receipts in the December 2018 quarter, however payment of such was received in early/mid January 2019. Although the timing of these large receipts was not as forecast, it was pleasing to receive these significant customer payments.

Gross operating cash outflows included an increased sales and marketing spend and capex for new premises.

As required in Section 9 of the Appendix 4C, gross operating outflows for the March 2019 Quarter are estimated at \$990k of operating cash outflows, and \$100k of capital expenditure related to the office relocation and fitout.

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 March 2019 quarter, with over \$1.0m having been received at the date of this report.

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

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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	201	1,804
1.2 Payments for		
(a) research and development	(64)	(118)
(b) product manufacturing and operating costs	(109)	(228)
(c) advertising and marketing	(110)	(156)
(d) leased assets	-	-
(e) staff and consultant costs	(552)	(1,380)
(f) administration and corporate costs	(178)	(366)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	7
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	(809)	(437)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(48)	(57)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(48)	(57)

3.	Cash flows from financing activities		
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)		
3.10	Net cash from / (used in) financing activities	-	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	3,838	1,065
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(809)	(437)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(48)	(57)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,410

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,981	2,981

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	151	1,862
5.2	Call deposits	694	1,841
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	2,136	135
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,981	3,838

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

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

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	(75)
9.2 Product manufacturing and operating costs	(105)
9.3 Advertising and marketing	(115)
9.4 Leased assets	-
9.5 Staff and consultant costs	(560)
9.6 Administration and corporate costs	(135)
9.7 Other – Capex re new premises	(100)
9.8 Total estimated cash outflows	(1,090)

Note: March 2019 quarter estimated gross operating cash outflows are expected to be mostly offset by estimated customer receipts of approximately \$1.2 million from existing customers, of which \$1.0m had been received by the date of this report.

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 January 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.