



**Visioneering Technologies, Inc. (ASX:VTI)**  
**2022 Annual Report**

# Visioneering Technologies, Inc.

## Redefining Vision

Visioneering Technologies Inc. (ASX: VTI), “VTI” or “the Company,” is an innovative eye care company committed to redefining vision. A pioneer in myopia and presbyopia management, VTI merges advanced engineering with a relentless drive to achieve superior results for patients and practitioners. VTI’s flagship product is the NaturalVue® (etafilcon A) Multifocal 1-Day Contact Lens, an extended depth of focus lens that we believe is one of the most significant innovations in the eye care industry in more than 20 years. For more information, please visit [www.vtivision.com](http://www.vtivision.com).

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## Forward-looking statements

This Annual Report contains or may contain forward-looking statements that are based on management's beliefs, assumptions, and expectations and on information currently available to management. Forward-looking statements involve known and unknown risks, uncertainties, contingencies, and other factors, many of which are beyond VTI's control (including but not limited to the COVID-19 pandemic), and subject to change without notice. They may involve significant elements of subjective judgment and assumptions about future events. Actual results may be materially different.

All statements that address operating performance, events, or developments that we expect or anticipate will occur in the future are forward-looking statements. These include, without limitation, commercial market acceptance in the United States of America ("U.S.") and global sales of our product, as well as our expectations with respect to our ability to develop and commercialize new products and complete clinical trials.

Factors that could cause our actual results to differ materially from anticipated results expressed or implied by forward-looking statements include, among others:

- our ability to obtain sufficient capital or strategic business arrangements to fund our operations and expansion plans and the funding of our clinical trials for product candidates;
- our ability to expand our distribution and sales channels around the globe;
- our ability to build and maintain the management and human resources infrastructure necessary to support the growth of our business;
- scientific, regulatory, and medical developments beyond our control;
- our ability to obtain and maintain, as applicable, appropriate governmental licenses, accreditations, or certifications or to comply with healthcare laws and regulations or any other adverse effect or limitations caused by government regulation of our business;
- whether any of our current or future patent applications result in issued patents, the scope of those patents and our ability to obtain and maintain other rights to technology required or desirable for the conduct of our business; and our ability to commercialize products without infringing upon the claims of third-party patents;
- whether any potential strategic or financial benefits of various licensing agreements will be realized;
- our ability to diversify our pipeline of development product candidates, which could include an acquisition, merger, business combination, in-license or other strategic transaction, and whether any of such efforts will result in us entering into or completing any transaction or that any such transaction, if completed, will add to shareholder value;
- the results of our development activities;
- our ability to complete our planned clinical trials (or initiate other trials) in accordance with our estimated timelines due to delays associated with enrolling patients due to but not limited exclusively to the novelty of the treatment, the size of the patient population and the need of patients to meet the inclusion criteria of the trial or otherwise;
- the extent to which the COVID-19 pandemic may continue to impact our business, including our clinical trials and financial condition;
- our ability to procure our products from our contract manufacturer;
- the ability of our customers (distributors) to ship our products to eye care professionals in a timely manner; and
- adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, that could adversely affect our current and projected business operations and its financial condition and results of operations.

## Forward-looking statements (continued)

Any forward-looking statements are provided as a guide only and should not be relied upon as an indication or guarantee of future performance. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. You should not place undue reliance on forward-looking statements because they speak only as of the date when made and are subject to change without notice. VTI does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. VTI may not actually achieve the plans, projections, or expectations disclosed in forward-looking statements.

# What We Do – Directors Report

## What we do: Contact lenses

VTI 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 with complex and poorly addressed vision needs. These populations include:

- Children who have blurry distance vision (“nearsightedness” or “myopia”) which progressively worsens through their childhood and adolescence, a condition called myopia progression. This condition correlates to an elevated lifetime risk for blindness and other debilitating ocular diseases, with the risk increasing with the severity of myopia; and
- Persons over the age of 40 who have myopia and are losing their ability to see near objects, a condition called presbyopia. Most current contact lenses designed for presbyopia compromise either near or distance vision and are time consuming for practitioners to optimize.

Eye Care Professionals (**ECPs**) use the same NaturalVue MF contact lens to treat both populations, slowing the progression of myopia in children/adolescents and providing middle-aged and older adults with simultaneous correction of near, intermediate and distance vision. The versatility of treating two large and under addressed patient populations with a single contact lens design is a global competitive advantage.

Together, myopia in children and presbyopia represent approximately US\$5 billion of addressable market opportunity in the United States alone. In Asia, where in some countries up to 80-90% of children suffer from myopia, the addressable market for NaturalVue MF in treating myopia progression in children is in the billions of dollars, with China alone representing approximately US\$8-11 billion of addressable market. As the degree of nearsightedness correlates to one’s lifetime risk of blindness and other debilitating eye diseases, treatments for myopia progression in children are increasingly in demand.

In addition to contact lenses for presbyopia and myopia progression, VTI also sells NaturalVue Sphere, which is a contact lens for the simple correction of blurry distance vision.

## Defined terms

We reference several defined terms throughout this Annual Report as follows:

**Shipments to US ECPs** (Eye Care Professionals, or “ECPs”) – represents the gross revenue equivalent of lenses shipped to ECPs located in the U.S., net of fulfillment fees.

**Active U.S. Accounts** – ECPs located in the U.S. that purchased VTI products in the most recent fiscal quarter.

**Repeat Customer Rate** – the percent of prior quarter Active U.S. Accounts that purchased in the current quarter.



## To Our Securityholders – Directors Report

VTI started 2022 focused on the rollout of its NaturalVue® Enhanced Multifocal 1 Day™ contact lenses. We launched this new product in the U.S. in the fourth quarter of 2021 to a subset of our U.S. ECP population and continued the rollout throughout the first half of 2022. This product is the next generation of our flagship NaturalVue MF for managing myopia and presbyopia. NaturalVue Enhanced Multifocal features the TripleTear® lubrication system and Ultra-Tapered Edge designed for optimal fit and comfort for all-day wear. We followed the U.S. launch with one in the United Kingdom in early March 2022 and in our remaining eligible countries later in FY22.

### PROTECT Clinical Study

Another significant effort in 2022 was the PROTECT (PROgressive Myopia Treatment Evaluation for NaturalVue® Multifocal Contact Lens Trial) Clinical Study designed to generate randomized, controlled clinical data to support our NaturalVue® (etafilcon A) Multifocal (M.F.) 1 Day Contact Lens product. Historically, VTI has released the results of its own real-world data for NaturalVue Multifocal 1 Day contact lens, and the standalone results have been extremely favorable.

The results of two randomized control trials for competitor products were published in recent years. One was conducted by the maker of the MiSight® 1 day lens, and the other was the Bifocal Lenses In Nearsighted Kids (BLINK) Study, which was conducted by two large research institutions in the U.S. and was funded by the U.S. National Eye Institute. These trials studied children ages 7 – 12 at enrollment and included several measurements as endpoints, a key one of which was the absolute change in spherical equivalent refractive error over a three-year period. The studies showed that the patients wearing the MiSight or BLINK lenses (the test group) averaged 0.60 Diopters (standard unit of optical power) or more of absolute change over three years, while the patients wearing the single vision contact lens (the control group) averaged a full diopter or more of change over three years.

Subsequently, VTI compared the results from these studies to the results of an age-matched corresponding subset of the children in the NaturalVue Multifocal 1 Day real-world study. The comparison is compelling. On average, the children in the VTI real-world study experienced almost no worsening of their myopia over a three-year period.<sup>1</sup>

The real-world data supporting the NaturalVue Multifocal 1 Day results clearly are much more positive than the data for the competitor products. To make this comparison even more rigorous, we are conducting the PROTECT Clinical Study in order to be able to report randomized, controlled data. We expect that the results from PROTECT will affirm our observations based on real-world data and solidify the conclusion that NaturalVue Multifocal 1 Day provides a clearly superior benefit in controlling myopia progression in children.

The first patient in PROTECT completed the initial visit in January 2022 at a site in Toronto, Canada. We added sites to the study in Canada, the U.S., Hong Kong, and Singapore and completed enrollment in early December 2022. We project the announcement of 1-year interim data from PROTECT in late 2023. Note that for previous studies of this type, 1-year data have been highly predictive of the final study outcome; so, we expect the announcement of these results from PROTECT to be a significant positive milestone for VTI.

### Global Expansion

We continue to work to identify the most expeditious and financially attractive route to regulatory approval in China and other markets. Concomitantly, we are actively pursuing partnerships to expand our global distribution channels, particularly for distribution in China. We remain excited and optimistic about our prospects, especially given that China represents the largest pediatric myopia market in the world. Further, we believe the investment we've made in the PROTECT Clinical Study may help to minimize the regulatory time and expense needed to gain entry to China and other new markets.



## To Our Securityholders (continued)

### Operating Results (in U.S. dollars)

VTI recorded net revenue of \$7.3 million in FY22, an increase of 2% over FY21, following an increase in FY21 of 40% over FY20. With the new product launch, distributors in the U.S. purchased initial stocking orders in late FY21 with minimal sales of the new product in that year. These orders effectively “pulled forward” more than \$400,000 of net revenue from FY22 to FY21, partially accounting for the 40% increase in net revenue from FY20 to FY21 and accelerating net revenue that normally would have been recorded in FY22. Excluding the impact of the new product launch, net revenue increased 14% in FY22 compared to FY21. Shipments to US ECPs were \$7.9 million, an increase of 13% over FY21, consistent with the 14% adjusted increase in net revenue for the same period.

Gross margins also improved between years, increasing from 41.5% in FY21 to 45.5% in FY22. We expect gross margins to continue to improve in FY23 due to favorable changes in selling price, purchasing costs, and shipping expenses. The Company expects to achieve gross margins of more than 50% in FY23 due to these changes.

Additionally, the Company lowered its operating expenses in FY22 despite incurring higher clinical expenses associated with the PROTECT Clinical Study. We achieved this improvement primarily through lower personnel costs from attrition in positions that the Company currently does not plan to replace and lower trial lens costs that were elevated during the new product launch and normalized later in the year. We anticipate that personnel costs will remain low in FY23 and PROTECT Clinical Study expenses will decline from FY22 levels.

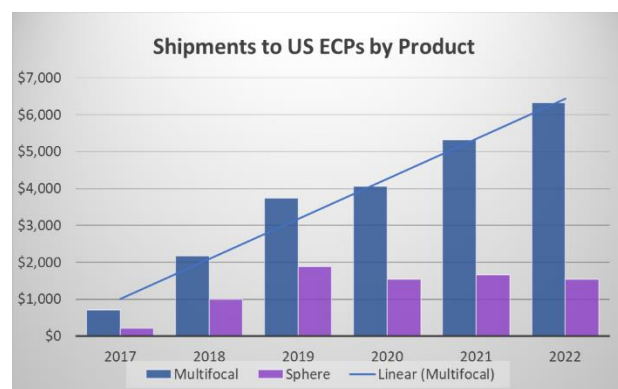
These improvements drove a 20% decrease in the Company’s operating loss from FY21 to FY22. We expect revenue and gross profit growth, combined with tight controls on operating expenses, to enable the Company to continue to lower its operating losses in FY23.



Shipments to US ECPs reflected consistent growth between years, other than the impact of COVID-19 on 2020 results.

Net revenue growth fluctuated between years due to the “pull forward” effect of the new product launch.

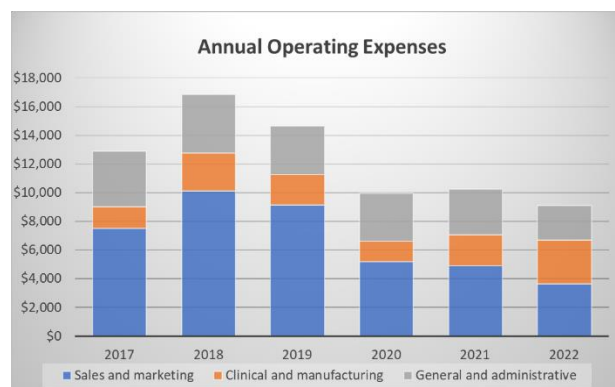
Gross margin % declined in FY21 as global shipping costs soared. Gross margin % grew in FY22 as these issues dissipated.



Shipments to US ECPs for the multifocal product grew consistently from year to year, reflecting the strong patient-level demand for the product.

Shipments to US ECPs for the sphere product declined in FY22 due primarily to industry consolidation of independent optometrists. The consolidators typically limit sphere purchases to a few sources that may not include the VTI product.

## To Our Securityholders (continued)



Annual operating expenses declined in FY22 despite higher clinical and manufacturing costs that were elevated by the PROTECT Clinical Study.

We expect the PROTECT Clinical Study costs to decline in FY23 and FY24 as such costs typically are higher in the first and final year of the study.

We anticipate a further reduction in annual operating expenses in FY23, driven primarily by the lower PROTECT Clinical Study expenses.

### Working Capital

In October 2022, the Company held an Extraordinary General Meeting of Stockholders, at which stockholders approved an amendment of the Convertible Notes. The amendment will save the Company approximately \$1.7 million in cash payments and extend the maturity date for the remaining notes to 30 June 2024.

VTI finished FY22 with \$5.0 million in cash, cash equivalents, and marketable securities. Our net cash used in operating activities was \$6.0 million during the year. Based on our forecasted net cash use in FY23, we believe our current cash is sufficient to finance our operations through June 2024 when the remaining Convertible Notes come due. We plan to explore additional financing in FY23, as necessary, to support our long-term strategic plan.

### Matters subsequent to the end of the Financial Year

VTI has evaluated subsequent events through to April 12, 2023, and determined that no additional subsequent events had occurred that would require disclosure or recognition in the annual financial statements since their first release to ASX on February 28, 2023.

### Environmental regulation

VTI is not subject to any significant environmental regulation under U.S. legislation. VTI is committed to the sustainable management of environmental, health, and safety concerns as a core business principle. This includes ensuring compliance with all applicable government standards and regulations and providing a safe and healthy workplace, while reducing our environmental footprint. We integrate health, safety, and environmental considerations into all aspects of our business. The Board of Directors considers that adequate systems are in place to manage VTI's obligations and is not aware of any breach of environmental requirements as they relate to VTI.

### Outlook

Our new product launch (NaturalVue® Enhanced Multifocal 1 Day™ contact lenses) was successful, with positive feedback from ECPs and patients. The PROTECT Clinical Study is fully enrolled, and we eagerly await the interim 1-year results that we anticipate announcing in late FY23. The Company grew its net revenue and gross profit while lowering its operating expenses in FY22. We believe the commitment we've made to the PROTECT Clinical Study and the quality of the protocol are driving renewed interest from potential partners in working with VTI to gain regulatory approval to sell in China and other markets. These developments positively impact the Company's value to potential partners, lenders, and investors.



## To Our Securityholders (continued)

Our Convertible Note holders showed great support for VTI by converting 60% of the notes in FY22 and extending the maturity on the remaining notes by a year. I appreciate their continued belief in our vision. Thank you as well to our stockholders for continuing this journey with us as we improve our operations, expand our global footprint, improve the vision of patients worldwide, and continue our work to achieve enduring shareholder value.

Sincerely,

A handwritten signature in black ink, appearing to read 'David J. Mazzo', followed by a long, horizontal, wavy line that extends to the right.

David J. Mazzo, Ph.D.  
Chairman and Non-executive Director

MiSight® is a registered trademark and brand of CooperVision, Inc.

1 Benoit DP, Dillehay SM. New Clinical Evidence through 5 Years: NaturalVue Multifocal for Myopia Management. The Global Myopia Symposium, September 2020.

## Directors

### **Dr. David J. Mazzo, Ph.D.**

#### **Chairman of the Board and Independent Non-executive Director**

#### **Chair of the Nomination and Remuneration Committee and member of the Science and Technology Committee**

Dr. Mazzo was appointed as VTI's Chairman on February 28, 2020. Dr. Mazzo is a highly accomplished and experienced life sciences executive and board director with almost 40 years of experience in managing companies in the healthcare space. Dr. Mazzo currently is CEO and Executive Director of Lisata Therapeutics (NASDAQ:LSTA). Dr. Mazzo also serves on the Board of Feldan Therapeutics (private). Previously, Dr. Mazzo served as Chairman of the Board of EyePoint Pharmaceuticals, Inc. (NASDAQ:EYPT) and as a non-executive director of Seneca Biopharmaceuticals, Inc. (NASDAQ:SNCA) as well as CEO and Executive Director of Regado Biosciences, Inc., where, among other accomplishments, he led Regado's IPO on NASDAQ. Prior to leading Regado, Dr. Mazzo was CEO and Executive Director of Aeterna Zentaris, a public pharmaceutical company (NASDAQ:AEZS, TSX:AEZS), and of Chugai Pharma USA, LLC, the U.S. subsidiary of Chugai Pharmaceuticals Co. Ltd. of Japan (TYO:4519), a member of the Roche group (SWX:RO). Dr. Mazzo has also had a distinguished international career leading pharmaceutical development for Rhone-Poulenc Rorer and Hoechst Marion Roussel before culminating his big pharma experience in his position as Senior Vice President of Development Operations for Schering-Plough Research Institute.

Dr. Mazzo's academic training and early career were in analytical chemistry. He received his M.S. in Chemistry and Ph.D. degree in Analytical Chemistry from the University of Massachusetts, Amherst, and completed a research fellowship at the Ecole Polytechnique Federale de Lausanne in Switzerland. He earned a B.A. in the Honors program (interdisciplinary humanities) and a B.S. in chemistry at Villanova University.

### **Mr. Andrew Silverberg**

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

#### **Member of the Nomination and Remuneration Committee and Audit and Risk Committee**

Mr. Silverberg was appointed as a Director on November 5, 2020 pursuant to an agreement between the Company and Thorney Investment Group Australia Pty Ltd, one of the Company's largest security holders. He has over 20 years of experience as an investor and leader in the global money management industry and possesses deep experience and relationships in investment management, capital markets, and investment banking.

Mr. Silverberg currently serves as an Investment Manager with Thorney Investment Group Australia Pty Ltd. From 2014 to 2017, Mr. Silverberg served as Senior Portfolio Manager at Talpion Fund Management, a New York based family office, where he managed a global equity portfolio and researched various public and private investment opportunities. From 2012 to 2014, Mr. Silverberg re-joined hedge fund firm Mark Asset Management as Partner and Portfolio Manager. From 2001 – 2012, Mr. Silverberg was a Senior Vice President and Portfolio Manager with institutional money management firm Fred Alger Management. Mr. Silverberg began his career as a Research Analyst with Mark Asset Management.

Mr. Silverberg graduated from Brooklyn College with a Bachelor of Science Degree in Business, Management and Finance.

## Directors (continued)

### **Dr. Dwight Akerman, O.D., MBA**

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

#### **Chair of the Science and Technology Committee and member of the Audit and Risk Committee**

Dr. Akerman was appointed as a Director on July 2, 2021. Dr. Akerman is an optometrist and an experienced executive in the vision care industry, with over 40 years of leadership in optometry, new product development, clinical and regulatory affairs, academic and professional affairs, business development and licensing, and executive management. He is currently the Chief Medical Editor of “Review of Myopia Management” and recently retired from Alcon as Vice President and Global Head of Professional Affairs and Business Development.

From 2001 to 2011 at Ciba Vision, he served as Director of Marketing, Director of Professional Affairs in North and South America, and Global Head of Medical Affairs at Novartis Ophthalmics. Then, after Ciba Vision merged with Alcon, he served as Executive Director of U.S. Professional Affairs before being promoted to Vice President and Global Head of Professional Affairs and Business Development. In this last role at Alcon, Dr. Akerman was a member of the vision care global leadership team and had responsibilities for myopia management strategy, medical marketing, business development and licensing, and managed the company’s relationship with global medical associations.

Prior to his tenure at Alcon, Dr. Akerman was Director of Global Clinical Research and Professional Affairs for 10 years at Wesley Jessen Corp., which merged with Ciba Vision in 2001. Dr. Akerman earned his Doctor of Optometry degree cum laude at the Illinois College of Optometry and his MBA at the University of Texas at Tyler.

### **Dr. Allan E. Rubenstein**

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

#### **Member of the Nomination and Remuneration Committee and Science and Technology Committee**

Dr. Rubenstein was appointed as a Director on June 29, 2022. He is a highly experienced public company board director, a successful entrepreneur, and a respected medical doctor. He served for 29 years on the board of The Cooper Companies, Inc. (NYSE: COO), including as either Chairman or Lead Independent Director for all but two of those years. The Cooper Companies, Inc. is the parent company of CooperVision, one of the largest contact lens companies in the world.

Dr. Rubenstein achieved success early in his career by founding, growing, and selling a mobile CT and MRI scanning company. He then founded and served as CEO of NexGenix Pharmaceuticals, which developed drugs for cancer and genetic disorders. NexGenix was acquired by Oncosynergy in 2011. He was a board member of Bioclinica (Nasdaq: BIOC), which provided imaging services for clinical trials (Bioclinica merged in 2021 to become Clario, a private company). He was the Chairman of the Scientific Advisory Board (SAB) for Plex Pharmaceuticals, a privately held biotechnology company, for 9 years and presently is the head of the SAB for 2 privately held companies in the vision space: Coloursmith Labs and EyeVision Pharma. He is also a member of the advisory board for the Tufts University Graduate School of Biomedical Sciences, a program that engages stakeholders from science, private equity and governmental sectors to commercialize advances in medicine and is Chairman Emeritus of the SAB for the Children’s Tumor Foundation, which he co-founded.

Dr. Rubenstein earned his Bachelor of Arts degree from Cornell University, his medical degree from Tufts University School of Medicine and trained in neurology at Columbia Presbyterian Medical Center.

## Directors (continued)

### **Ms. Kathleen Miller**

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

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

Ms. Miller was appointed as a Director effective with the retirement of Ms. Jean Franchi on December 31, 2022. Ms. Miller is an experienced public company board member and Audit Committee Chair with over 30 years of leading and advising boards of public and high-growth companies on finance, accounting, compensation, mergers & acquisitions, initial public offerings, governance, strategy and operations. Kathy currently serves as a Non-executive Director and Audit Committee Chair for Tecsyst (TO:TCS), a leading supply chain and complex distribution management system provider; Non-Executive Director, Audit Committee and Compensation Committee member for IOU Financial (TSXV:IOU), a fintech small business lender; Non-Executive Director, Audit Committee and Governance Committee member for Kaleyra (NYSE:KLR), an omnichannel business communications platform; and Audit Committee Chair for True Commerce, a private equity backed leader in EDI and multi-enterprise supply chain eCommerce and business networks.

Prior to her retirement, Kathy was CFO of Nitro Software, Inc. (ASX:NTO), a high growth SaaS-based workflow productivity company, where she contributed to 200% recurring revenue CAGR and 95% client retention. Through her CFO role and at the board level, she led the ASX IPO for this \$40M business. Previously, Kathy led dual roles as CFO and COO of nCourt LLC, a high-growth SaaS-based software and payment service provider with \$4B+ in processed funds, overseeing all operational and financial functions.

Ms. Miller earned an M.S. in the Study of Law, magna cum laude from Fordham University and a B.S. in Accounting, cum laude from Alfred University.

## Senior Leadership Team

### **Mr. Brian Lane**

#### **Chief Operating & 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, a NASDAQ-listed global recovery audit and business analytics firm. He 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).

### **Dr. Kuang-mon (Ashley) Tuan**

#### **Chief Medical Officer**

Dr. Tuan joined VTI on November 2, 2021 as Chief Medical Officer. Most recently, Dr. Tuan was Vice President of Medical Devices for Mojo Vision, a smart contact lens company. Previously, she was Vice President of Clinical Affairs & Vision Research for Powervision, Inc., an accommodative intraocular lens company, and Senior Director of Clinical Research for Nexisvision, Inc., an ophthalmic medical device company. She also served as Vision Research and Project Manager for CooperVision, where she helped develop and launch the MiSight™ contact lens that later became the first contact lens approved by the FDA indicated to slow the progression of myopia in children. In addition to other positions in the vision care industry, Dr. Tuan was a practicing optometrist for nine years.

Dr. Tuan holds a Ph.D. in Vision Science from the University of California at Berkeley School of Optometry and a Doctor of Optometry and Master of Science in Physiological Optics from The Ohio State University College of Optometry. She is a member of the Association for Research in Vision and Ophthalmology (ARVO), the British Contact Lens Association (BCLA), and a Fellow of the American Academy of Optometry (FAAO).

# Remuneration Report (Unaudited)

(All amounts in U.S. dollars unless otherwise stated)

## Directors and Committees

The composition of the Board as of December 31, 2022 and the length of service of each Director are as follows:

Name	Position	Date appointed	Independent Yes/No	Audit & Risk Committee	Nomination & Remuneration Committee	Science & Technology Committee
David Mazzo	Chairman (non-executive)	February 28, 2020	Yes	No	Chair	Yes
Andrew Silverberg	Director (non-executive)	November 5, 2020	No	Yes	Yes	No
Dwight Akerman	Director (non-executive)	July 2, 2021	Yes	Yes	No	Chair
Allan Rubenstein	Director (non-executive)	June 29, 2022	Yes	No	Yes	Yes
Kathy Miller	Director (non-executive)	December 31, 2022	Yes	Chair	No	No

The following table shows the number of meetings of the Board, the Audit & Risk Committee, the Nomination & Remuneration Committee, and the Science & Technology Committee, and the number of those meetings attended by each Director during the year ended December 31, 2022. The Company realigned committee memberships during the year in response to changes in directors during the period. Variances in the target number of meetings are due to the timing of the changes in Board membership and the committee realignment.

Name	Board meetings	Audit & Risk Committee meetings	Nomination & Remuneration Committee meetings	Science & Technology Committee meetings
David Mazzo	5 of 5	–	6 of 6	5 of 5
Jean Franchi (A)	5 of 5	7 of 7	–	–
Zita Peach (B)	4 of 4	5 of 5	5 of 5	–
Christine van Heek (C)	3 of 3	2 of 3	–	2 of 2
Andrew Silverberg	5 of 5	7 of 7	6 of 6	–
Dwight Akerman	5 of 5	2 of 2	–	5 of 5
Allan Rubenstein (D)	2 of 2	–	1 of 1	3 of 3
Kathy Miller (E)	–	–	–	–

- (A) Ms. Franchi resigned from the Board in December 2022.
- (B) Ms. Peach resigned from the Board in August 2022.
- (C) Ms. van Heek resigned from the Board in May 2022.
- (D) Dr. Rubenstein joined the Board in June 2022.
- (E) Ms. Miller joined the Board in December 2022.



## Remuneration Report (Unaudited) (continued)

CHESS Depository Interests (CDIs) / Class A common stock (Shares) held by each Director as of December 31, 2022 were as follows:

Name	CDIs	Shares	Listed Options
David Mazzo <sup>1</sup>	11,954	66,382	8,824
Andrew Silverberg <sup>1</sup>	–	17,648	8,824
Dwight Akerman	–	–	–
Allan Rubenstein	–	124,872	–
Kathy Miller	–	–	–

<sup>1</sup> As approved at a Special Meeting of Stockholders held on March 17, 2021 (Australian Eastern Daylight Time), and as adjusted for a reverse split of the Shares effected on June 15, 2021, each of these Directors purchased 17,648 Shares and received 8,824 Options at the same terms as investors under a Placement and Security Purchase Plan, except that the Directors received Shares rather than CDIs.

### 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 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 VTI in a general meeting. This amount has been fixed at \$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, the responsibilities of and the liabilities assumed by the non-executive Directors, while incurring a cost that is acceptable to security holders.

Each non-executive Director was paid director's fees of \$61,800 per annum plus another \$25,750 per annum for the Chairman, \$7,200 per annum for Committee Chairs, and \$3,100 for Committee members other than Chairs.

### Senior executives

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.

# Remuneration Report (Unaudited) (Continued)

## 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 scale.

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 VTI'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 considered in determining remuneration include a demonstrated record of performance and the Company's ability to pay. In the case of executives, the senior most executive (typically the CEO or COO) 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 2021 and performed internal updates of those reports in 2022.

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 security holders. 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 generally pays cash bonuses for attainment under the short-term incentive plan based on attainment of corporate goals and measured as a percentage of the executive's base salary. For 2022, the target percentages were 40% for each of Mr. Lane and Dr. Tuan.

## Long-term incentives component

The Company rewards executives for their contribution to the creation of security holder value over the longer term through the 2017 Equity Incentive Plan (**2017 Plan**) and the issue of incentive stock options and/or restricted stock units under the 2017 Plan. The Company awards long-term incentive stock options based on attainment of corporate goals and measured as a percentage of the executive's base salary. For 2022, the target percentages were 30% for each of Mr. Lane and Dr. Tuan. Awards under the long-term incentive plan generally vest over 4 years based on continuity of service (but are subject to acceleration in limited circumstances, including termination without cause and a change in the control of the Company).

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 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.

# Remuneration Report (Unaudited) (Continued)

## 2022 performance

For 2022, the goals for the short-term and long-term incentive plans were the same for each plan. The goals and their relative weighting included:

- a net revenue target (30%)
- an enrollment target for the PROTECT Clinical Study (30%)
- a year-end cash balance target (30%)
- a successful new market application (10%)

Achievement of the goals was below the minimum threshold required for payment under the plans. No awards under the short-term incentive plans were made. Awards under the long-term incentive plan were made on a discretionary basis at 25% of target attainment to recognize the efforts of the executives in their achievement toward the goals and in areas outside of those considered within the incentive plans.

## Summary table

The remuneration of senior executives in respect of the financial year ended December 31, 2022 (including remuneration yet to be paid) is summarized below.

Senior Executive	Base Salary	Short-term incentive	Other	Long-Term Incentive
Stephen Snowdy (A)	\$15,692	-	-	-
Brian Lane (B)	\$289,408	-	322,622 shares	153,462 restricted stock units with a fair value of \$21,945
Tony Sommer (C)	\$61,269	-	-	-
Ashley Tuan (D)(E)	\$330,000	-	65,494 shares	173,077 restricted stock units with a fair value of \$24,750

- (A) Dr. Snowdy resigned effective 9 January 2022, accordingly no short- or long-term incentive was awarded to Dr. Snowdy.
- (B) Mr. Lane received 264,550 shares as additional compensation for his role as Chief Operating Officer following Dr. Snowdy's resignation and 58,072 shares as a retention bonus. These shares were issued under the 2017 Plan and are reflected in the 'Other' column.
- (C) Mr. Sommer resigned effective 18 March 2022, accordingly no short- or long-term incentive was awarded to Mr. Sommer.
- (D) Dr. Tuan joined VTI effective 2 November 2021. The Company agreed to pay a signing bonus to Dr. Tuan of \$31,000 per quarter for four quarters, totaling \$124,000, which was reflected in the Summary table in 2021. The Company made the first payment in cash in November 2021. For the final three payments in February 2022, May 2022, and August 2022, the Company requested that Dr. Tuan accept payment in shares with a 20% increase in the award, consistent with the increase for the short-term incentive payment offered to executives other than the CEO for the 2021 short-term incentive plan. Dr. Tuan accepted a total of 353,254 shares under the 2017 Plan in satisfaction of these payments. As the cash value of such shares was included in the Summary table in 2021, the shares are not reflected in the table above.
- (E) Dr. Tuan received 65,494 shares as a retention bonus.

# Corporate Governance

Good corporate governance is one of the foundational business practices of VTI. During FY22, VTI, as a Delaware incorporated corporation listed on the ASX, sought to achieve substantive compliance with the governance recommendations set out in the 'Corporate Governance Principles and Recommendations 4th Edition', published by the ASX Corporate Governance Council (**the ASX Principles**). The Company's Corporate Governance Statement can be viewed at <https://vtivisioninvestors.com/corporate-governance/>. The Corporate Governance Statement sets out the extent to which VTI has followed the ASX Corporate Governance Council's Recommendations during the year ended 31 December 2022.

Details of the Company's corporate governance policies and procedures, including information about Board Committees and Corporate Charters, can be found on VTI's investor website under the Corporate Governance section: <https://vtivisioninvestors.com/corporate-governance/>.

## Other Securityholder Information

### Introduction

The Company has CDIs quoted on the ASX trading under the ASX code VTI. Each CDI represents an interest in one Share. The Company's securities are not quoted on any other exchange.

The information below is current as of March 14, 2023 but also includes a further 388,116 shares which were issued on March 24, 2023 under the Company's 2017 Equity Incentive Plan (322,622 shares to Mr. Brian Lane and 65,494 shares to Dr. Ashley Tuan). To avoid double-counting, the holdings of Shares by CHES Depositary Nominees Pty Limited (**CDN**) (underpinning the CDIs on issue) have been disregarded in the presentation of the information below. Related but separate legal entities are not aggregated for the purpose of the table below.

### Top 20 Holders of CDIs and Shares

Rank	Name	Number	% of Issued Capital
1	Thorney Investment Group	12,005,834	37.85%
2	Regal Funds Management	4,275,739	13.48%
3	Mr. Paul Cozzi	2,486,762	7.84%
4	UBS Securities	798,024	2.52%
5	Gleneagle Securities (Aust)	700,679	2.21%
6	Mr. Brian Lane	573,698	1.81%
7	Ms. Rochelle Davis	480,543	1.52%
8	Dr. Ashley Tuan	418,748	1.32%
9	DF Capital II LLC	359,493	1.13%
10	Dr. Stephen Snowdy	342,580	1.08%
11	Cranport	338,235	1.07%
12	Mr. Minh V Q Dang & Mrs. Thi K D Nguyen	263,913	0.83%
13	Mr. Lawrence Gozlan	235,295	0.74%
14	Mr. Gavin D. Wet	233,287	0.74%
15	Mr. Rajeev Kapur	197,440	0.62%
16	Mr Mark Blows & Ms Agnieszka Wiercinski	192,000	0.61%
17	Macquarie Securities	185,057	0.58%
18	Mr. Richard K. Colebatch	181,000	0.57%
19	Mr. Eric Schultz	150,000	0.47%
20	Mr. David Iverach	130,000	0.41%
	<b>Top 20 holders</b>	<b>24,548,327</b>	<b>77.40%</b>
	<b>Remaining holders</b>	<b>7,168,892</b>	<b>22.60%</b>
	<b>Total</b>	<b>31,717,219</b>	<b>100.00%</b>

### Distribution of CDIs and Shares

Range	Total holders	Number	% of Issued Capital
1 – 1,000	457	172,888	0.55%
1,001 – 5,000	285	751,003	2.37%
5,001 – 10,000	93	704,602	2.22%
10,001 – 100,000	156	4,660,405	14.69%
100,001 – 999,999,999	29	25,428,321	80.17%
<b>Total</b>	<b>1,020</b>	<b>31,717,219</b>	<b>100.00%</b>

There are 612 investors holding less than a marketable parcel of CDIs or Shares, based on a minimum A\$500.00 parcel at A\$0.20 per CDI or Share (close of trade price on March 27, 2023).

## Other Securityholder Information (Continued)

### Top 20 Listed Option holders (listed on ASX)

Rank	Name	Options held	%
1	Merrill Lynch (Australia) Nominees Pty Limited	1,911,767	27.63%
2	UBS Nominees Pty Ltd	1,117,648	16.15%
3	Thorney Technologies Ltd	558,824	8.08%
4	National Nominees Limited	500,001	7.23%
5	Citicorp Nominees Pty Limited <Domestic HIN A/C>	441,765	6.38%
6	HSBC Custody Nominees (Australia) Limited	406,159	5.87%
7	Mr. Paul Cozzi	367,059	5.30%
8	Mr. Casey Joseph Iddon	142,000	2.05%
9	Cranport Pty Ltd <No 4 – A/C>	125,888	1.82%
10	Beecrest Nominees Pty Ltd <Bipharm Investments A/C>	117,648	1.70%
11	Altor Capital Management Pty Ltd <Altor Alpha Fund A/C>	103,530	1.50%
12	JP Morgan Nominees Australia Pty Limited	102,347	1.48%
13	Mr. Rajeev Kapur	90,336	1.31%
14	Mrs. Rachita Kapur	66,043	0.95%
15	Bell Potter Nominees Ltd <BB Nominees A/C>	35,491	0.51%
16	Aurenda Partners Investment Management Pty Ltd	34,080	0.49%
17	Yarrac Pty Ltd <Colebatch Property A/C>	29,824	0.43%
18	Jasforce Pty Ltd	29,412	0.43%
19	Mr. Minh Tan Mai	25,000	0.36%
20	Three Zebras Pty Ltd	23,530	0.34%
	<b>Top 20 holders</b>	<b>6,228,352</b>	<b>90.01%</b>
	<b>Remaining holders</b>	<b>691,095</b>	<b>9.99%</b>
	<b>Total</b>	<b>6,919,447</b>	<b>100.00%</b>

### Listed Options (listed on ASX)

There are a total of 6,919,447 listed options on issue as of March 14, 2023, all of which were issued under a security purchase plan and a placement to sophisticated and professional investors, to certain non-executive directors in conjunction with the placement, and to the joint lead managers of the placement (as part payment of their fees) and were approved at a Special Meeting of Stockholders which was held on 17 March 2021. There are 203 holders of listed options in the Company.

Range	Total holders	Number	% of Options
1 – 1,000	52	27,119	0.39%
1,001 – 5,000	85	202,067	2.92%
5,001 – 10,000	32	256,576	3.71%
10,001 – 100,000	22	539,049	7.79%
100,001 – 999,999,999	12	5,894,636	85.19%
<b>Total</b>	<b>203</b>	<b>6,919,447</b>	<b>100.00%</b>



## Other Securityholder Information (Continued)

### 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 (%)	Number of Listed Options	% of Listed Options
Thorney Investment Group	12,005,834 CDIs	37.85%	1,705,884	24.65%
Regal Funds Management Pty Limited	4,275,739 CDIs	13.48%	1,911,767	27.63%
Mr. Paul Cozzi	2,486,762 CDIs	7.84%	367,059	5.30%

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

### Convertible Notes (not listed on ASX)

In July 2019, the Company issued a total of \$3.0 million of Convertible Notes (with a face value of \$1.00 each). One holder converted \$0.2 million of Convertible Notes in 2020. In 2022, stockholders approved a change of the conversion rate for 60% of the remaining Convertible Notes to A\$0.39, and holders converted \$1,680,000 of Convertible Notes into 6,727,609 CDIs. The remaining \$1,120,000 of Convertible Notes were amended to a conversion price of A\$0.60, and the maturity date was extended from 11 July 2023 to 30 June 2024.

Subsequent to the 2022 conversion, one holder sold its interests to another holder, leaving 8 holders of Convertible Notes. TIGA Trading Pty Ltd is the largest holder of Convertible Notes, holding 800,000 Convertible Notes (approximately 71.4% of the Convertible Notes).

Range	Total holders	% of Convertible Notes
1 – 1,000	0	0.00%
1,001 – 5,000	2	0.54%
5,001 – 10,000	0	0.00%
10,001 – 100,000	5	28.03%
100,001 – 999,999,999	1	71.43%
<b>Total</b>	<b>8</b>	<b>100.00%</b>

### Options (not listed on ASX)

There are a total of 795,103 unquoted options on issue as of March 14, 2023 held by 20 holders, all of which were issued under the 2017 Plan or 2008 Plan.

Range	Total holders	% of Options (unquoted)
1 – 1,000	6	0.65%
1,001 – 5,000	3	1.13%
5,001 – 10,000	2	2.01%
10,001 – 100,000	7	14.51%
100,001 – 999,999,999	2	81.70%
<b>Total</b>	<b>20</b>	<b>100.00%</b>

Note that the options outlined above have various exercise prices and expiry dates.

### Securities Subject to Escrow

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

## Other Securityholder Information (Continued)

### Required Statements

The Company is incorporated in the State of Delaware in the United States of America. It 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 U.S. 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 U.S. Securities Act of 1933 (Securities Act) for offers that are made outside the U.S. 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 U.S. 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 U.S. or to a U.S. person for the foreseeable 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 U.S. persons. However, you still may freely transfer your CDIs on ASX to any person other than a U.S. 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, 2022.

VTI's securities are not traded on any other exchange other than the ASX.

The Company's Australian Company Secretary is Leanne Ralph.

### Voting Rights

Every holder of Shares 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 and Convertible Notes 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 U.S. 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. Afterward, 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.

VISIONEERING TECHNOLOGIES, INC.

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**GRANT THORNTON LLP**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Vioneering Technologies, Inc.

**Opinion**

We have audited the financial statements of Vioneering Technologies, Inc. (a Delaware corporation) (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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.

**Basis for opinion**

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are issued or available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Grant Thornton LLP*

Atlanta, Georgia  
February 27, 2023

# VISIONEERING TECHNOLOGIES, INC.

## BALANCE SHEETS As of December 31, 2022 and 2021

	December 2022	December 2021
	(in US\$000, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,117	\$ 10,985
Marketable securities	1,838	-
Accounts receivable, net	726	909
Inventory, net	1,857	1,408
Prepaid expenses and other current assets	957	1,146
TOTAL CURRENT ASSETS	8,495	14,448
NON-CURRENT ASSETS		
Property and equipment, net	-	9
Right of use assets, net	255	98
Intangible assets, net	147	162
Other non-current assets	210	197
TOTAL ASSETS	\$ 9,107	\$ 14,914
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 356	\$ 543
Accrued payroll	181	583
Derivative liability	56	325
Other accrued liabilities	798	668
TOTAL CURRENT LIABILITIES	1,391	2,119
LONG-TERM LIABILITIES		
Convertible notes payable	1,209	2,741
Other non-current liabilities	213	9
TOTAL LIABILITIES	2,813	4,869
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Class A common stock, par value \$0.001 per share; 100,000,000 shares authorized, 31,329,103 shares issued and outstanding at December 31, 2022 and 23,635,500 shares issued and outstanding at December 31, 2021		
	31	24
Preferred stock, par value \$0.001 per share; 5,000,000 shares authorized, no shares issued and outstanding at December 31, 2022 and December 31, 2021		
	-	-
Additional paid-in capital	95,274	93,178
Accumulated deficit	(89,011)	(83,157)
TOTAL SHAREHOLDERS' EQUITY	6,294	10,045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,107	\$ 14,914

See accompanying notes to financial statements



# VISIONEERING TECHNOLOGIES, INC.

## STATEMENTS OF OPERATIONS For the Years Ended December 31, 2022 and 2021

	Year Ended December 31,	
	2022	2021
	(in US\$000, except share and per share data)	
Net revenue	\$ 7,285	\$ 7,154
Cost of sales	<u>3,969</u>	<u>4,187</u>
Gross profit	3,316	2,967
Operating expenses:		
Sales and marketing	3,639	4,897
Clinical and manufacturing	3,049	2,144
General and administrative	<u>2,425</u>	<u>3,194</u>
Total operating expenses	<u>9,113</u>	<u>10,235</u>
Operating loss	(5,797)	(7,268)
Other income and (expenses):		
Interest income and other, net	73	-
Interest expense	(296)	(322)
Gain on extinguishment of Paycheck Protection Program note payable	-	921
Gain (loss) on fair value of derivative liability	(97)	128
Gain on fair value of freestanding options	<u>269</u>	<u>4,212</u>
Loss before income taxes	(5,848)	(2,329)
Income tax expense	<u>6</u>	<u>5</u>
Net loss	<u>\$ (5,854)</u>	<u>\$ (2,334)</u>
Net loss per share – Basic and Diluted	<u>\$ (0.23)</u>	<u>\$ (0.11)</u>
Weighted average shares outstanding – Basic and Diluted	<u>25,440,773</u>	<u>20,588,557</u>

See accompanying notes to financial statements

# VISIONEERING TECHNOLOGIES, INC.

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2022 and 2021

	Common Stock		Additional	Accumulated	Total
	Number of	Amount	Paid-In	Deficit	
	Shares (1)	US\$000	Capital	US\$000	US\$000
			US\$000		
Balance at					
December 31, 2020	9,932,776	\$ 10	\$ 79,108	\$ (80,823)	\$ (1,705)
Issuance of common stock, net of issuance costs:					
March 2021 placement and SPP	13,702,352	14	13,892	-	13,906
Rounding adjustments for reverse stock split (Note 1)	372	-	-	-	-
Stock-based Compensation	-	-	178	-	178
Net loss	-	-	-	(2,334)	(2,334)
Balance at					
December 31, 2021	23,635,500	\$ 24	\$ 93,178	\$ (83,157)	\$ 10,045
Issuance of common stock for convertible debt	6,727,609	6	1,674	-	1,680
Share awards for 2021 compensation	559,203	1	188	-	189
Share awards for 2022 compensation	406,791	-	138	-	138
Stock-based Compensation	-	-	96	-	96
Net loss	-	-	-	(5,854)	(5,854)
Balance at					
December 31, 2022	31,329,103	\$ 31	\$ 95,274	\$ (89,011)	\$ 6,294

(1) Amounts have been adjusted to reflect the one-for-one hundred reverse stock split effected in June 2021.

See accompanying notes to financial statements

# VISIONEERING TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	Year Ended December 31,	
	2022	2021
	(in US\$000)	
Cash flows from operating activities:		
Net loss	\$ (5,854)	\$ (2,334)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	24	29
(Gain) loss on fair value of derivative liability	97	(128)
Gain on extinguishment of Paycheck Protection Program note payable	-	(921)
Change in fair value of freestanding options	(269)	(4,212)
Amortization of right-of-use asset	90	85
Amortization of debt discount	51	39
Stock-based compensation	234	178
Changes in assets and liabilities:		
Accounts receivable	183	35
Inventory	(449)	(858)
Prepaid expenses and other assets	246	(623)
Accounts payable	(187)	214
Accrued payroll	(214)	468
Other accrued liabilities	65	23
Net cash used in operating activities	(5,983)	(8,005)
Cash flows from investing activities:		
Purchases of marketable securities	(9,548)	-
Sale of marketable securities	7,710	-
Purchases of intangible assets	(4)	(19)
Net cash used in investing activities	(1,842)	(19)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs of \$1,261	-	16,674
Payment of note payable	(43)	(73)
Net cash (used in) provided by financing activities	(43)	16,601
Net (decrease) increase in cash and cash equivalents	(7,868)	8,577
Cash and cash equivalents, beginning of period	10,985	2,408
Cash and cash equivalents, end of period	\$ 3,117	\$ 10,985
Supplemental disclosure:		
Cash paid for interest	\$ 279	\$ 322
Cash paid for taxes	\$ 6	\$ 5
Share awards for compensation	\$ 326	\$ -
Conversion of debt to equity	\$ 1,680	\$ -
Issuance of freestanding options	\$ -	\$ 2,768
Lease liability and right-of-use asset	\$ 247	\$ -

See accompanying notes to financial statements

# VISIONEERING TECHNOLOGIES, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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 United States (“US”), medical devices are regulated by the U.S. Food and Drug Administration (“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 Australian Therapeutic Goods Administration (“TGA”) approval in early 2018, enabling us to sell our contact lenses in the US, Europe, Australia and New Zealand. We received approval to sell our contact lenses in Hong Kong and Singapore in 2019, in Canada in 2020, and in Malaysia in 2022.

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 the Clearing House Electronic Sub register System (“CHES”) for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHES 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 CHES, depository instruments called CHES Depository Interests (“CDI”s) 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 is held by a depository, CHES Depository Nominees Pty Ltd. (“CDN”), which is a wholly-owned subsidiary of the ASX and is an approved general participant of ASX Settlement.

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 within specified territories, provided that products shall be sold only to permitted eye care professionals (“ECPs”) and shipped only to ECPs or directly to a patient if specifically directed by the ECPs. As of December 31, 2022, VTI had entered into agreements with Customers in the US, Europe, Australia, New Zealand, Hong Kong, Singapore, Canada and Malaysia.

#### *Operations*

To date, the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of \$89.0 million from the Company’s inception through December 31, 2022.

In April 2021, the Company completed an issuance of common stock that raised \$16.7 million, net of issuance costs, and provided needed working capital. As of December 31, 2022, the Company’s cash and cash equivalents and marketable securities together were \$5.0 million. The Company’s ability to achieve profitability and positive cash flow is dependent upon its ability to increase revenue and contain its expenses. Management has adopted an operating plan that should enable the Company to operate for at least one year from the issuance of these financial statements without the need to raise additional capital. As a result, management concluded that there was not substantial doubt about the Company’s ability to continue as a going concern for a period of one year after the issuance of these financial statements. Management continues to evaluate the Company’s ability to continue as a going concern.

## VISIONEERING TECHNOLOGIES, INC.

### *Effect of the COVID-19 Pandemic*

The public health crisis caused by the COVID- 19 pandemic and the measures being taken by governments, businesses, and the public to limit the spread of COVID-19 have had, and the Company expects to continue to have, certain negative effects on, and present certain risks to, the Company's business. The Company is currently unable to fully determine the future impact on its business. The COVID-19 pandemic had an adverse impact on the Company's revenues beginning late in the first quarter of 2020 and variably through the year as the virus surged and waned in the US and abroad. The Company is monitoring the pandemic and its effect on the Company's financial position, results of operations and cash flows. Should the pandemic continue for an extended period and revenue metrics decline, the impact on the Company's operations could have an adverse effect on the Company's revenue, financial condition, and cash flows.

### *Basis of Presentation*

The Company has prepared the accompanying financial statements and notes 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 except share and per share data.

### *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, the fair value of derivatives, 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.

### *Fair Value of Financial Instruments*

The carrying amounts of the Company's financial instruments, including cash and cash equivalents and current assets and current liabilities approximate their fair value because of their short maturities. The weighted average interest rate of the Company's convertible debt approximates the rate at which the Company could obtain alternative financing; therefore, the carrying amount of the convertible debt approximates fair value. The Company uses a binomial lattice model and assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the conversion feature of the Convertible Notes (Note 6), and the ASX price to determine the fair value of the Listed Options (Note 8).

### *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 \$3.1 million as of December 31, 2022 and \$11.0 million as of December 31, 2021. At times, cash balances may exceed the Federal Deposit Insurance Corporation insurance limit.

### *Marketable Securities*

The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. All of the Company's marketable securities are considered as available-for-sale securities and carried at fair value and reported in marketable securities. Unrealized gains and losses on available-for-sale securities, if any, are excluded from net income and reported in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. On sale or change in classification, any gains or losses reported in accumulated other comprehensive income (loss) are reclassified to profit or loss. Interest income and other, net, includes interest, amortization of purchase premiums and discounts, realized gains and losses on sales of securities and other-than-temporary declines in the fair value of securities, if any. The cost of securities sold is based on the specific identification method. The Company regularly reviews all of its investments for other-than-temporary declines in fair value. The Company's review includes consideration of the cause of the impairment, including the creditworthiness of the security issuers, the number of securities in an unrealized loss position, the severity and duration of the unrealized losses, whether the Company has the intent to sell the securities or whether it is more likely than not that it will be required to sell the securities before the recovery of their amortized cost basis. When the Company determines that the decline in fair value of an investment is below its amortized cost basis and this decline is other-than-temporary, it reduces the carrying value of the security it holds and records a loss for the amount of such decline.

### *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, 2022 or 2021.

### *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 an increase of \$50,000 and \$0 to inventory reserves in the years ended December 31, 2022 and 2021, respectively. All inventory held at December 31, 2022 and 2021 consisted of finished goods.



## VISIONEERING TECHNOLOGIES, INC.

### *Intangible Assets*

Intangible assets consist 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 include 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

### *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 assessments in the years ended December 31, 2022 or 2021.

### *Revenue Recognition*

We account for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. 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 approximately \$227,000 in 2022 and \$479,000 in 2021 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 approximately \$1,248,000 in 2022 and \$499,000 in 2021 and included them in Clinical and manufacturing in the Statements of Operations.

## VISIONEERING TECHNOLOGIES, INC.

### *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.

### *Income Taxes*

In accordance with 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, 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. 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.

### *Reverse Stock Split*

On June 15, 2021, the Company filed a certificate of amendment to its restated certificate of incorporation with the Secretary of State of the State of Delaware that effected a one-for-100 reverse stock split (the "Reverse Split") of its issued and outstanding shares of common stock on June 18, 2021. As a result of the Reverse Split, every 100 shares of common stock issued and outstanding were converted into one share of common stock. No fractional shares were issued in connection with the Reverse Split. Instead, the Company rounded up the number of shares issued to stockholders to the nearest whole share.

The Reverse Split did not change the par value of the common stock. The Company did reduce the number of authorized shares of common stock from 4,000,000,000 to 100,000,000 and the number of authorized shares of preferred stock from 50,000,000 to 5,000,000. The Reverse Split affected all stockholders uniformly and did not alter any stockholder's percentage interest in equity, other than for the minimal amount of rounding. All outstanding options and the conversion feature of the convertible notes have been adjusted for the Reverse Split, as required by the terms of each security. The number of shares available to be awarded under the 2017 Equity Incentive Plan also have been adjusted. The common stock began trading on the Australian Stock Exchange on a post-Reverse Split basis on June 18, 2021.

### *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 shareholders 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

## VISIONEERING TECHNOLOGIES, INC.

dilutive effect of common stock options, warrants, and convertible debt. 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 stock options in the computation of dilutive EPS because to do so would have been anti-dilutive.

### *Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU replaces the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. The standard becomes effective for the Company on January 1, 2023. The Company does not anticipate the adoption of this ASU will have a material impact on its financial statements.

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The standard requires entities to provide expanded disclosures about the terms and features of convertible instruments and amends certain guidance in ASC 260 on the computation of EPS for convertible instruments and contracts on an entity's own equity. The standard becomes effective for the Company on January 1, 2024. The Company is currently assessing the impact of adoption of the ASU.

## (2) REVENUE RECOGNITION

We sell our products to our Customers, primarily including major contact lens manufacturers and 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 our Customers. We then reimburse the Customers for discounts they provided on our behalf to the ECPs. Each of our current contracts consists 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 therefore is 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. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

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

## VISIONEERING TECHNOLOGIES, INC.

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) MARKETABLE SECURITIES

The following table is a summary of available-for-sale securities recorded in marketable securities in the Company's Consolidated Balance Sheets as of December 31, 2022. The Company did not hold any marketable securities as of December 31, 2021.

	Cost	Gross unrealized gains	Gross unrealized losses	Estimated Fair Value
Municipal debt securities	\$ 1,838	\$ -	\$ -	\$ 1,838

All marketable securities had a contractual maturity of one year or less as of December 31, 2022. In addition to its marketable securities, the Company held money market funds of \$2,978,000 recorded in Cash and Cash Equivalents in the Company's Consolidated Balance Sheet as of December 31, 2022.

### (4) INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2022 and 2021:

	2022 US\$000	2021 US\$000
Patents	\$ 282	\$ 282
Less accumulated amortization	(135)	(120)
Intangible assets, net	\$ 147	\$ 162

Amortization expense was approximately \$15,000 in each of 2022 and 2021. The weighted average remaining useful life of our patents as of December 31, 2022 was 7.8 years.

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 2022 and 2021 and did not record impairment charges in those years.

Amortization expense for the next five years is as follows:

For the year ended December 31,	US\$000
2023	\$ 15
2024	15
2025	15
2026	15
2027	15
Thereafter	72
Total	\$ 147

## VISIONEERING TECHNOLOGIES, INC.

### (5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2022 and 2021:

	2022 US\$000	2021 US\$000
Computer equipment and software	\$ 116	\$ 116
Office equipment	49	49
Furniture and fixtures	52	52
Leasehold improvements	12	12
Total costs	229	229
Less accumulated depreciation	(229)	(220)
Property and equipment, net	<u>\$ -</u>	<u>\$ 9</u>

Depreciation expense was approximately \$9,000 in 2022 and \$14,000 in 2021.

### (6) CONVERTIBLE NOTES PAYABLE

Convertible notes payable consisted of the following at December 31, 2022 and 2021:

	2022 US\$000	2021 US\$000
Face value of Convertible Notes	\$ 1,120	\$ 2,800
Unamortized deferred financing costs	(10)	(61)
Derivative liability	99	2
Balance at end of period	<u>\$ 1,209</u>	<u>\$ 2,741</u>

The following table presents a reconciliation of the beginning and ending balances of Convertible notes payable for the years ended December 31, 2022 and 2021:

	2022 US\$000	2021 US\$000
Balance at January 1,	\$ 2,741	\$ 2,830
Conversion of Convertible Notes to CDIs	(1,680)	-
Amortization of deferred financing costs	51	39
Loss (gain) on fair value of derivative liability	97	(128)
Balance at December 31,	<u>\$ 1,209</u>	<u>\$ 2,741</u>

In July 2019, the Company entered into Note Purchase Agreements (“Convertible Notes”) with Investors raising proceeds of \$3.0 million before issuance costs. The Convertible Notes were issued at face value of \$1 per Note and were convertible at the election of the Note holder at any time before the maturity date to CDIs at a conversion price per CDI of \$0.075 AUD. The maturity date at issuance was July 11, 2021. We extended the maturity date to July 11, 2023 in January 2020. We adjusted the conversion price to \$0.028 AUD in connection with the Placement completed in June 2020 (see Note 8) and to \$2.80 AUD in connection with the Reverse Split (see Note 1).

The Convertible Notes bear interest at 10% per annum with interest payable quarterly in arrears. If an event of default occurs, the rate of interest will increase to 12% until such default is cured by the Company or waived by the majority of the Note holders. The Company or Note holder may elect to satisfy the whole or part of an interest payment by issuance of CDIs subject to consent of the other party. The issue price of each CDI under this clause will be the greater of the amount equal to 90% of the average volume weighted average price for the five trading days immediately preceding the date of the election notice or the conversion price. The Convertible Notes contain a prepayment penalty of 2% of the face value of the note if paid prior to the maturity date and require Note holder approval for early redemption.

## VISIONEERING TECHNOLOGIES, INC.

In October 2020, a Note holder converted \$200,000 face value of Convertible Notes and accrued interest and received 101,520 CDIs in the conversion.

In October 2022, the stockholders approved an agreement between the Company and the holders of the Convertible Notes to amend the terms of the Convertible Notes such that sixty percent (60%) of the notes totaling \$1,680,000 were converted to 6,727,609 CDIs at a conversion price of A\$0.39. The remaining forty percent (40%) of the notes were amended to set the conversion price at A\$0.60, reduce the interest rate from 10% per annum to 8% per annum, and extend the maturity date to June 30, 2024. Interest expense related to the convertible notes was approximately \$296 in 2022 and \$322 in 2021, which includes amortization of deferred financing costs.

The conversion feature is considered to be an embedded derivative that is not considered clearly and closely related to the debt host and therefore must be bifurcated and accounted for separately from the debt host. The Company recorded a debt discount and a conversion option liability of approximately \$123,000 for the fair value of the conversion feature at issuance as well as approximately \$36,000 of debt issuance costs. The Company is amortizing the debt discount and issuance costs over the amended four-year term of the Convertible Notes. We adjust the conversion option liability to market at each reporting period based on many factors, including changes in the share price. The derivative liability was \$130,000 as of December 31, 2020. We decreased the liability to \$2,000 as of December 31, 2021 and recorded a gain on the fair value of the derivative liability of \$128,000 in 2021. We increased the liability to \$99,000 as of December 31, 2022 and recorded a loss on the fair value of the derivative liability of \$97,000 in 2022. In conjunction with the conversion of 60% of the Convertible Notes and the extension of the maturity date for the remaining Convertible Notes, we expensed 60% of the remaining debt discount and issuance costs and extended the amortization period for the remaining 40% of the costs.

The Convertible Notes include covenants related to liquidity and net monthly cash flow. The Company was in compliance with all covenants throughout 2021 and 2022. The convertible debt did not affect diluted earnings per share due to the Company's net loss position.

### (7) PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On April 24, 2020, the Company received a loan under the Paycheck Protection Program ("PPP") administered by the US Small Business Administration ("SBA") in the amount of \$1,035,115 ("PPP Loan"). The PPP is a disaster relief program in the United States that provides loans to US-based small businesses, for which some or all the loan may be forgiven. The loan proceeds may be used to pay for payroll, rent and utilities.

The PPP Loan originally was a two year note that provided a 6-month deferral period during which no principal or interest was due. Subsequently, the PPP Loan was revised to provide deferral of principal and interest for ten months or, if the Company applied for forgiveness within the first ten months, until the Company had submitted its application and the SBA completed its review of the application. The PPP Loan bears interest at 1% per annum, with equal principal and interest payments due monthly after the deferral period in amounts required to fully amortize the principal amount outstanding by the maturity date.

In January 2021, the Company applied for forgiveness of approximately \$921,000 of the PPP Loan. In June 2021, the SBA approved the Company's request and granted the forgiveness, leaving a remaining balance of approximately \$114,000. The Company accounted for the PPP Loan as debt and derecognized the portion of the PPP Loan that was forgiven when the SBA approved the forgiveness amount and legally released the Company from liability for that portion of the debt. The remaining balance after forgiveness was payable monthly from July 2021 through April 2022, at which time the balance was paid in full. The PPP Loan was unsecured.

## VISIONEERING TECHNOLOGIES, INC.

### (8) 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.

Since its initial public offering in March 2017, the Company has raised additional capital through several means. A placement is the sale of newly issued securities to professional and sophisticated investors, or institutional investors. A security purchase plan ("SPP") is the sale of newly issued securities to retail investors, or non-institutional holders, and is limited by ASX regulations to \$30,000 AUD per investor. A rights offering is the sale of newly issued securities to existing shareholders on a pro rata basis in proportion to their existing holdings.

On June 18, 2021, the Company completed the Reverse Split (see Note 1). The following discussion reflects share issuances as adjusted by the Reverse Split.

On March 22, 2021, the Company issued 13,011,765 CDIs (representing the same number of shares) to complete a placement of its shares. On April 13, 2021, the Company completed an SPP under which it issued 690,587 CDIs. The Company raised \$16.7 million net of \$1.3 million of issuance costs through the placement and the SPP. The Company issued each CDI issued under the placement and the SPP at a subscription price of \$1.70 AUD and issued one freestanding option for every two CDIs subscribed for, with each freestanding option having an exercise price of \$3.00 AUD and an expiration date of February 28, 2024. These options are listed on the ASX (the "Listed Options"). The Listed Options are call options that are not considered clearly and closely related to the Company's shares and must be accounted for separate from equity. We recorded a liability of \$2,628,000 as of March 22, 2021 for the fair value of the Listed Options related to the placement and an additional \$140,000 as of April 13, 2021 for the fair value of the Listed Options related to the SPP for a total value on issuance of \$2,768,000. The fair value of all Listed Options as of December 31, 2022 and 2021 was \$56,000 and \$325,000, respectively. We recorded a gain on fair value of freestanding options relating to the Listed Options in the Statements of Operations of \$269,000 in 2022 and \$4,212,000 in 2021. The gain in 2021 included a gain of \$1,769,000 on the fair value of unlisted options issued in 2020 that expired as of June 30, 2022.

In May 2020, the stockholders approved an increase in the number of authorized shares of Class A common stock from 750,000,000 to 2,500,000,000 shares at the annual meeting of stockholders. In March 2021, the stockholders approved another increase in the number of authorized Class A common stock from 2,500,000,000 to 4,000,000,000 shares at the annual meeting of stockholders. In June 2021, in conjunction with the Reverse Split, the Company decreased the number of authorized shares of Class A common stock from 4,000,000,000 to 100,000,000 and the number of authorized shares of preferred stock from 50,000,000 to 5,000,000.

### (9) LEASES

We evaluate all contracts to determine whether the contract is or contains a lease at inception. We review contracts for options to extend, terminate or purchase any right of use assets and non-lease components and account for these, as applicable, at inception of the contract. We elected the transition package of three practical expedients permitted within the standard. In accordance with the package of practical expedients, we did not reassess initial direct costs, lease classification, or whether contracts contain or are leases. We made an accounting policy election not to recognize right of use assets and liabilities for leases with a term of 12 months or less, or those that do not meet the Company's capitalization threshold, unless the leases include options to renew or purchase the underlying asset that is reasonably certain to be exercised. We recognize

## VISIONEERING TECHNOLOGIES, INC.

lease costs associated with those leases as incurred. We have chosen the practical expedient that allows entities to combine lease and non-lease components as a single lease component.

We do not recognize lease renewal options as part of the lease liability until we determine it is reasonably certain we will exercise any applicable renewal options. We have determined it is not reasonably certain we will exercise any applicable renewal options. The useful lives of leased assets as well as leasehold improvements, if any, are limited by the expected lease term.

The Company's operating lease activities currently consist of one expiring and one new lease for office space. The new lease includes an option to renew for a period of from one to five years. The exercise of the lease renewal option is at the Company's sole discretion. The Company's operating lease agreement includes variable lease costs that are based on common area maintenance and property taxes. We expense these payments as incurred and include them in rent expense. The Company's operating lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Rent expense was approximately \$152,000 in 2022 and \$127,000 in 2021 and is included in General and administrative expenses in the Statements of Operations. These amounts include variable lease costs of \$54,000 in 2022 and \$33,000 in 2021.

Supplemental balance sheet information as of December 31, 2022 for the Company's operating lease is as follows:

	US\$000
NON-CURRENT ASSETS	
Right of use assets, net	\$ 255
Total lease assets	<u>\$ 255</u>
CURRENT LIABILITIES	
Other accrued liabilities	\$ 213
NON-CURRENT LIABILITIES	
Other non-current liabilities	44
Total lease liabilities	<u>\$ 257</u>

As of December 31, 2022, a schedule of maturity of lease liabilities under all operating leases is as follows:

For the year ended December 31,	US\$000
2023	64
2024	95
2025	98
2026	42
Total	299
Less amount representing interest	(42)
Present value of minimum lease payments	257
Less current portion	(44)
Non-current portion	<u>\$ 213</u>

Cash paid for operating leases was approximately \$153,000 during 2022.

As of December 31, 2022, the remaining lease term of the Company's continuing operating lease was 3.4 years. The discount rate used to determine the lease liabilities was 8%. When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, the Company's lease does not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would



## VISIONEERING TECHNOLOGIES, INC.

have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. The discount rate used for the existing lease was established on adoption of the new lease standard on January 1, 2019.

### (10) CONCENTRATIONS AND CREDIT RISK

For the year ended December 31, 2022, three Customers accounted for approximately 89.7% of our total sales. The three same Customers accounted for 76.2% of our accounts receivable as of December 31, 2022.

For the year ended December 31, 2021, two Customers accounted for approximately 84.9% of our total sales. The two same Customers plus an additional Customer accounted for 81.5% of our accounts receivable as of December 31, 2021

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

### (11) 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 geography. We present our operations through two reportable segments:

**North America** includes our current operations in the US and Canada.

**Europe / Asia-Pacific** includes our operations outside of North America.

We record expenses directly attributable to these geographic segments in the segment results and include expenses not specifically attributable to the geographic segments in Corporate Support. These unallocated expenses include the majority of our clinical, manufacturing, general and administrative expenses for which we consider the expenses to benefit the Company as a whole. The Company does not report balance sheet information by segment because it is not reviewed by the Company's chief operating decision maker. We do not have any inter-segment revenue.

<b>2022 (US\$000)</b>	<b>North America</b>	<b>Europe/Asia- Pacific</b>	<b>Corporate Support</b>	<b>Total</b>
Net revenue	\$ 6,772	\$ 513	\$ -	\$ 7,285
Cost of sales	3,627	342	-	3,969
Gross profit	3,145	171	-	3,316
Sales and marketing	3,526	113	-	3,639
Clinical and manufacturing	-	-	3,049	3,049
General and administrative	-	-	2,425	2,425
Total expenses	3,526	113	5,474	9,113
Operating income (loss)	\$ (381)	\$ 58	\$ (5,474)	(5,797)
Interest expense and other, net				(51)
Loss before income taxes				\$ (5,848)

## VISIONEERING TECHNOLOGIES, INC.

<b>2021 (US\$000)</b>	<b>North America</b>	<b>Europe/Asia- Pacific</b>	<b>Corporate Support</b>	<b>Total</b>
Net revenue	\$ 6,739	\$ 415	\$ -	\$ 7,154
Cost of sales	3,918	269	-	4,187
Gross profit	2,821	146	-	2,967
Sales and marketing	4,333	564	-	4,897
Clinical and manufacturing	-	-	2,144	2,144
General and administrative	-	6	3,188	3,194
Total expenses	4,333	570	5,332	10,235
Operating loss	\$ (1,512)	\$ (424)	\$ (5,332)	(7,268)
Interest income and other, net				4,939
Loss before income taxes				\$ (2,329)

### (12) STOCK COMPENSATION PLANS

Stock-based compensation expense was approximately \$96,000 and \$178,000 for the years ended December 31, 2022 and 2021, respectively.

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 were authorized for share-based awards. The total number of options issued and outstanding as of December 31, 2022 and 2021 was 5,610 in both years. 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 was 2,010,000 as of December 31, 2020 and was increased to 3,610,500 at the Company’s Annual Meeting of Stockholders in June 2022. The share reserve may be increased each year in accordance with the 2017 Plan documents. The total number of options issued and outstanding as of December 31, 2022 and December 31, 2021 was 789,493 and 1,226,649, respectively. In addition, a total of 1,788,460 stock awards have been granted under the 2017 Plan through December 31, 2022. As of December 31, 2022, there were 1,032,547 awards available for grant under the 2017 Plan.

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 some 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 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. 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

## VISIONEERING TECHNOLOGIES, INC.

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.

Assumptions for grants in the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Risk-free interest rate	2.41-3.27%	0.92-1.32%
Expected volatility	39.0-120.28%	88.0%
Expected term (years)	6.25	6.25
Dividend rate	0.0%	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
Outstanding at December 31, 2021	1,232,259	\$1.18	8.75	927,336	\$0.73
Grants	319,777	0.49		319,777	0.21
Cancellation / forfeitures	(756,933)	1.19		(541,849)	0.72
Vested	-	-		(130,558)	0.67
Exercised	-	-		-	-
Outstanding at December 31, 2022	795,103	\$0.90	8.48	574,706	\$0.46
Exercisable at December 31, 2022	220,397	\$1.34	7.79		

The intrinsic value of options unexercised as of December 31, 2022 was approximately \$1,000 and December 31, 2021 was approximately \$0. The total fair value of options vested during the year ending December 31, 2022 was approximately \$87,000.

As of December 31, 2022 and 2021, there was approximately \$220,000 and \$569,000, 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 1.71 years.

In the year ended December 31, 2022, the Company granted 559,203 shares that were fully vested on the date of grant and issued to current employees under the 2017 Plan in lieu of earned but unpaid short-term cash incentive for 2021. The grant date fair value of the shares issued was \$188,000 and was recorded against accrued payroll. In addition, the Company granted 406,791 restricted shares to employees in lieu of cash remuneration for bonuses earned in 2022. The shares were fully vested on the date of grant. The grant date fair value of the restricted shares was \$138,000 and was included in operating expenses in the Statement of Operations for the year ended December 31, 2022.

## VISIONEERING TECHNOLOGIES, INC.

### (13) 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 approximately \$120,000 and \$123,000 in the years ending December 31, 2022 and 2021, respectively.

### (14) COMMITMENTS AND CONTINGENCIES

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, 2022.

### (15) 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.

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, 2022 and 2021.

The Company's assets and liabilities measured at fair value on a recurring basis include marketable securities of \$1.8 million as of December 31, 2022 and \$0 as of December 31, 2021. the fair value of the conversion feature of the Convertible Notes and the fair value of freestanding options. We consider the factors used in determining the fair value of our marketable securities to be Level 1 inputs and the fair value of the conversion feature and Freestanding Options to be Level 3 inputs.

For Level 3 instruments carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents a reconciliation of the beginning and ending balances for the years

## VISIONEERING TECHNOLOGIES, INC.

ended December 31, 2022 and 2021:

	2022 US\$000	2021 US\$000
<b>Convertible notes conversion feature</b>		
Balance at January 1,	\$ 2	\$ 130
Total losses (gains)– realized/unrealized	97	(128)
Balance at December 31,	<u>\$ 99</u>	<u>\$ 2</u>
<b>Freestanding options</b>		
Balance at January 1,	\$ 325	\$ 1,769
Call options issued with Placement and SPP, at fair value	-	2,768
Total gains – realized/unrealized	(269)	(4,212)
Balance at December 31,	<u>\$ 56</u>	<u>\$ 325</u>

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs.

Assumptions for valuations in the year ended December 31, 2022 are as follows:

	Freestanding Options	Conversion Feature
Risk-free interest rate	0.277-3.377%	0.85-4.57%
Expected volatility	39.0-97.3%	36.0-52.0%
Expected term (years)	0.5-2.2	1.50-1.52
Dividend rate	0.0%	0.0%
Coupon rate	N/A	8-10.0%
Conversion price	N/A	A\$0.60-2.80
Foreign exchange rates	N/A	0.677-0.725

### (16) INCOME TAXES

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

The Company's income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items. Income tax positions are considered for uncertainty in accordance with ASC 740-10. Tax years remain subject to examination at the U.S. federal level between 2010 and 2018, and subject to examinations at various state levels between 2008 and 2018.

## VISIONEERING TECHNOLOGIES, INC.

The provision for income taxes consists of the following components:

	2022 US\$000	2021 US\$000
Current expense		
Federal	\$ -	\$ -
State	6	5
Total current income tax expense	6	5
Deferred expense (benefit)		
Federal	(1,384)	(1,551)
State	33	(393)
Total deferred income tax benefit	(1,351)	(1,944)
Valuation allowance	1,351	1,944
Deferred income tax expense (benefit)	-	-
Total income tax expense	\$ 6	\$ 5

The following summarizes the Company's valuation allowance:

	2022 US\$000	2021 US\$000
Beginning of year	\$ (20,381)	\$ (18,437)
Income tax provision	(1,351)	(1,944)
End of year	\$ (21,732)	\$ (20,381)

Net deferred tax assets and liabilities are as follows:

	2022 US\$000	2021 US\$000
Deferred tax assets		
Net operating loss (NOL) carryforwards	\$ 20,295	\$ 19,403
R&D tax credits	784	1,029
Capitalized R&D costs	674	-
Inventory	-	4
Other deferred tax assets	62	45
Valuation allowance	(21,732)	(20,381)
Total deferred tax assets	\$ 83	\$ 100
Deferred tax liabilities		
Amortization	\$ (83)	\$ (100)
Total deferred tax liabilities	(83)	(100)
Net deferred income tax assets	\$ -	\$ -

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

	2022		2021	
	US\$000	Percent	US\$000	Percent
Federal tax benefit at statutory rate	\$ (1,229)	21.0%	\$ (490)	21.0%
State tax expense, net of federal benefit	38	-0.7%	(388)	16.6%
Permanent items and other	(98)	1.7%	17	-0.7%
Gain on fair value of freestanding options	(56)	1.0%	(885)	37.9%
Gain on extinguishment of Payroll Protection Program note payable	-	0.0%	(193)	8.3%
Change in valuation allowance	1,351	-23.1%	1,944	-83.3%
Total tax expense	\$ 6	-0.1%	\$ 5	-0.2%

## VISIONEERING TECHNOLOGIES, INC.

As of December 31, 2022, the Company had federal NOL carryforwards of approximately \$78.6 million and state NOL carryforwards of \$81.5 million (\$3.8 million tax effected), that are available to reduce future income unless otherwise taxable. As of December 31, 2022, the Company has federal and state research and development ("R&D") credits of approximately \$0.8 million, that are available to reduce future federal and state income tax. We have not performed a study of our NOLs for limitations required by the 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 \$47.2 million of NOLs originating since 2018 do not expire. The federal and state R&D credits will expire at various dates between 2022 and 2037.

### (17) SUBSEQUENT EVENTS

The Company evaluated the accounting and disclosures requirements for subsequent events through February 27, 2023, the issuance date of the financial statements and determined that no events have occurred that would require adjustments to our disclosures in the consolidated financial statements.

# Corporate Directory

## Board of Directors

Dr. David J. Mazzo, Ph.D., Chairman and Non-Executive Director  
Mr. Andrew Silverberg, Non-executive Director  
Dr. Dwight Akerman, O.D., MBA, Non-executive Director  
Dr. Allan E. Rubenstein, MD, Non-executive Director  
Ms. Kathleen Miller, Non-executive Director

## Management Team

Mr. Brian Lane, Chief Operating & Chief Financial Officer  
Dr. Kuang-mon (Ashley) Tuan, OD, Ph.D., Chief Medical Officer

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[www.vtivation.com](http://www.vtivation.com)

## VTI investor website:

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