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**Visioneering Technologies, Inc. (ASX:VTI)**  
2018 Annual Report





# Visioneering Technologies, Inc.

## Redefining Vision

Visioneering Technologies Inc. (ASX: VTI) is an innovative eye care company committed to redefining vision. Since its founding in 2008, Visioneering has brought together clinical, marketing, engineering, manufacturing and regulatory leaders from top vision care businesses to provide new solutions for presbyopia, myopia and astigmatism.

Headquartered in the US, Visioneering designs, manufactures, sells and distributes contact lenses. Its flagship product is the NaturalVue® Multifocal contact lens, and VTI has expanded its portfolio of technologies to address a range of eye care issues. The company has grown operations across the United States, Australia and Europe and is expanding into Asia with a focus on markets with high rates of myopia.

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## To Our Shareholders

2018 was a transformational year for Visioneering Technologies, Inc. (VTI). In the company's first full year of operations since its IPO in 2017, we gained regulatory clearances in multiple international jurisdictions, launched new products, launched our revolutionary contact lenses in several countries, increased sales several fold, and substantially reduced risk through growth in revenue and other metrics.

VTI is a US-based company that designs and markets contact lenses. Our flagship product, the NaturalVue® Multifocal (etafilcon A) 1 Day Contact Lens (NaturalVue MF) is used by two very large global patient populations that have complex optical needs. The first patient population is that of children who are nearsighted and progressively worsen through their childhood and adolescence, a condition called myopia progression. The second population is composed of persons over the age of 40-45 who are losing their ability to see near objects, a condition called presbyopia. The same NaturalVue MF contact lens is used to treat both of these populations, slowing the progression of myopia in children and providing middle-age and older adults with simultaneous correction of near and distance vision.

Together, myopia in children and presbyopia represent approximately US\$5B of addressable market in the United States. In Asia, where in some countries up to 80-90% of children suffer from myopia progression, the addressable market for NaturalVue MF is also billions of dollars. While presbyopia patients have several contact lens choices to choose from, only NaturalVue MF and one other product have received international clearances to market the products for reducing the rate of myopia progression in children. Further, NaturalVue MF is the only product available for controlling the progression of myopia in substantially all myopic patients, whereas the competing product is available for only a portion of the myopic population.

### Updated Evidence Supporting the use of NaturalVue MF in Myopic Children

In January 2018, at the Global Specialty Lens Symposium (GSLs), a group of practitioners presented data demonstrating that in group of nearly 100 children across 12 practices myopia progression was slowed by 97 percent, an amount of inhibition that has not, to our knowledge, been demonstrated by any other potential therapy for myopia progression. In January 2019, also at the GSLs, the data set from 2018 was updated and expanded to include more children, children with more severe myopia progression, and children with longer follow up time. That data validated and strengthened the 2018 data, demonstrating in 141 children, with follow-up times up to four years, a 90% slowing of myopia progression.

### International Clearances and Market Entries

In the beginning of the 2018, VTI earned the CE Mark for all of its contact lenses, which is the clearance necessary to market in the countries of the European Union. Our successful CE Mark then formed the basis for additional clearances in Australia and New Zealand (ANZ). Obtaining a CE Mark for any medical device is quite an accomplishment; obtaining a CE Mark with a claim of controlling myopia progression is even more remarkable. Only one other company in history has received a CE Mark with the claim of myopia progression control for the slowing the progressive worsening of nearsightedness in children. VTI's CE Mark speaks to the clinical data for our flagship product, NaturalVue MF, and to VTI's dedication to quality and regulatory compliance.

VTI followed these international regulatory clearances with new market entries in the third and fourth quarters of 2018. First sales of NaturalVue MF occurred in ANZ in the third quarter. In October 2018, VTI partnered with Corneal Lens Corporation NZ and its affiliate Contact Lens Centre Australia for distribution of NaturalVue products in ANZ. With logistics and partners now in place, we are expanding our product availability in ANZ.

Just a few days after entering Australia, on 9 October 2018, we entered the European market, selecting Medilens Nordic AB to be the first distributor to carry our products in Europe. Medilens operates in the Nordic countries of Sweden, Norway, Denmark, Finland, and Iceland.

### International Markets-Looking Forward

In 2019, we expect to continue our international expansion. In fact, in 1Q19, we launched in the United Kingdom, which is the second-largest contact lens market in the world. In addition, we are awaiting clearances

## To Our Shareholders (continued)

in Hong Kong, Singapore, and Canada, and we are diligently working to establish partnerships in China and other parts of Asia. While contact lenses are not commonly prescribed in Asia to address presbyopia, the percentage of children who are near-sighted in Asia, and thereby exposed to lifetimes of elevated risk of blindness and other serious ocular diseases, is very high. We estimate the addressable market for pediatric myopia progression in China alone at over US\$10 billion.

### New Products Launched in 2018

VTI introduced two new products in 2018. The first was an improved sphere lens. Sphere lenses are optically simple contact lenses used for the correction of uncomplicated distance vision issues. Although there are many good sphere lenses in the market, a high-quality sphere lens is an important part of a full product line, as sphere lenses are the workhorse of the optometrist's office and help bring market awareness to our flagship NaturalVue MF. The original NaturalVue Sphere was not optimized for US fitting preferences, and so in June of 2018, we launched an enhanced NaturalVue Sphere to positive reaction from US practitioners and their patients. We believe that the enhanced NaturalVue Sphere is competitive with the best lenses on the market. Also around mid-year 2018, we launched an extended range of optical powers of NaturalVue MF.

### New Products-Looking Forward

Investors will recall that VTI has two products in our development pipeline, the NaturalVue Toric, and the NaturalVue Multifocal Toric. Toric optics correct for an abnormality in the cornea called astigmatism, while multifocal optics, such as that contained in the NaturalVue MF, correct for presbyopia in adults, and reduce the rate of myopia progression in the case of children. In order to conserve cash for expansion of US and international sales of our core products (launch of toric and multifocal toric lenses are capital intensive), we have moved release of NaturalVue Toric and NaturalVue Multi-Focal Toric to the end of 2019.

### Financial Highlights for the year ended 31 December 2018

In Q218, we introduced an important metric called Shipments to ECPs (Eye Care Professionals), which we believe provides a better real-time snapshot of demand for our products than Net Revenue. Our Net Revenue represents sales to our distributors. Our distributors' inventories move up and down, and they each replenish their inventory intermittently. A small difference in the timing of their inventory replenishment can materially impact our quarterly Net Revenue, potentially biasing this figure in either a positive or a negative direction, depending on the timing. Shipments to ECPs represents the dollar value of products sold by the distributor to ECPs, at pricing that reflects VTI's price to the distributors, and thus we believe it represents a better window into the demand for our products and smooths the impacts of timing of distributor inventory replenishments. After we launched internationally in 3Q18, we renamed this metric to Shipments to US ECPs to clarify that we are measuring performance in the US only. We plan to add similar metrics for our international sales when we have sufficient scale and systems to ensure that the information is accurate and reliable.

Shipments to US ECPs in 2018 (rounded, all numbers US\$) was \$3.2M, compared to \$0.9M in 2017, representing a more than tripling of Shipments in 2018 compared to 2017. Net Revenue in 2018 also more than tripled, finishing the year at \$3.3M versus 2017 Net Revenue of \$1.0M. Net cash used in operating activities for 2018 was \$15.5M versus \$12.3M for 2017, with the increase being due primarily to additional sales and marketing costs.

Another metric that we use to measure our performance is Active US Accounts, which represents the number of US ECPs that purchased our products in a particular quarter. We measure the number of accounts, the shipments per account and our Repeat Customer %, which is the percent of prior quarter Active US Accounts that purchased in the current quarter. Our goal is to grow the number of and revenue from Active US Accounts, while retaining our existing accounts. We ended 2018 with 1,489 Active US Accounts, more than double the 708 Active US Accounts we had at the end of 2017. Shipments to US ECPs per Active US Account, a quarterly metric, increased from \$461 in 4Q17 to \$663 in 4Q18. Our Repeat Customer % averaged 90% over the four quarters of 2018, as compared to 86% over the four quarters of 2017. We believe the growth in the number of and revenue from these accounts and the high and growing retention rate reflect the quality and value of our products. We hope to continue growing our Active US Accounts by 175 to 225 accounts per quarter and to increase our revenue per account by \$65 to \$95 per quarter in 2019.

## To Our Shareholders (continued)

Gross profit also is an important measure of our progress. Our 2018 gross profit was impacted by an inventory write-down of \$0.8M that we recorded in 2Q18. This write-down was related to the new product launches described above, which negatively impacted the replaced products, and to excess inventory purchased prior to sufficient demand information being available. Gross profit was -3% in 2018 as a result of this inventory write-down. Excluding the \$0.8M inventory write-down, our gross profit increased from 13% in 2017 to 23% in 2018. We forecast that our gross profit will continue to improve throughout 2019 as we sell through higher cost inventories purchased in 2016 and as we achieve cost savings on future purchases of lenses from our manufacturer.

Based on these assumptions, and consistent with estimates we provided in our 24 January 2019 market update, we expect Net Revenue for 2019 will be between \$6.5M and \$7.5M and gross profit will increase from approximately 30% in 1Q19 to approximately 45% in 4Q19, averaging approximately 40% for the year compared to 23% in 2018.

Of course, as a company that is not yet profitable, we continue to use cash. Sourcing additional cash at the smallest possible cost of capital is foremost in our efforts right now.

### The Road Forward

2018 was the year in which we showed that our products have real demand, real medical impact, and the potential to grow VTI into a profitable and sustainable company. While the international revenue ramp is in its early days, we have laid the groundwork for being a multi-national player in contact lenses, with our revolutionary NaturalVue MF acting as a springboard. While there are continued finance and operational risks remaining, we believe the accomplishments of 2018 have reduced risk for the company by demonstrating that we are on a path to profitability.

In 2019, we plan to continue our international expansion, to innovate new products, and to expand our product offerings, and will continue to manage the company as efficiently as possible. We expect to enter partnerships that will deliver our products to the large and exciting markets in Asia, and to continue to bring our products to ever more patients and practitioners in the United States.

As always, we are incredibly appreciative of our employees' and shareholders' support, and will continue to work as hard and smartly as humanly possible to build value in VTI throughout 2019.

Sincerely,



Stephen Snowdy, PhD  
Chief Executive Officer and Executive Director



Fred Schwarzer  
Chairman

## Directors

**Mr. Fred Schwarzer**  
**Chairman of the Board and Non-Executive Director**  
**Member of the Nomination and Remuneration Committee**

Mr. Schwarzer is a Managing Partner at Charter Life Sciences, a US venture capital investment firm, where he focuses on life sciences investments. He has led investments by Charter Life Sciences in a number of biopharmaceutical and medical device companies, including Inviragen, Inc. (acquired by Takeda Pharmaceuticals). Mr. Schwarzer expects to resign from Charter Life Sciences and from the Board of Directors of VTI approximately mid-year 2019 to focus his efforts on IGM Biosciences, Inc.

**Dr. Stephen Snowdy**  
**Chief Executive Officer and Executive Director**

(See Senior Leadership Team on page 8)

**Ms. Christine Van Heek**  
**Non-executive Director**  
**Member of the Nomination and Remuneration Committee and Audit and Risk Committee**

Ms. Van Heek is Managing Partner at Bio Point Group, LLC, a US-based life sciences consulting group. She currently serves as a director of Concert Pharmaceuticals, Inc., a NASDAQ-listed biotechnology company and previously sat on the board of Affymax, Inc., a NASDAQ-listed biopharmaceutical company, from 2007-2014. From 1991 to 2003, Ms. Van Heek held various positions at Genzyme Corporation, a biotechnology company acquired by Sanofi S.A., including Officer and President of the Therapeutics Division; General Manager of the Renal Division; and Vice President of Global Marketing. While at Genzyme, Ms. Van Heek built and managed the worldwide commercial organisation for the Therapeutics and Renal Divisions, and led the launches of five global products.

Ms. Van Heek received a Bachelor of Science in Nursing from the University of Iowa and a Master of Business Administration from Lindenwood University, St. Charles, Missouri.

**Ms Zita Peach**  
**Non-executive Director**  
**Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee**

Ms. Peach has more than 30 years of commercial experience in the pharmaceutical, biotechnology, medical device and healthcare sectors. She has held senior positions in marketing, product and technology commercialisation, business development, licensing, and mergers and acquisitions. Ms. Peach's previous executive roles include Managing Director for Australia and New Zealand, and Executive Vice President for South Asia Pacific, at Fresenius Kabi, a leading provider of pharmaceutical products and medical devices to hospitals. She also served as Vice President of Business Development at CSL Limited (ASX: CSL).

Ms. Peach currently sits on the boards of ASX-listed Starpharma Holdings Limited (ASX: SPL); Monash IVF Group Limited (ASX: MVF); AirXpanders, Inc. (ASX: AXP); and Pacific Smiles Group Limited (ASX: PSQ). She also holds a board position with Hudson Institute of Medical Research.

Ms. Peach received a Bachelor of Science from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Marketing Institute.

## Directors (continued)

### **Mr. Tom Dooley**

#### **Non-executive Director**

Mr. Dooley brings deep executive-level experience and knowledge to the VTI board, acquired through his 27 years of senior business leadership roles in healthcare and ophthalmology. He recently served as President of Alcon Japan LTD, where he was responsible for 1,300 employees and over US\$1B in annual sales of Alcon Laboratories' products, including medical devices, pharmaceuticals, and contact lens care products. Prior to moving to Japan, he served as Alcon's Country Manager in Australia and New Zealand. Mr. Dooley holds a Bachelor of Science in Agricultural Economics from Purdue University.

### **Ms. Jean Franchi**

#### **Non-executive Director**

#### **Chair of the Audit and Risk Committee**

Ms. Franchi is a highly regarded business leader with over 20 years of experience in building and leading senior corporate and divisional financial teams from the research and development stage through product launch and commercial operations. Her experience spans both the public and private pharmaceutical, biotech, and diagnostics sectors. Ms. Franchi is currently the CFO of Merrimack Pharmaceuticals, Inc. (MACK), a NASDAQ listed biotechnology company specializing in oncology.

Prior to Merrimack Pharmaceuticals, Ms. Franchi spent 16 years at Genzyme Corporation, a US-based biotechnology company now owned by Sanofi S.A., where she was instrumental in preparing the company for its transition from early market introductions to becoming the industry leader in rare disease drug development and commercialization. Earlier in her career, Ms. Franchi worked in accounting, finance, and sales operations for two diagnostic companies: bioMérieux, Inc., and API, a former division of American Home Products (now Pfizer).

Ms. Franchi holds a Bachelor of Business Administration from Hofstra University, New York.

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## Senior Leadership Team

### **Dr. Stephen Snowdy** **Chief Executive Officer and Executive Director**

Dr. Snowdy is a scientist, serial entrepreneur, and medical venture capitalist with 16 years of experience in life science investing and executive management. He previously served as CEO at Abby Med LLC, a start-up pharmaceutical company dedicated to the development of a novel class of cancer drugs, was Chairman/CEO of Calosyn Pharma, Inc., a Phase 2 osteoarthritis company, and was a partner for several years at a top-tier medical venture capital firm.

Dr. Snowdy serves as a visiting instructor at Columbia University, Emory University, and others, where he teaches faculty and students medical entrepreneurship.

Dr. Snowdy simultaneously earned a PhD in Neurobiology and an MBA from the University of North Carolina. He studied Chemical Engineering and Chemistry at the University of Florida, where he also completed two years of post-baccalaureate study in cardiopharmacology. His academic training followed service in the United States Navy Special Forces.

### **Mr. Brian Lane** **Chief Financial Officer**

Mr. Lane has more than 30 years of experience in financial operations and management. Prior to joining VTI, he served as CFO of Onepath, a private equity-owned services firm that designs, deploys and supports technology. Previously, he was Controller of PRGX Global (PRGX), a NASDAQ listed global recovery audit and business analytics firm, and held senior financial positions at several other companies in the financial services, franchise and manufacturing industries. Mr. Lane began his career with Ernst & Young, LLP. Mr. Lane earned his Bachelor of Business Administration from the University of Georgia, where he graduated Magna Cum Laude, and is a Certified Public Accountant (CPA).

### **Mr. Tony Sommer, Jr.** **Senior Vice President, Sales and Marketing**

An organizational and commercial leader, and a decorated combat veteran, Mr. Sommer brings to VTI over 20 years' experience in sales and marketing management. He has held senior sales and marketing positions in the OTC and eyecare industries, and led marketing and sales teams at Meda Pharmaceuticals, CIBA Vision (Novartis) and Bausch & Lomb, where he was the Head of Sales for their US Vision Care division. Mr. Sommer received an MBA from Oklahoma City University and a BS in International Affairs from the United States Air Force Academy.

### **Dr. Peg Achenbach** **Vice President, Professional Affairs and Clinical Science**

Dr. Achenbach's professional career includes 16 years of private practice specializing in contact lenses and low vision. Additionally, she has been involved in research and drug development in oncology, HIV, dermatology and nutritional supplements as a co-founder of a biotech company. She has worked in the vision care industry with Bausch + Lomb, Johnson & Johnson Vision Care, SynergEyes, Contamac, Euclid and Visionary Optics. For 12 years, Dr. Achenbach included a Low Vision service in her practice and was a member of the New Jersey Commission for the Blind and Visually Impaired.

She is a member of the Association for Research in Vision and Ophthalmology (ARVO), the British Contact Lens Association (BCLA), the International Association of Contact Lens Educators (IACLE), the American Optometric Association (AOA) and is a Fellow of the American Academy of Optometry (FAAO). Dr. Achenbach obtained her undergraduate degree in Aeronautics from the University of North Dakota and her degree in Optometry from Pacific University College of Optometry.

**VISIONEERING TECHNOLOGIES, INC.**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Vioneering Technologies, Inc.

We have audited the accompanying financial statements of Vioneering Technologies, Inc. (a Delaware corporation), which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visioneering Technologies, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter regarding going concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring losses, negative cash flows from operations, has an accumulated deficit of \$59.0 million as of December 31, 2018, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Grant Thornton LLP*

Atlanta, Georgia  
February 18, 2019

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## VISIONEERING TECHNOLOGIES, INC.

### BALANCE SHEETS As of December 31, 2018 and 2017

	December 2018 <u>US\$000</u>	December 2017 <u>US\$000</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,275	\$ 16,584
Accounts receivable	495	242
Inventory, net	2,022	2,748
Prepaid expenses and other current assets	<u>276</u>	<u>602</u>
TOTAL CURRENT ASSETS	10,068	20,176
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	110	162
Intangible assets, net	167	174
Other non-current assets	<u>34</u>	<u>43</u>
TOTAL ASSETS	<u>\$ 10,379</u>	<u>\$ 20,555</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 140	\$ 164
Accrued payroll	540	\$ 794
Other accrued liabilities	<u>696</u>	<u>380</u>
TOTAL CURRENT LIABILITIES	1,376	1,338
<b>LONG-TERM LIABILITIES</b>		
Deferred rent	<u>38</u>	<u>31</u>
TOTAL LIABILITIES	<u>1,414</u>	<u>1,369</u>
Commitments and contingencies (Note 12)		
<b>EQUITY</b>		
Common stock, par value \$0.001 per share, 600,000,000 shares authorized and 248,619,294 shares issued and outstanding at December 31, 2018 and 196,989,356 shares issued and outstanding at December 31, 2017	249	197
Additional paid-in capital	67,683	61,221
Accumulated deficit	<u>(58,967)</u>	<u>(42,232)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>8,965</u>	<u>19,186</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 10,379</u>	<u>\$ 20,555</u>

See accompanying notes to financial statements.

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## VISIONEERING TECHNOLOGIES, INC.

### STATEMENTS OF OPERATIONS For the Years Ended December 31, 2018 and 2017

	2018	2017
	In US\$000, except share and per share data	
NET REVENUE	\$ 3,294	\$ 1,049
COST OF SALES		
Product costs	2,552	910
Inventory write-down and reserves	821	-
TOTAL COST OF SALES	3,373	910
GROSS PROFIT	(79)	139
EXPENSES		
Sales and marketing	10,135	7,518
Clinical and manufacturing	2,617	1,509
General and administrative	4,084	3,857
TOTAL EXPENSES	16,836	12,884
OPERATING LOSS	(16,915)	(12,745)
Loss on fair value of derivative liability	-	(1,421)
Loss on share redemption of debt	-	(1,460)
Interest income (expense) and other, net	180	(1,355)
LOSS BEFORE INCOME TAXES	(16,735)	(16,981)
INCOME TAX EXPENSE	-	-
NET LOSS	\$ (16,735)	\$ (16,981)
Net loss per share - Basic and Diluted	\$ (0.08)	\$ (0.11)
Weighted average shares outstanding - Basic and Diluted	215,817,597	155,342,232

See accompanying notes to financial statements.

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**VISIONEERING TECHNOLOGIES, INC.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)  
For the Years Ended December 31, 2018 and 2017**

	Common Stock		Preferred Stock		Paid-in Capital US\$000	Accumulated Deficit US\$000	Total US\$000
	Shares Number	Amount US\$000	Shares Number	Amount US\$000			
Balance at December 31, 2016	9,577,298	\$ 96	16,617,758	\$ 166	\$ 7,700	\$ (25,251)	\$ (17,289)
Reduction in par value of common stock	-	(86)	-	-	86	-	-
Issuance of stock through IPO, net of issuance costs	79,365,079	79	-	-	23,316	-	23,395
Conversion of preferred stock	16,617,758	17	(16,617,758)	(166)	149	-	-
Share settlement of convertible debt and derivative	91,429,221	91	-	-	29,476	-	29,567
Stock based compensation	-	-	-	-	494	-	494
Net loss	-	-	-	-	-	(16,981)	(16,981)
Balance at December 31, 2017	196,989,356	197	-	-	61,221	(42,232)	19,186
Issuance of common stock							
Placement and SPP, net of issuance costs (Note 7)	51,113,328	51	-	-	6,193	-	6,244
Stock option exercises	447,320	1	-	-	10	-	11
Stock based compensation	69,290	-	-	-	259	-	259
Net loss	-	-	-	-	-	(16,735)	(16,735)
Balance at December 31, 2018	248,619,294	\$ 249	-	\$ -	\$ 67,683	\$ (58,967)	\$ 8,965

See accompanying notes to financial statements.

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## VISIONEERING TECHNOLOGIES, INC.

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	2018 US\$000	2017 US\$000
Cash flows from operating activities:		
Net loss	\$ (16,735)	\$ (16,981)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	76	45
Change in fair value of derivative liability	-	1,421
Loss on share redemption of debt	-	1,460
Accrued interest on convertible debt	-	353
Amortization of debt discount	-	446
Unrealized foreign exchange loss	-	688
Inventory write-down and reserves	821	-
Loss on disposal of property and equipment	-	3
Stock based compensation	259	494
Changes in assets and liabilities:		
Accounts receivable	(253)	(212)
Inventory	(95)	(851)
Prepaid expenses and other assets	335	197
Accounts payable	(24)	(207)
Accrued payroll	(254)	713
Other accrued liabilities	323	151
Net cash used in operating activities	(15,547)	(12,280)
Cash flows from investing activities:		
Purchase of property and equipment, net	(10)	(158)
Purchase of intangible assets, net	(7)	(47)
Net cash used in investing activities	(17)	(205)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs of \$491 in 2018 and \$509 in 2017	6,244	23,395
Proceeds from stock option exercises	11	-
Net cash provided by financing activities	6,255	23,395
Net (decrease) increase in cash and cash equivalents	(9,309)	10,910
Cash and cash equivalents, beginning of period	16,584	5,674
Cash and cash equivalents, end of period	\$ 7,275	\$ 16,584
Supplemental disclosure:		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

See non-cash disclosures in Note 6.

See accompanying notes to financial statements.

# VISIONEERING TECHNOLOGIES, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

In US\$

### (1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Visioneering Technologies, Inc. (“VTI”, “we”, “us”, “our” or the “Company”) was incorporated as a Delaware corporation on October 23, 2008. Headquartered in Atlanta, Georgia, VTI is a medical device company that designs, manufactures, sells and distributes contact lenses. Our flagship product is the NaturalVue® (etafilcon A) Multifocal 1 Day Contact Lens for adults with Presbyopia (the progressive loss of ability to see near that occurs in middle-age) and children with Myopia (nearsightedness). Within the US, medical devices are regulated by the FDA, under the Federal Food, Drug, and Cosmetic Act of 1938. We obtained FDA clearance for our NaturalVue contact lenses in late 2014 and received the CE Mark, as well as TGA approval in early 2018, enabling us to sell our contact lenses in the US, Europe, Australia and New Zealand. All of our sales were in the United States through September 2018, at which time we began selling internationally as well.

In March 2017, we completed our Initial Public Offering (“IPO”) and associated listing on the Australian Stock Exchange (“ASX”). The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHESS system of holding securities or electronic transfers of legal title to shares. To enable companies such as VTI to have their securities cleared and settled electronically through CHESS, depository instruments called CDIs are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares are held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement. 79,365,079 CDIs were issued (each representing an interest in one share of newly issued common stock) and \$23.4 million, net of expenses, was received. In conjunction with the IPO, all outstanding convertible debt and preferred stock was converted into common stock.

We currently manage warehousing and distribution of our products through a contract with a Third-Party Logistics provider (the “3PL”). The 3PL stores our inventory and ships it to our customers, which include major contact lens distributors (“Customers”). These Customers generally have non-exclusive rights to market, promote, sell and distribute our products (“Products”) within specified territories, provided that Products shall be sold only to permitted eye care providers (“ECPs”) and shipped only to ECPs or directly to a patient if specifically directed by the ECPs. As of December 31, 2018, VTI had entered into agreements with Customers in the US, Europe, Australia and New Zealand. Prior to August 25, 2017, we outsourced the warehousing and the revenue cycle management function to a contact lens fulfillment company. The related contract expired on August 25, 2017 and was not renewed.

#### *Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative US GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASUs”) of the Financial Accounting Standards Board (“FASB”). Unless otherwise noted, all amounts are presented in US dollars and balances presented within tables are in thousands.

## VISIONEERING TECHNOLOGIES, INC.

### *Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Examples of estimates which require management's judgment include the collectability of accounts receivable, reserve for excess or obsolete inventory, potential impairment of long-lived assets, valuation allowance for deferred tax assets, and the fair value of share-based awards. Management bases its estimates on historical experience and other factors which it believes to be reasonable under the circumstances. Actual results may differ from these judgments.

### *Liquidity and Going Concern*

Under ASC 205-40, *Presentation of Financial Statements – Going Concern*, the Company shall evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. This includes a review of the qualitative and quantitative factors, including the effect of potential mitigating effects of management planning, as discussed in ASC 205-40.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. To date, the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of \$59.0 million from the Company's inception through December 31, 2018. As of December 31, 2018, the Company's cash and cash equivalents were \$7.3 million. The Company's ability to achieve profitability and positive cash flow is dependent upon its ability to increase revenue and contain its expenses.

In order to meet our working capital needs through the next twelve months, we may need to raise additional debt or equity financing. We historically have been able to raise additional capital through issuance of equity and/or debt financing, and have a plan in place to reduce spending in the absence of further capital being raised to satisfy its obligations due within one year from the date of issuance of these financial statements. Despite these factors, there can be no guarantees regarding our ability to raise additional equity or successfully implement our cost reduction plans. Because no mitigating efforts to raise sufficient capital have been approved prior to the issuance of the 2018 financial statements, there is substantial doubt about the Company's ability to continue as a going concern within one year after these financial statements are issued.

### *Fair Value of Financial Instruments*

We have identified cash, accounts receivable, and accounts payable as financial instruments of the Company. Due to the nature of the cash, accounts receivable, and accounts payable, we believe that the fair value of those accounts approximates their carrying values.

### *Embedded Conversion, Redemption and Preference Features*

We evaluate convertible debt and preferred stock instruments under ASC 480, *Distinguishing Liabilities from Equity*, to determine the appropriate classification of the host instrument. We evaluate embedded conversion, redemption and preference features within those instruments under ASC 815, *Derivatives and Hedging*, to determine whether the feature should be bifurcated from the host contract and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, we evaluate the instrument under ASC 470-20, *Debt with Conversion and Other Options*, for consideration of any cash conversion equity components and beneficial conversion features.

## VISIONEERING TECHNOLOGIES, INC.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of 90 days or less when purchased. Cash and cash equivalents were \$7.3 million as of December 31, 2018 and \$16.6 million as of December 31, 2017. At times, cash balances may exceed the Federal Deposit Insurance Corporation insurance limit.

### *Accounts Receivable*

The carrying value of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. We extend credit based on evaluation of a customer's financial condition and do not require collateral. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability. We charge provisions for doubtful accounts to operations at the time we determine these amounts may become uncollectible. Based on our review, we have not recorded an allowance for doubtful accounts as of December 31, 2018 or 2017.

### *Inventory*

Inventory is stated at the lower of cost or net realizable value with cost determined under the first in, first out (FIFO) method. We regularly review our inventory quantities on hand and related cost and record a provision for any excess or obsolete inventory based on our estimated forecast of product demand and other factors. We also review our inventory value to determine if it reflects the lower of cost or net realizable value. Based on these reviews, we recorded inventory write-downs of \$821,418 in 2018 and \$0 in 2017. The 2018 write-down was related to launches of new products replacing older products and to excess inventory purchased prior to sufficient demand information being available. All inventory held at December 31, 2018 and 2017 consisted of finished goods.

### *Intangible Assets*

Intangible assets are comprised of patents. We capitalize legal costs and other similar fees to obtain and register patents and expense all other costs to internally develop the patents as incurred. We amortize patents over a 15-year period.

### *Property and Equipment*

We record property and equipment at cost less accumulated depreciation and expense repairs and maintenance costs as incurred. We included depreciation expense in General and administrative expense in the Statements of Operations.

We compute depreciation expense using the straight-line method over the following useful lives:

<u>Asset Classification</u>	<u>Estimate Useful Life</u>
Computer equipment and software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 5 years or life of the lease

## VISIONEERING TECHNOLOGIES, INC.

### *Impairment of Long-lived Assets*

We test long-lived assets for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that we consider in deciding when to perform an impairment review include, but are not limited to, significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If we perform an impairment review to evaluate a long-lived asset for recoverability, we compare forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. We would recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. We would base the impairment loss on the excess carrying value of the impaired asset over its fair value. No impairment charges were necessary based on our internal assessments in the two years ended December 31, 2018.

### *Revenue Recognition*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, guidance on recognizing revenue from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the new revenue standard using a modified retrospective basis on January 1, 2018 to all contracts that were not completed. We did not restate the comparative information and continue to report it under the accounting standards in effect for those periods. The adoption of this guidance had no impact on the amount and timing of revenue recognized, therefore, we did not record any adjustments to our financial statements upon adoption. See Note 2, Revenue Recognition, for additional details on the application of this guidance.

### *Advertising Costs*

We recognize advertising costs as an expense in the period in which we incur them. We incurred advertising expense of \$306,079 in 2018 and \$179,872 in 2017 and included these expenses in Sales and marketing in the Statements of Operations.

### *Research and Development Costs*

We expense research and development costs in the period in which we incur them. Research and development expenses consist of wages, benefits, and other operational costs related to our engineering, regulatory, and quality departments, clinical and nonclinical studies, materials and supplies, and third-party costs for contracted services. We incurred research and development costs of \$20,374 in 2018 and \$7,899 in 2017 and included them in Clinical and manufacturing in the Statements of Operations.

### *Stock-Based Compensation*

We measure the cost of employee services received in exchange for an award of equity instruments, including stock options and restricted stock awards, based on the grant date fair value of the award and recognize such costs as compensation expense on a straight-line basis over the period the employee is required to provide service in exchange for the award, usually the vesting period.

## VISIONEERING TECHNOLOGIES, INC.

### *Leases*

We classify leases at their inception as either operating or capital leases based on the economic substance of the agreement. We recognize lease payments made under operating leases as an expense on a straight-line basis over the lease term.

### *Income Taxes*

In accordance with the ASC 740, *Income Taxes*, we recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. We record a valuation allowance against our net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized.

We consider income tax positions for uncertainty in accordance with ASC 740-10. We believe that our income tax filing position and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position; therefore, no we have not recorded any ASC 740-10 liabilities for uncertain tax positions. We will recognize accrued interest and penalties related to unrecognized tax benefits, if any, as interest expense and income tax expense, respectively, in the Statements of operations. We do not believe that the amount of unrecognized tax benefits will significantly increase or decrease within 12 months of December 31, 2018. Given the Company's net operating losses, all years since inception are subject to review.

Significant management judgment is involved in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against net deferred tax assets. Due to uncertainties with respect to realization of deferred tax assets as a result of the Company's history of operating losses, we have established a valuation allowance against the net deferred tax asset balance. We based the valuation allowance on our estimates of taxable income in the jurisdictions in which the Company operates and the period over which deferred tax assets will be recoverable. If actual results differ from these estimates or we adjust these estimates in future periods, a change in the valuation allowance may be needed, which could materially impact our financial position and results of operations.

### *Earnings Per Share (EPS)*

We calculate basic EPS in accordance with ASC 260, *Earnings per Share*, by dividing net income or loss attributable to common stockholders by the weighted average common stock outstanding. We calculate diluted EPS in accordance with ASC 260 by adjusting weighted average common shares outstanding for the dilutive effect of common stock options, warrants, convertible preferred stock, and accrued but unpaid convertible preferred stock dividends. In periods where a net loss is recorded, we give no effect to potentially dilutive securities, since the effect would be anti-dilutive. We did not include the common stock equivalents of the Company's convertible debt and stock options in the computation of dilutive EPS because to do so would have been anti-dilutive.

### *Reclassifications*

Certain amounts in 2017 have been reclassified to conform with current year presentation.

## VISIONEERING TECHNOLOGIES, INC.

### *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires that organizations that lease assets recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The ASU will affect the presentation of lease related expenses on the income statement and statement of cash flows and will increase the required disclosures related to leases. This ASU is effective for the Company beginning January 1, 2019, with early adoption permitted. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The amendments provide organizations with an additional (and optional) transition method to adopt the new leases standard by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP in Topic 840, *Leases*. The Company plans to use the optional transition method to adopt ASC 842 on January 1, 2019, at which time we expect to record the following approximate amounts effective January 1, 2019: a lease liability of \$375,000, a right to use asset of \$337,000 and a reduction of deferred rent of \$38,000.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. The amendments in this update require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update became effective for the Company beginning January 1, 2018. The adoption of this update did not have a significant impact on the Company's financial statements or the related disclosures.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income: Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)*, to clarify the scope of Subtopic 610-20 and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20 was issued in May 2014 as part of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provided guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. The amendments in this update became effective for the Company beginning January 1, 2018. The adoption of this update did not have a significant impact on the Company's financial statements or the related disclosures.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, that provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The new standard is effective for the Company beginning January 1, 2018. The new guidance must be applied on a prospective basis. The adoption of this standard did not have a significant impact on the Company's financial statements or the related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This ASU addresses narrow issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. The amendments in Part I of this Update are effective for the Company beginning January 1, 2020. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the impact of the adoption of this standard on its financial statements. The amendments in Part II of this Update do not have an accounting effect.

## VISIONEERING TECHNOLOGIES, INC.

In June 2018, the FASB Issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. The amendments expand the scope of ASU 718 to include share-based payments issued to nonemployees for goods or services, thereby substantially aligning the accounting for share-based payments to nonemployees and employees. The amendments are effective starting in the first quarter of 2019. The Company currently does not expect the adoption of these provisions to have a material impact on its consolidated financial statements.

### (2) REVENUE RECOGNITION

We sell our products to our Customers, including major contact lens distributors. In addition to distribution agreements with Customers, we enter into arrangements with ECPs that provide for privately-negotiated discounts with respect to their purchase of our products from the Customers. We then reimburse the Customers for discounts they provided on our behalf to the ECPs. Each of our current contracts consist of a master service agreement combined with specific purchase orders and have a single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

Currently, we derive all revenue from product sales. We recognize revenues from product sales at a point in time when the Customer obtains control, typically upon shipment to the Customer. We accrue for fulfillment costs when we recognize the related revenue.

We record revenues from product sales at the net sales price (transaction price), which includes estimates of variable consideration related to discounts to distributors and ECPs; product returns; and patient-level rebates relating to sales of our products. We base these reserves on estimates of the amounts earned or to be claimed on the related sales. Our estimates take into consideration historical experience, current contractual requirements, specific known market events and trends, industry data, and Customer buying and payment patterns. Overall, these reserves reflect our best estimates of the amount of consideration to which we are entitled based on the terms of the contract. The amount of variable consideration included in the net sales price is limited to the amount that is probable not to result in a significant reversal in the amount of the cumulative revenue recognized in a future period. If actual results vary, we may adjust these estimates, which could impact earnings in the period of adjustment.

We will exchange returned product with replacement inventory, and typically do not provide cash refunds. We receive payments from our Customers based on billing schedules established in each contract and generally range between 30 to 90 days. We record amounts as accounts receivable when our right to consideration is unconditional. We do not assess whether a contract has a significant financing component if we expect that the Customer will pay for the product in one year or less of receiving those products.

### (3) INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2018 and 2017:

	2018	2017
	US\$000	US\$000
Patents	\$ 240	\$ 233
Less accumulated amortization	(73)	(59)
Intangible assets, net	\$ 167	\$ 174

Amortization expense was \$13,709 in 2018 and \$8,511 in 2017. The weighted average remaining useful life as of December 31, 2018 was 10.37 years.

## VISIONEERING TECHNOLOGIES, INC.

We capitalize patent costs and amortize them over their estimated economic lives and perform impairment testing when qualitative factors indicate that the assets may be impaired. We identified no indications of impairment for capitalized patent costs during 2018 and 2017 and did not record impairment charges in those years.

Amortization expense for the next five years is as follow:

	US\$000
2018	\$ 11
2019	11
2020	11
2021	11
2022	11
Thereafter	112
Total	<u>\$ 167</u>

#### (4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018 US\$000	2017 US\$000
Computer equipment and software	\$ 113	\$ 103
Office equipment	49	49
Furniture and fixtures	52	52
Leasehold improvements	12	12
Total costs	<u>226</u>	<u>216</u>
Less accumulated depreciation	(116)	(54)
Property and equipment, net	<u>\$ 110</u>	<u>\$ 162</u>

Depreciation expense was \$62,249 in 2018 and \$36,220 in 2017.

#### (5) CONVERTIBLE DEBT

From March 2012 through September 2014, the Company sold in private placements to qualified buyers and accredited investors notes for total funds received of \$5,371,582 ("Prior Notes"). Interest on the Prior Notes was payable upon maturity and accrued at a rate of 6% per annum. The Prior Notes would mature upon demand. Prior Notes were convertible into Series A-1 preferred stock or equity instruments issued in an equity financing.

From December 2014 to December 2015, the Company sold notes in private placements to qualified buyers and accredited investors for total funds received of \$2,936,397 ("Senior Notes"). Interest on the Senior Notes was due upon maturity and accrued a rate of 10% per annum. The Prior Notes became subordinated to the Senior Notes upon issuance.

## VISIONEERING TECHNOLOGIES, INC.

In December 2014, upon issuance of the Senior Notes, Prior Note holders were given the option to convert \$2 of Prior Notes, including accrued interest balances, to Senior Notes for every \$1 invested in Senior Notes. As of December 31, 2016, Prior Notes of \$2,451,149 were outstanding. Senior Notes issued upon conversion of Prior Notes totaled \$3,240,523 as of December 31, 2016.

At December 31, 2014 and 2015, the Senior Notes plus accrued interest were convertible into Series C Redeemable Convertible Preferred Stock ("Series C") upon majority vote of the Senior Notes holders at a conversion price of \$0.73 per share. The conversion price was equivalent to the fair value of Series C on the commitment date, as measured by concurrent sales of Series C to external investors. Following conversion of all Series C to Preferred Stock Series A-1 ("Series A-1") and Preferred Stock A-1 NV ("Series A-1NV") in 2016, Senior Notes became convertible into Series A-1 and A-1 NV.

Upon the closing of an equity financing transaction, the Senior Notes plus accrued interest were convertible into the new equity shares at a conversion price equivalent to the price paid by the new equity investors.

The Senior Notes were issued in conjunction with embedded, contingently exercisable warrants with a purchase price equivalent to 0.02% of the associated Senior Notes. The number of shares to which the warrant entitles the holder is either (i) one-half the number of shares of stock into which the Senior Notes issued to the holder are converted, or (ii) the number of shares of common stock issuable upon the conversion of one-half of the number of shares of stock into which the Senior Notes issued to the holder are converted. The warrants were exercisable upon a qualified change in control from the period commencing with the date the Senior Notes were converted to equity securities ending with the earliest of December 2021 or the change in control event. The warrants were exercisable into the same equity class into which the Senior Notes are converted. The exercise price of the warrants was equivalent to the conversion price at which the Senior Note converted to equity or the fair market value of common stock.

In March 2016, the Company, entered into a Note and Warrant Purchase Agreement ("Series A-1 Note Purchase Agreement"), pursuant to which the Company issued Series A-1 convertible demand notes ("Series A-1 Notes") and contingently exercisable warrants to purchase shares of the Company's capital stock ("Series A-1 Warrants") and raised proceeds of \$1,418,141. Each lender who purchased a Series A-1 Note received a contingently exercisable Series A-1 Warrant to purchase equity securities of the Company, generally equal to 50% of the number of equity securities into which the Series A-1 Note associated with such Series A-1 Warrant was converted. As part of the Series A-1 Note transaction, the maturity date of each Senior Note was amended to be the date upon which a payment demand for the Series A-1 Notes was made by a majority-in-interest of the Series A-1 Note holders, and each Senior Note was made convertible upon the same terms as the Series A-1 Note and ranking pari passu with each Series A-1 Note in right of payment. In addition, the holders of Prior Notes agreed that the demand for payment of Prior Notes could not be made unless the Senior Notes and Series A-1 had been paid in full.

The Series A-1 Notes were payable upon demand by a majority-in-interest of the Series A-1 Note holders. The Series A-1 Notes were convertible into Series A-1 Stock following the earlier of: (a) the first anniversary of the Series A-1 Note Purchase Agreement, and (b) a liquidation event as defined in the Company's Certificate of Incorporation.

The Series A-1 Notes also were convertible upon the closing of an Equity Financing, which was defined as a subsequent sale by the Company of its equity securities (including the Company's common stock and any preferred stock) following the date of the Series A-1 Note Purchase Agreement. Any conversion was required to be approved by the holders of more than 50% of the aggregate unpaid principal amount of the Series A-1 Notes.

## VISIONEERING TECHNOLOGIES, INC.

On October 10, 2016, the requisite Series A-1 Note and Senior Note holders entered into amendment agreements pursuant to which each Senior Warrant and Series A-1 Warrant would terminate and upon the conversion of the Series A-1 Notes and Senior Notes in connection with an equity financing, each Series A-1 Note and Senior Note will convert at a 25% discount to the otherwise applicable conversion price. In connection with the amendment of the Series A-1 Notes and Senior Notes, the Company determined that the conversion rights were a contingent share settled redemption feature. As a result of the amendment, the Company recorded derivative liabilities of \$360,898 and \$1,639,904 on the Series A-1 Note and Senior Note, respectively. Because the Series A-1 and Senior notes were due on demand, the Company immediately recorded the debt discounts as an expense at the date of the amendment. The Company recorded the derivative liability at its fair value at the date of the amendment and the fair value was marked to market resulting in a loss on derivative of \$292,233 for the year ended December 31, 2016 and \$597,405 upon conversion at the time of the Company's IPO in March 2017.

In July 2016, the Company entered into a Note Purchase Agreement with investors ("Pre-IPO Note Purchase Agreement"), pursuant to which the Company issued convertible notes, primarily to investors based in Australia ("Pre-IPO Notes"), raising proceeds of A\$13,497,000 (US\$10,109,336). The Pre-IPO Notes were denominated in Australian dollars (A\$) and automatically converted into the Company's equity securities upon an IPO pursuant to a conversion formula specified in the Pre-IPO Note Purchase Agreement. The conversion feature is considered to be a contingent share-settled redemption feature because it allows the holders to redeem the Pre-IPO Notes into common stock at a substantial discount to the fair value of the common stock issued upon conversion. The Company recorded a derivative liability for the fair value of the redemption feature of \$2,396,901. The Company amortized the debt discount resulting from the recognition of the derivative liability over the 18-month term of the Pre-IPO Note until conversion occurred at the time of the Company's IPO on the ASX in March 2017. The Company recorded the change in the fair value of the derivative liability as loss on derivative liability of \$286,051 at December 31, 2016 and \$823,649 upon conversion. At the time of conversion, the Company recorded a loss on share settlement of debt of \$1,459,653 relating to the unamortized debt discount on the Pre-IPO Notes.

All convertible debt was converted to common stock in March 2017 in connection with the Company's IPO.

The convertible debt did not affect diluted earnings per share due to the Company's net loss position.

### (6) NON-CASH ACTIVITIES

On March 28, 2017, the convertible debt along with the embedded derivatives were converted to equity in a non-cash transaction totaling \$29,567,000 with an equal offset to Additional paid-in capital.

In 2018, optionees exercised options to purchase 652,250 shares, and redeemed 366,618 stock options to satisfy the exercise price of stock options exercised resulting in a net issuance of 285,632 shares.

### (7) SHAREHOLDERS' EQUITY

#### *Common Stock*

Each holder of a share of common stock is entitled to one vote per share held. The holders of shares of common stock are entitled to dividends as declared by the Board of Directors ("Board") of the Company.

In March 2017, the Company completed its IPO and associated listing on the ASX. The Company issued 79,365,079 CDIs (each representing an interest in one share of newly issued common stock) and received \$23.4 million, net of expenses. In conjunction with the IPO (See Note 1), all outstanding convertible debt and preferred stock was converted into common stock.

## VISIONEERING TECHNOLOGIES, INC.

On August 21, 2018, the Company issued 49,200,000 CDIs (representing the same number of shares) to complete a Placement of its shares. On September 12, 2018, the Company completed a Security Purchase Plan ("SPP") under which it issued 1,913,328 CDIs. The Company raised \$6.2 million net of \$0.5 million of issuance costs through the Placement and the SPP.

### *Preferred Stock Series A-1 and Preferred Stock Series A-1 NV*

In 2016, the Company issued Series A-1 Notes and Series A-1 warrants under the Series A-1 Note Purchase Agreement dated March 2, 2016. Holders of the Company's preferred stock (i.e., Series A, Series B and Series C) were entitled to invest up to their pro rata amount in the borrowing. In connection with the transaction, all outstanding Preferred Stock Series A, B and C was converted as follows:

The preferred shares of any holder who did not invest its pro rata amount were automatically converted on April 12, 2016 into the Company's common stock at an exchange rate of one share of common stock for each share of preferred stock which was the conversion rate stated in the original terms of the shareholder agreements for the Series A, B and C.

The preferred shares of any holder who invested its pro rata amount were deemed to have been exchanged for shares of Series A-1 at an exchange rate of 3.2 shares of Series A-1 for each share of preferred stock. Further, a portion of the Series A-1 was exchanged for shares of Series A-1 NV. Series A-1 NV possesses identical rights to Series A-1, except that its holders have no voting rights. Both the Series A-1 and the Series A-1 NV convert into common stock at their original issue price.

As a result of the Series A-1 financing round in 2016, only common stock, Series A-1 and Series A-1 NV remained issued and outstanding at December 31, 2016. At the time of the Company's IPO in March 2017, the Series A-1 and Series A-1 NV converted into common stock and only common stock has been outstanding since March 2017.

### **(8) CONCENTRATIONS AND CREDIT RISK**

For the year ended December 31, 2018, two Customers accounted for approximately 92.5% of our total sales. Three Customers, including the two noted previously, accounted for 91.9% of our accounts receivable as of December 31, 2018.

For the year ended December 31, 2017, two Customers accounted for approximately 57.7% of our total sales. These two same Customers accounted for 100% of our accounts receivable as of December 31, 2017.

We rely on a single manufacturer for production of our contact lenses.

### **(9) SEGMENT INFORMATION**

The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed and organized based upon a single reporting segment.

## VISIONEERING TECHNOLOGIES, INC.

### (10) STOCK COMPENSATION PLANS

Stock-based compensation expense was \$259,268 in 2018 and \$494,291 in 2017.

The Board adopted the 2008 Stock Incentive Plan (“Incentive Plan”), with an effective date of July 1, 2008. The Incentive Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Restricted Stock Units, and Stock Appreciation Rights. Under the Incentive Plan, 12,160,873 shares of common stock have been authorized for share-based awards. The total number of options issued and outstanding as of December 31, 2018 and December 31, 2017 was 8,571,324 and 11,535,574, respectively. The Incentive Plan is the predecessor to the 2017 Plan described below. On January 18, 2017, the Board determined that no additional stock incentives would be awarded under the 2008 Incentive Plan, but stock incentives previously granted would continue to be governed by the terms of the Incentive Plan.

The Board adopted the 2017 Equity Incentive Plan (the “2017 Plan”), with an effective date of January 18, 2017. The 2017 Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Stock Units, Performance Awards and Stock Appreciation Rights. The total number of shares reserved for issuance under the 2017 Plan is 11,000,000. The share reserve may be increased each year in accordance with the 2017 Plan documents. The total number of shares issued and outstanding as of December 31, 2018 and 2017 was 2,758,044 and 978,331, respectively

For both the Incentive Plan and the 2017 Plan (together, the “Plans”), the Board determines vesting terms and exercise price of options and defines them in a stock incentive agreement for each grant. Options generally vest over a one to four-year period from date of grant, with a few grants being vested immediately upon issuance. Stock options issued to employees, directors, and consultants expire 10 years from the date of grant. Vested and unexercised shares are cancelled three months after termination, and unvested awards are canceled on the date of termination of employment and become available for future grants. Upon the exercise of stock options, the Company may issue the required shares out of authorized but unissued common stock.

Additionally, we recognize stock-based compensation expense related to stock options granted to non-employees on a straight-line basis, as the stock options are earned. We issued options to non-employees, which generally vest ratably over the time period we expect to receive services from the non-employee. We believe that the fair value of the stock options is more reliably measurable than the fair value of the services received.

We estimate the grant date fair value of each option award on the date of grant using a Black-Scholes option pricing model that uses certain assumptions. Pre-IPO, we determined the estimated fair value of common stock with the assistance of an independent valuation specialist. Post IPO, we use the ASX stock price to determine fair value of the stock on the date of grant. We base expected volatilities on historical volatility of certain comparable companies over similar expected terms, as determined by the Company. We derive the expected term of options granted using the simplified method, which is the average of the contractual term and the vesting period. We intend to use the simplified method for the foreseeable future until more detailed information about exercise behavior will be more widely available. We base the risk-free rate for periods within the expected term of the option on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is zero as there are no payments of dividends made or expected. These factors could change in the future, which would affect the stock-based compensation expense for future option grants.

## VISIONEERING TECHNOLOGIES, INC.

Assumptions for grants in 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Risk-free interest rate	1.25%	1.25%
Expected volatility	50%	50%
Expected term (years)	6	6
Dividend Rate	0%	0%

A summary of stock option activity under the Plans is as follows:

	Total Options Outstanding			Nonvested Options	
	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Term in Years	Number of Options	Weighted Average Grant-Date Fair Value
<b>Total Stock Options</b>					
Outstanding at December 31, 2017	12,513,905	\$0.09	8.35	7,896,846	\$0.13
Grants	2,758,044	0.14		2,758,044	0.06
Cancellation/forfeitures	(3,495,261)	0.14		(2,594,581)	0.14
Vested	-	-		(1,767,422)	0.13
Exercised	(447,320)	0.07		-	-
Outstanding at December 31, 2018	11,329,368	\$0.09	8.23	6,292,887	\$0.10
Exercisable	5,036,481	\$0.07	7.54		

The weighted average grant date fair value of options granted during the year was \$0.06 in 2018 and \$0.13 in 2017. The intrinsic value of options unexercised as of December 31, 2018 and 2017 was \$360,831 and \$4,242,751, respectively. The intrinsic value of options exercised was \$24,083 in 2018. The total fair value of options vested during the year was \$226,230 in 2018. Options cancelled in 2018 included 366,618 options remitted by optionees to satisfy the exercise price of options exercised.

As of December 31, 2018 and 2017, there was approximately \$566,901 and \$956,328, respectively, of total unrecognized compensation expense related to stock option awards under the combined plans. We expect to recognize that cost over a weighted average period of 2.67 years.

### (11) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement plan ("401(k) Plan") for the benefit of eligible employees, as defined. Each participant may elect to contribute to the 401(k) Plan each year up to the maximum amount allowed by law, subject to certain Internal Revenue Service limitations. The Company makes matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation. The Company contributed \$212,724 in 2018 and \$135,350 in 2017.

## VISIONEERING TECHNOLOGIES, INC.

### (12) COMMITMENTS AND CONTINGENCIES

The Company's headquarters and principal operations are located in metropolitan Atlanta, Georgia. We record operating leases with escalating rents as expense on a straight-line basis over the life of the lease. In addition to minimum rental payments, we expense additional payments based on real estate taxes, common area maintenance and insurance when incurred. Net rental expense under this and previous agreements were \$157,459 in 2018 and \$109,000 in 2017.

As of December 31, 2018, future rental commitments are as follows:

	US\$000
2019	\$ 99
2020	101
2021	105
2022	108
2023	9
	<u>\$ 422</u>

The Company may be subject to legal proceedings and claims, which may arise, in the ordinary course of its business. No such matters presently exist, and management is not aware of any such matters which may arise in the future.

In addition, the Company warrants to customers that its products operate substantially in accordance with the product's specifications. Historically, we have not incurred any significant costs related to product warranties and expect none in the future, and as such have not recorded any accruals for product warranty costs as of December 31, 2018.

### (13) RELATED PARTIES

We incurred \$560,232 in fees and expenses in 2018 for clinical and regulatory consulting services provided by a company owned by one of our former officers. We included the unpaid portion of this amount of \$50,875 in Other accrued liabilities as of December 31, 2018.

### (14) FAIR VALUE

The Company applies ASC 820, *Fair Value Measurements*, in determining the fair value of certain assets and liabilities. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, we use various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

## VISIONEERING TECHNOLOGIES, INC.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

There have been no changes in the methodologies used as of December 31, 2018 and 2017.

The Company's assets and liabilities measured at fair value on a recurring basis include cash equivalents of \$7.0 million and \$16.3 million as of December 31, 2018 and 2017, respectively.

### (15) INCOME TAXES

The Company is a C-Corporation for U.S. federal income tax purposes.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act ("the Act"), which took effect on January 1, 2018. Some notable provisions of the Act include a reduction of the corporate income tax rate from 35 percent to 21 percent, adjustments to deductible compensation, and 100 percent bonus depreciation on capital expenditures. Under the accounting rules, companies are required to recognize the effects of changes in tax laws and tax rates on deferred tax assets and liabilities in the period in which the new legislation is enacted. As a result, as of December 31, 2017, the Company revalued its deferred tax assets and liabilities, which resulted in no impact to the statement of operations due to the Company being in a fully reserved deferred tax asset position. We believe that the adjustments resulting from these components of the Act are complete as of December 31, 2017.

The provision for income taxes consists of the following components:

	2018	2017
	US\$000	US\$000
Current expense		
Federal	\$ -	\$ -
State	-	-
Total current income tax expense	<u>\$ -</u>	<u>\$ -</u>
Deferred expense (benefit)		
Federal	\$ (3,302)	\$ 1,643
State	<u>(1,107)</u>	<u>(176)</u>
Total deferred income tax expense (benefit)	(4,409)	1,467
Valuation allowance	<u>4,409</u>	<u>(1,467)</u>
Deferred income tax expense (benefit)	-	-
Total income tax expense	<u>\$ -</u>	<u>\$ -</u>

## VISIONEERING TECHNOLOGIES, INC.

The following summarizes the Company's valuation allowance:

	2018	2017
	US\$000	US\$000
Beginning of year	\$ (8,567)	\$ (10,034)
Income tax provision	(4,409)	(2,529)
Deferred rate change	-	3,996
End of year	<u>\$ (12,976)</u>	<u>\$ (8,567)</u>

Net deferred tax assets and liabilities are as follows:

	2018	2017
	US\$000	US\$000
Deferred tax assets		
NOL carryforwards	\$ 11,882	\$ 7,508
R&D tax credits	915	867
Inventory	223	-
Other deferred tax assets	39	192
Valuation allowance	(12,976)	(8,567)
Total deferred tax assets	<u>\$ 83</u>	<u>\$ -</u>
Deferred tax liabilities		
Amortization	\$ (83)	\$ -
Total deferred tax liabilities	<u>(83)</u>	<u>-</u>
Net deferred income tax assets	<u>\$ -</u>	<u>\$ -</u>

A reconciliation from the federal statutory rate to the total provision for income taxes is as follows:

	2018		2017	
	US\$000	Percent	US\$000	Percent
Federal tax benefit at statutory rate	\$ (3,514)	21%	\$ (5,774)	34%
State tax expense, net of federal benefit	(1,107)	7%	(116)	1%
Permanent items and other	212	-1%	40	0%
Conversion of debt to equity	-	0%	3,321	-20%
Impact of Tax Cuts and Jobs Act	-	0%	3,996	-24%
Change in valuation allowance	4,409	-26%	(1,467)	9%
Total tax expense	<u>\$ -</u>	<u>0%</u>	<u>\$ -</u>	<u>0%</u>

## VISIONEERING TECHNOLOGIES, INC.

As of December 31, 2018, the Company had federal NOL carryforwards of approximately \$46.8 million and state NOL carryforwards of \$2.1 million (tax effected), that are available to reduce future income unless otherwise taxable. As of December 31, 2018, the Company has federal and state research and development ("R&D") credits of approximately \$0.9 million, that are available to reduce future federal and state income tax. We have not performed a study of our NOLs for limitations Internal Revenue Code Section 382. Due to the ownership change as a result of the IPO, our NOLs could be subject to significant annual limitations. If not utilized, the federal and state NOL carryforwards will expire at various dates between 2024 and 2037, except that \$15.6 million of NOLs originating in 2018 do not expire. The federal and state R&D credits will expire at various dates between 2021 and 2037.

### (16) SUBSEQUENT EVENTS

The Company evaluated the accounting and disclosures requirements for subsequent events through February 18, 2019, the issuance date of the financial statements.

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# Remuneration Report (Unaudited)

## Directors and Committees

The composition of the Board during the financial year ended December 31, 2018 and the length of service of each Director is as follows:

Name	Position	Date appointed	Independent Yes/No	Audit & Risk Committee	Nomination & Remuneration Committee
Fred Schwarzer	Chairman (non-executive)	November 25, 2008	No	No	Yes
Stephen Snowdy	Director (executive)	November 25, 2008	No	No	No
Tom Dooley	Director (non-executive)	May 1, 2017	Yes	No	Yes
Jean Franchi	Director (non-executive)	December 19, 2017	Yes	Chair	No
Zita Peach	Director (non-executive)	February 14, 2017	Yes	Yes	Chair
Christine Van Heek	Director (non-executive)	November 25, 2008	Yes	Yes	Yes

The following table shows the number of meetings of the Board, the Audit & Risk Committee and the Nomination & Remuneration Committee, and the number of those meetings attended by each Director during the par of the year ended December 31, 2018 that they were a Director.

Name	Board meetings	Audit & Risk Committee meetings	Nomination & Remuneration Committee meetings
Fred Schwarzer	7 of 7	–	4 of 5
Stephen Snowdy	7 of 7	–	–
Tom Dooley <sup>1</sup>	7 of 7	–	2 of 2
Jean Franchi	7 of 7	5 of 5	–
Zita Peach	7 of 7	5 of 5	5 of 5
Christine Van Heek	7 of 7	5 of 5	5 of 5

<sup>1</sup>Mr. Dooley was nominated to the Nomination & Remuneration Committee in the May 3, 2018 meeting and was only a member of the committee for two of the meetings held in 2018.

## Further Remuneration Information

The Board and its Nomination and Remuneration Committee are responsible for reviewing and approving remuneration and incentive policies and practices. The Company has a clear distinction between the structure of non-executive directors' remuneration and that of the executive director (Dr. Stephen Snowdy) and other senior executives.

In addition to the remuneration described below, Directors and senior executives may be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

## Non-executive Directors

Under the ASX Listing Rules, the total amount paid to all non-executive Directors for the services must not exceed the amount fixed by Visioneering Technologies in a general meeting. This amount has been fixed at US\$500,000 per financial year.

The Board seeks to set non-executive Directors' fees at a level that provides the Company with the ability to attract and retain non-executive Directors of the highest caliber with relevant professional expertise and reflect the demands that are made on, and the responsibilities of, the non-executive Directors, while incurring a cost that is acceptable to stockholders.

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## Remuneration Report (Unaudited) (Continued)

The current remuneration for independent non-executive Directors is US \$60,000 per annum plus another US\$7,000 per annum for Committee Chairs and US\$3,000 for Committee members other than Chairs (in each case, plus statutory superannuation where applicable). The Chairman, Mr. Fred Schwarzer, receives no remuneration.

### Senior executives (including the executive Director)

The Company's approach to remuneration is framed by the strategic directions and operational demands of the business, the international marketplace in which the business operates and high standards of governance. The executive remuneration strategy includes a mix of competitive fixed remuneration, short-term incentives in the form of cash bonuses and longer-term incentives in the form of grants under the Company's 2017 Equity Incentive Plan.

### Setting and reviewing remuneration of senior executives

The Company aims to reward executives with a level and mix of remuneration appropriate to their position, experience, and responsibilities, while being market competitive and enabling the Company to structure awards that may conserve cash reserves due to the Company's current development stage.

The Remuneration and Nomination Committee, with the Board, actively reviews the Company's remuneration structure and benchmarks the proportion of fixed remuneration, short-term incentives and long-term incentives against relevant comparators to ensure the policy objectives are met and are in line with good corporate practice for a company of Visioneering's size, industry and stage of development. Remuneration levels are considered annually through the remuneration review, which considers industry benchmarks in Australia and the United States and the performance of the Company and individual. Other factors taken into account in determining remuneration include a demonstrated record of performance and the Company's ability to pay. In the case of executives, the CEO provides recommendations to the committee. The committee obtained remuneration benchmarking with reference to industry peers, together with, where appropriate, other benchmarking reports that apply to specific positions in 2017 and updated these analyses in 2018 through internal means.

The Board believes that equity-based remuneration is an effective way to attract, retain and motivate key employees. When used appropriately, it can provide a vehicle for linking executive pay to a company's performance, thereby aligning the interests of executives with those of stockholders. Tying a portion of an executive's remuneration to the performance of the Company provides an incentive to maximize stock value by those in the best position to realize that value.

### Fixed component

The Company aims to provide a competitive base salary with reference to the role, market and experience. The performance of the Company and individual are considered during the annual remuneration review.

### Short-term incentives component

The Company allocates cash bonuses linked to internal key performance indicators, the majority of which are based on revenue and other financial targets.

### Long-term incentives component

The Company rewards executives for their contribution to the creation of stockholder value over the longer term through the 2017 Equity Incentive Plan (2017 Plan) and the issue of incentive stock options under the 2017 Plan. The Company awards long-term incentive stock options based on performance against Key Performance Indicators that the Company expects will contribute to shareholder value over a longer period of time than the goals set for short-term incentives, for example regulatory approvals and product development milestones. Stock options awarded under long-term incentive milestones vest over 48 months based on continuity of service (but subject to acceleration in limited circumstances, including termination without cause and a change in the control of the Company).

## Remuneration Report (Unaudited) (Continued)

The 2017 Plan replaced a 2008 Equity Incentive Plan (2008 Plan) from the time of the Company's initial public offering and listing on the ASX in March 2017. The 2008 Plan operates in substantially the same way as described above (although following the adoption of the 2017 Plan, no new grants are being made under the 2008 Plan).

The rules of both plans were released to the ASX on March 27, 2017 and copies are available from the "All Announcements" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

The Board administers both the 2017 Plan and 2008 Plan based on the recommendations of the Nomination and Remuneration Committee. Key performance indicators for grants under the 2017 Plan included capital raises, new product launches and new geographic market entries.

### Summary table

The remuneration of senior executives in respect of the financial year ended December 31, 2018 (including remuneration yet to be paid) is summarized below.

Senior executive	Base Salary	Short-term incentive	Long-term incentive
Stephen Snowdy	\$371,942	None	1,758,125 in options to acquire Shares (subject to stockholder approval at 2019 AGM).
Brian Lane <sup>1</sup>	\$51,923	None	No LTI options received. Received sign-on options to acquire 1,531,863 Shares.
Tony Sommer	\$231,270	None	818,750 in options to acquire Shares.
Peg Achenbach <sup>2</sup>	\$30,769	None	No LTI options received. Received sign-on options to acquire 816,993 Shares.
Mark Rapoport <sup>3</sup>	\$161,347	None	No LTI options received.
Sally M. Dillehay <sup>4</sup>	\$53,918	None	No LTI options received.

<sup>1</sup>Mr. Lane commenced employment on October 2, 2018. He served as CFO in a consulting capacity from July 2, 2018 to October 1, 2018 through a contract with a third-party consulting firm. Remuneration associated with periods prior to October 2, 2018 are excluded from the amounts listed above.

<sup>2</sup>Ms. Achenbach commenced employment on October 22, 2018.

<sup>3</sup>Mr. Rapoport terminated employment on July 13, 2018.

<sup>4</sup>Ms. Dillehay terminated employment on February 12, 2018.

# Corporate Governance Statement

Good corporate governance is one of the foundational business practices of Visioneering Technologies, Inc. (VTI, the **Company**).

The Board of Directors (**Board**) confirms that VTI's corporate governance framework largely complies with the recommendations in ASX's *Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)* (the **Principles & Recommendations**), and the reason for any deviations from the Principles and Recommendations are largely due to the relatively small size of the Company and its operations. The Principles & Recommendations recognize that listed entities may legitimately adopt governance practices different to those set out in the Principles & Recommendations, having regard to such factors.

The Company provides below a review of its corporate governance framework, presented in the same numbering system used in the ASX Corporate Governance Recommendations.

Additional information about the Company's governance can be found in the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

*This Corporate Governance Statement has been approved by the Board of Directors of the Company and is current at March 27, 2019.*

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**Principle 1:** Lay solid foundations for management and oversight. A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

The Company did not comply with Recommendations 1.3 or 1.5 in full, but did comply with Recommendations 1.1, 1.2, 1.4, 1.6 and 1.7 in full, for the financial year ended December 31, 2018.

**Recommendation 1.1:** A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

The Board is ultimately responsible for the overall direction of the Company and oversight and review of the management, administration and governance of VTI. The Board's responsibilities are defined in the Board Charter, which is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com). The Board Charter also sets out the matters expressly reserved to the Board and those delegated to management. Clear delineations are provided between the responsibilities of the Board versus the responsibilities of the CEO and other company officers.

**Recommendation 1.2:** A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

## Corporate Governance Statement (continued)

The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election to a directorship. The Company does not however re-perform checks in connection with the re-election of a Director.

The Company will provide security holders with all material information in its possession that is relevant to a decision on whether to elect or re-elect a Director.

**Recommendation 1.3:** *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The Company enters into formal written agreements with each Independent Director and senior executive. The Company does not have a formal written agreement with the Chairman, Fred Schwarzer. Mr. Schwarzer is not compensated by the Company for his service on the Board and the Company considers the other terms of Mr. Schwarzer's engagement to be sufficiently certain so as not to necessitate a written agreement.

**Recommendation 1.4:** *The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary is accountable to the Board, through the Chairman, on all matters relating to the governance and the operation of the Board.

**Recommendation 1.5:** *A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The Company's Diversity Policy does not require the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. As a relatively small company (amongst those listed on the ASX), the Company faces particular issues in complying with this recommendation in full. This is because the Company is still in the early stages of commercializing its products and only has a small number of employees. As the Company moves closer to achieving its commercialization goals and increases its number of employees, it will re-examine its approach having regard to its scale and resources.

However, the Company can confirm that as at December 31, 2018, three of the Company's six Directors were women (50%). Among all employees, 23 of 46 were women (50%).

The Company is not a "Relevant Employer" under the Workplace Gender Equality Act.

The Company's Diversity Policy is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

## Corporate Governance Statement (continued)

**Recommendation 1.6:** A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

In the year 2018 the Remuneration and Nomination Committee initiated the process for evaluation of the Board's performance, to be performed on annual basis. The Committee performed an evaluation and made recommendations during the year ended December 31, 2018.

**Recommendation 1.7:** A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Under the Company's Board Charter, the Board is ultimately responsible for the evaluating the performance of the Chief Executive Officer (CEO) and senior executives. The Board has established a Nomination and Remuneration Committee which is responsible for setting performance goals for the CEO and senior executives, and for evaluating the CEO's and senior executives' performance against those goals at least annually. The Committee has evaluated 2018 performance of the CEO and senior executives in accordance with that process.

In addition, the Board regularly considers CEO and senior executive performance throughout the year.

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**Principle 2:** Structure the board to add value. A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

The Company did not comply with Recommendation 2.5 in full and complied with Recommendation 2.2 partially, but did comply with Recommendations 2.1, 2.3, 2.4 and 2.6 in full, for the financial year ended December 31, 2018.

**Recommendation 2.1:** The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board has established a Nomination and Remuneration Committee. It has four members, three of whom are independent directors (including the Chair of the Committee). Please refer to the "Remuneration Report" section for further information about the membership of the Committee and attendances at the meetings of the Committee.

The Nomination and Remuneration Committee Charter is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

## Corporate Governance Statement (continued)

**Recommendation 2.2:** A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board has determined that it is best served by having a mix of individuals with expertise and experience in the following areas:

Sales, Marketing and Communications	Governance
Business Development	Strategy & Risk Management
International Business	Audit/Corporate Finance
Leadership in Healthcare Sector	Capital Markets
Medical Product Development	Social/Health and Safety
IT & New Technology	Remuneration, People and Performance

The Board has assessed its mix of skills and diversity against the skills areas listed above and considers its current composition to be appropriate given the strategic direction of the Company and its stage of development.

Details in relation to the mix of skills and diversity of the Board can be found on pages 6 and 7 of this 2018 Annual Report. The Board has not at this stage formalized the skills of its Directors in a skills matrix framework.

**Recommendation 2.3:** A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 [of the Principles & Recommendations] but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

The Board considers Mr. Tom Dooley, Ms. Jean Franchi, Ms. Zita Peach and Ms. Christine Van Heek to be independent Directors. The Board does not consider them to have any interests, positions, associations or relationships of the types described in Box 2.3 of the Principles & Recommendations.

The Board does not consider the Chairman, Mr. Fred Schwarzer, to be independent. This is due to his relationship with substantial holders of securities in the Company, Charter Life Sciences. The Board does not consider Mr. Stephen Snowdy to be independent, due to his role as Chief Executive Officer of the Company.

Please refer to the "Remuneration Report" section for details of the length of service of each Director.

**Recommendation 2.4:** A majority of the board of a listed entity should be independent directors.

A majority of the Board are independent directors (four out of six directors).

**Recommendation 2.5:** The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

## Corporate Governance Statement (continued)

The Chairman of the Board is Mr. Fred Schwarzer. Although he is a non-executive Director, the Board does not consider him to be independent due to his role as Managing Partner of Charter Life Sciences, a substantial holder of securities in the Company.

The Board believes that Mr. Schwarzer is the most appropriate person to lead the Board as Chairman and that the Company as a whole benefits from his longstanding experience.

**Recommendation 2.6:** *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

New Directors are provided written materials upon joining the Board that familiarize the Director with the Company's history and products, and the Company's obligations for continuous disclosure. All Directors were trained with these written materials.

The Company is also prepared to provide additional professional development options when reasonably requested by Directors.

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**Principle 3:** Act ethically and responsibly. A listed entity should act ethically and responsibly.

The Company complied with Recommendation 3.1 in full for the financial year ended December 31, 2018.

**Recommendation 3.1:** *A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.*

The Company is committed not only to complying with its legal obligations, but also to act ethically and responsibly. The Company expects a high level of honesty, care, fair dealing and integrity in the conduct of all business activities.

The Company has a Code of Conduct which sets the standards of conduct expected of all of the Company's directors, officers, executives, employees, consultants and contractors. The Code of Conduct also deals with the Company's whistleblower policy.

The Code of Conduct is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

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**Principle 4:** Safeguard integrity in corporate reporting. A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

The Company complied with Recommendations 4.1 and 4.3, and partially complied with Recommendation 4.2, in respect of the financial year ended December 31, 2018.

## Corporate Governance Statement (continued)

**Recommendation 4.1:** *The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has established an Audit and Risk Committee. It has three members, all of whom are non-executive and independent Directors.

The Chair of the Audit and Risk Committee for the financial year ended December 31, 2018 has been an independent Director.

Please refer to the “Remuneration Report” section for further information about the membership of the Committee and attendances at the meetings of the Committee. Details in relation to the mix of skills of the members of the Audit & Risk Committee can be found on pages 6 and 7 of the 2018 Annual Report.

The Audit and Risk Committee Charter is available from the “Governance Documents” section of the Company’s investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

**Recommendation 4.2:** *The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

Before the Board approves the Company’s financial statements for a financial period, the Board seeks from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a fair and accurate representation of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control. (The Board seeks a “fair and accurate” confirmation because the Company applies the accounting principles generally accepted in the United States and the declaration of “true and fair” standard is a Corporations Act requirement that does not apply to the Company because it is incorporated outside of Australia.)

**Recommendation 4.3:** *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company’s external auditor or representative will be invited to attend the annual meeting of stockholders and will be available to answer questions from security holders relevant to the audit at the annual general meetings.

## Corporate Governance Statement (continued)

**Principle 5:** Make timely and balanced disclosure. A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

The Company complied with Recommendation 5.1 in full for the financial year ended December 31, 2018.

**Recommendation 5.1:** A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.

The Company has adopted a Continuous Disclosure Policy. It is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

**Principle 6:** Respect the rights of security holders. A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

The Company complied with Recommendations 6.1 to 6.4 in full for the financial year ended December 31, 2018.

**Recommendation 6.1:** A listed entity should provide information about itself and its governance to investors via its website.

The Company provides information about itself and its corporate governance to investors via its investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

**Recommendation 6.2:** A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com) contains information about the Company and its governance. The website also contains the Company's contact details should investors wish to contact the Company.

In addition, the Company's Continuous Disclosure Policy sets out the Company's policies and the processes it has in place to facilitate and encourage participation at meetings of security holders.

**Recommendation 6.3:** A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company's Continuous Disclosure Policy sets out the Company's policies and the processes it has in place to facilitate and encourage participation at meetings of security holders. It is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

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## Corporate Governance Statement (continued)

**Recommendation 6.4:** A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company's contact details are available on its website. Security holders can submit an electronic query to the Company via the website or contact its registry, Computershare.

All CDI holders have the option to receive communications by email.

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**Principle 7:** Recognize and manage risk. A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

The Company complied with Recommendations 7.1 to 7.4 in full for the financial year ended December 31, 2018.

**Recommendation 7.1:** The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) as at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company has a combined Audit and Risk Committee. Please refer to the response to Recommendation 4.1 above for further information.

**Recommendation 7.2:** The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee is responsible for reviewing the Company's risk management framework at least annually to assess whether it continues to be sound.

The Audit and Risk Committee conducts a review of risks and risk management as part of its annual finance and accounting audit. Such a review was performed for the year ended December 31, 2018.

**Recommendation 7.3:** A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function.

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy to assist it to identify, evaluate and mitigate technological, economic, operational and other risks. The Audit and Risk Committee with oversight from the Board has responsibility to review and assess the Company's processes for evaluating and continually

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## Corporate Governance Statement (continued)

improving the effectiveness of its risk management and internal control processes. Management reviews and assesses the key risks of the Company together with the controls in place to mitigate these risks prior to presenting the risk management framework to the Audit and Risk Committee for review.

For instance, the Company determined that certain aspects of its internal control systems were no longer appropriate to manage the corresponding risks given the Company's recent and contemplated growth. Under the oversight of the Audit and Risk Committee and the Board, the Company has implemented a range of measures to further mitigate these risks. Such measures include refining the Company's expense reimbursement and general ledger security procedures, and engaging additional outside support for technical and non-routine accounting matters. The Company is also considering deploying a more advanced enterprise resource planning system as it scales up its operations.

The Risk Management Policy is available from the "Governance Documents" section of the Company's investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

**Recommendation 7.4:** *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Company's exposure to economic risks remains broadly as described in the prospectus for the Company's initial public offering during 2017 (which is available via the ASX Market Announcements Platform).

The Company is not subject to material environmental or social sustainability risks.

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**Principle 8:** Remunerate fairly and responsibly. A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

The Company complied with Recommendations 8.1 to 8.3 in full for the financial year ended December 31, 2018.

**Recommendation 8.1:** *The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Company has a combined Nomination & Remuneration Committee. Please refer to the response to Recommendation 2.1 for further information.

**Recommendation 8.2:** *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

## Corporate Governance Statement (continued)

Please refer to pages 33 to 35 of the Annual Report for the “Remuneration Report”.

**Recommendation 8.3:** *A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.*

The Company’s Securities Trading Policy prohibits all participants in an approved share or option plan, or who otherwise hold securities in the Company from engaging in any conduct that seeks to secure the economic value attaching to the relevant securities and remove the element of price risk inherent in the value of those securities, while the securities remain unvested or subject to escrow.

The Securities Trading Policy is available from the “Governance Documents” section of the Company’s investor website at [www.vtvisioninvestors.com](http://www.vtvisioninvestors.com).

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## Other Security Holder Information

### Introduction

The Company has Chess Depository Interests (**CDIs**) quoted on the Australian Securities Exchange (ASX) trading under the ASX code VTI. Each CDI represents an interest in one share of the Class A common stock of the Company (**Share**). The Company's securities are not quoted on any other exchange.

Except as otherwise noted below, the information below was applicable as at March 26, 2019. To avoid double-counting, the holdings of Shares by CHES Depository Nominees Pty Limited (underpinning the CDIs on issue) have been disregarded in the presentation of the information below.

### Top 20 Holders of CDIs and Shares

Rank	Name	Number	% of Issued Capital
1	Charter Life Sciences II LP	25,418,127	10.22%
2	Merrill Lynch (Australia) Nominees Pty Limited	19,938,860	8.02%
3	Memphis Biomed Ventures II LP	14,935,585	6.01%
4	CLS II Annex Fund LLLC	14,615,508	5.88%
5	National Nominees Limited	13,243,059	5.33%
6	Citicorp Nominees Pty Limited <Domestic Hin A/C>	13,122,683	5.28%
7	UBS Nominees Pty Ltd	13,067,457	5.25%
8	Charter Life Sciences (Ohio) II LP	10,531,117	4.24%
9	HSBC Custody Nominees (Australia) Limited	9,538,703	3.84%
10	J P Morgan Nominees Australia Pty Ltd	9,527,193	3.83%
11	Paul Cozzi	7,915,113	3.18%
12	Brispot Nominees Pty Ltd <House Head Nominee A/C>	7,585,445	3.05%
13	Ack Pty Ltd <Markoff Super No 2 A/C>	7,482,880	3.01%
14	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	4,531,837	1.82%
15	Moore Family Nominee Pty Ltd <Moore Family S/Fund A/C>	4,424,686	1.78%
16	Cs Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	3,738,627	1.50%
17	Life Science Angels Investors IV LLC	2,747,503	1.11%
18	Cs Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	2,611,111	1.05%
19	Podesta Family Group Pty Ltd <Podesta Family Group A/C>	2,380,953	0.96%
20	Dr Russell Kay Hancock	2,100,000	0.84%
	<b>Top 20 holders</b>	<b>189,456,447</b>	<b>76.20%</b>
	<b>Remaining holders</b>	<b>59,162,847</b>	<b>23.80%</b>
	<b>Total</b>	<b>248,619,294</b>	<b>100.00%</b>

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## Other Security Holder Information (continued)

### Distribution of CDIs and Shares

Range	Total holders	Number	% of Issued Capital
1 – 1,000	15	3,273	0.00%
1,001 – 5,000	55	177,224	0.07%
5,001 – 10,000	47	358,647	0.14%
410,001 – 100,000	299	14,013,318	5.64%
100,001 – 999,999,999	157	234,066,832	94.15%
<b>Total</b>	<b>573</b>	<b>248,619,294</b>	<b>100.00%</b>

There are 83 investors holding less than a marketable parcel of CDIs or Shares, based on a minimum A\$500.00 parcel at A\$0.08 per CDI or Share (close of trade price on March 22, 2019).

### Substantial Security Holders

The names of substantial security holders in the Company and their respective holdings of equity securities (to the best of the Company's knowledge) are as follows:

Security Holder	Number of equity securities <sup>1</sup>	Voting power (%)
Charter Life Sciences II, L.P., Charter Life Sciences (Ohio) II, L.P. And CLS II Annex Fund, LLC	50,564,752 Shares	20.34%
Regal Funds Management Pty Limited	29,793,065 CDIs	11.98%
Memphis Biomed Ventures II, LP	14,935,585 Shares	6.01%
Kinetic Investment Partners Ltd	13,155,017 CDIs	5.29%
Renaissance Smaller Companies Pty Ltd	12,261,908 CDIs	4.93%

<sup>1</sup> One share is equal to one CDI.

### Options (not listed on ASX)

There are a total of 11,329,368 options on issue, all of which were issued under the Company's 2017 Equity Incentive Plan or its 2008 Stock Incentive Plan.

### Securities Subject to Escrow as at March 28, 2019

The last day of escrow period for all Shares/CDIs and Options was March 27, 2019. No securities were subject to escrow as at March 28, 2019.

### Required Statements

The Company is incorporated in the State of Delaware in the United States of America and is not subject to Chapters 6, 6A, 6B and 6C of the *Corporations Act 2001* (Cth) dealing with the acquisition of shares, including provisions that relate to substantial holdings and takeovers.

Under the Delaware General Corporation Law, shares generally are freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's certificate of incorporation or by-laws, or by an agreement signed with the holders of the shares at issue. The Company's amended and restated certificate of incorporation and amended and restated by-laws do not impose any specific restrictions on transfer. The Company's CDIs were issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (Securities Act) for offers that are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are "restricted securities" under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable

## Other Security Holder Information (continued)

future except in very limited circumstances after the expiration of a restricted period, unless the resale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the above transfer restrictions, all CDIs issued bear a "FOR US" designation on the ASX. This designation restricts any CDIs from being sold on ASX to US persons. However, you still may freely transfer your CDIs on ASX to any person other than a US person. In addition, hedging transactions regarding the CDIs may only be conducted in accordance with the Securities Act.

The Company currently is not operating an on-market buy-back of the Company's securities and no securities were purchased on-market during the reporting period ending December 31, 2018.

From the time of the Company's admission to the ASX until December 31, 2018, the Company has used the cash and assets in a form readily convertible to cash, that it had at the time of admission, in a way that is consistent with its business objectives at that time.

The Company's Australian Company Secretary is Julian Rocket.

### Voting Rights

Every holder of common stock present in person or by proxy is entitled to one vote for each Share held on the record date for the meeting on all matters submitted to a vote of Stockholders. Options do not carry a right to vote.

CDI holders may attend and vote at the Company's general meetings. The Company must allow CDI holders to attend any meeting of stockholders unless relevant US law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders may:

- Instruct CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the CDI Registry before the meeting;
- Inform the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting at the general meeting; or
- Convert their CDIs into a holding of Shares and vote these at the meeting. Afterwards, if the former CDI holder wishes to sell their investment on ASX, the holder would need to convert the Shares back to CDIs. In order to vote in person, the conversion from CDIs to Shares must be completed before the record date for the meeting. For information on the process of converting CDIs to common stock, please contact the CDI registry.

One of the above steps must be undertaken before CDI holders can vote at stockholder meetings. CDI voting instruction forms and details of these alternatives will be included in each notice of meeting or proxy statement sent to CDI holders.

# Corporate Directory

## Board of Directors

Dr. Stephen Snowdy, CEO and Executive Director  
Mr. Fred Schwarzer, Chairman and Non-Executive Director  
Ms. Christine Van Heek, Non-executive Director  
Ms. Zita Peach, Non-executive Director  
Mr. Tom Dooley, Non-executive Director  
Ms. Jean Franchi, Non-executive Director

## Management Team

Dr. Stephen Snowdy, CEO and Executive Director  
Mr. Brian Lane, Chief Financial Officer  
Mr. Tony Sommer, Jr, Senior Vice President, Sales & Marketing  
Dr. Peg Achenbach, Vice President, Professional Affairs and Clinical Science

## US Office & Headquarters

Visioneering Technologies, Inc.  
10745 Westside Way, Suite 200  
Alpharetta, Georgia 30009  
United States  
Telephone +1 800 884 5367  
[www.vtvision.com](http://www.vtvision.com)

## CDI Registry

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne, Victoria 3001 Australia  
Telephone: 1300 850 505 (within Australia)  
Or +61 3 9415 4000 (outside Australia)  
[www.computershare.com](http://www.computershare.com)

## Australian Legal Adviser

Johnson Winter & Slattery  
Level 25, 20 Bond Street  
Sydney, New South Wales 2000 Australia  
Telephone +61 2 8274 9555  
[www.jws.com.au](http://www.jws.com.au)

## Australian Registered Body Number (ARBN)

606 156 248

## US Legal Advisor

Thompson Coburn LLP  
One US Bank Plaza  
St. Louis, Missouri 63101  
United States  
Telephone 1+ 314 552 6000  
[www.thompsoncoburn.com](http://www.thompsoncoburn.com)

## Company Registered Address in Australia

c/o Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney, New South Wales 2000 Australia  
Telephone: 1300 737 760 (in Australia)  
Or +61 9290 9600 (international)

## Share Registry

Computershare Trust Company, N.A.  
250 Royall Street  
Canton, Massachusetts 02021  
United States  
[www.computershare.com](http://www.computershare.com)

## Auditor

Grant Thornton LLP  
1100 Peachtree St NW  
Atlanta, GA 30309  
[www.grantthornton.com](http://www.grantthornton.com)

## Patent Attorney

Seyfarth Shaw LLP  
Seaport East, Two Seaport Lane, Suite 300  
Boston, Massachusetts 02210-2028  
United States  
Telephone +1 617 946 4800  
[www.seyfarth.com](http://www.seyfarth.com)

## ASX Symbol: VTI

**VTI website:**  
[www.vtvision.com](http://www.vtvision.com)

**VTI investor website:**  
[www.vtvisioninvestors.com](http://www.vtvisioninvestors.com)

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