VISIONEERING TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

December 31, 2016, 2015 and 2014

VISIONEERING TECHNOLOGIES, INC.

CONTENTS

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Independent Auditor's Report
To the Stockholders of Visioneering Technologies, Inc.

We have audited the accompanying financial report of Visioneering Technologies, Inc. (the "Company"), which comprises the balance sheets as at 31 December 2016, 2015 and 2014, and the related statements of operations, statements of changes in equity and statements of cash flows for the years then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report.

Responsibility of the Directors for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained for the balance sheets as at 31 December 2016 and 2014, and the related statements of operations, statements of changes in equity and statements of cash flows for the years then ended is sufficient and appropriate to provide a basis for our audit opinion.

We believe that the audit evidence we have obtained for the balance sheet as at 31 December 2015, and the related statement of operations, statement of changes in equity and statement of cash flows for the year then ended is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Basis for qualified auditor's opinion

In conducting our audit, we were unable to observe the Company's inventory and attend stocktakes at 31 December 2015. Accordingly, we are unable to opine on the fair presentation of inventory balances at 31 December 2015.

Auditor's Opinion

In our opinion, the financial report of Visioneering Technologies, Inc. presents fairly, in all material respects, the Company's financial position as at 31 December 2016 and 2014 and its performance and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the Company's inventory and attend stocktakes at 31 December 2015, the financial report of Visioneering Technologies, Inc. presents fairly, in all material respects, the Company's financial position as at 31 December 2015 and its performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

SM Coulton
Partner - Audit & Assurance

Sydney, 25 January 2017

BALANCE SHEETS
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	$000	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5,674	19	84
Accounts receivable	30	4	-
Inventory	1,897	153	-
Prepaid expenses and other current assets	709	104	36
TOTAL CURRENT ASSETS	8,310	280	120
NON-CURRENT ASSETS			
Property and equipment, net	43	17	-
Intangible assets, net	258	137	103
Other non-current assets	10	7	7
TOTAL ASSETS	8,621	441	230
LIABILITIES			
CURRENT LIABILITIES			
Convertible notes payable	11,712	9,200	6,074
Accounts payable	371	220	99
Other accrued liabilities	341	15	20
TOTAL CURRENT LIABILITIES	12,424	9,435	6,193
LONG-TERM LIABILITIES			
Convertible notes payable	10,136	-	-
TOTAL LONG-TERM LIABILITIES	10,136	-	-
TOTAL LIABILITIES	22,560	9,435	6,193
EQUITY			
Common stock, par value $0.01 per share; 125,000,000, 17,020,873 and 17,000,000 shares authorized; 9,577,298, 3,266,848 and 3,265,459 shares issued and outstanding in 2016, 2015 and 2014, respectively	96	32	32
Preferred stock, par value $0.01 per share; 100,000,000, 15,367,452 and 15,367,452 shares authorized; 16,617,758, 11,350,291, 11,350,291 shares issued and outstanding in 2016, 2015 and 2014, respectively	166	114	114
Additional Paid in Capital	7,700	7,804	7,804
Accumulated deficit	(21,901)	(16,944)	(13,913)
TOTAL SHAREHOLDERS' EQUITY	(13,939)	(8,994)	(5,963)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,621	442	231

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF OPERATIONS
Years Ended December 31, 2016, 2015 and 2014

	2016 $000	2015 $000	2014 $000
NET REVENUES			
Sales	216	53	-
TOTAL NET REVENUES	216	53	-
COST AND EXPENSES			
Cost of sales	165	43	-
Employee Compensation	1,457	970	626
Marketing Expenses	835	935	349
Clinical and Manufacturing	380	271	437
General and administrative	1,044	275	273
TOTAL COSTS AND EXPENSES	3,881	2,494	1,685
OPERATING INCOME/(LOSS)	(3,665)	(2,441)	(1,685)
Interest expense, net	(1,292)	(590)	(297)
INCOME/(LOSS) BEFORE INCOME TAXES	(4,957)	(3,031)	(1,982)
INCOME TAX EXPENSE	-	-	-
NET INCOME/(LOSS) AFTER INCOME TAXES	(4,957)	(3,031)	(1,982)

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2016, 2015 and 2014

	Common Stock		Preferred Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares Number	Amount $000	Shares Number	Amount $000	$000	$000	$000
Balance at December 31, 2013	3,265,459	32	11,350,291	114	7,804	(11,931)	(3,981)
Issuance of preferred stock	-	-	-	-	-	-	-
Net Income	-	-	-	-	-	(1,982)	(1,982)
Balance at December 31, 2014	3,265,459	32	11,350,291	114	7,804	(13,913)	(5,963)
Issuance of common stock	1,389	-	-	-	-	-	-
Net loss	-	-	-	-	-	(3,031)	(3,031)
Balance at December 31, 2015	3,266,848	32	11,350,291	114	7,804	(16,944)	(8,994)
Issuance of common stock	153,238	2	-	-	10	-	12
Conversion of preferred stock	6,157,212	62	5,267,467	52	(114)	-	-
Net loss	-	-	-	-	-	(4,957)	(4,957)
Balance at December 31, 2016	9,577,298	96	16,617,758	166	7,700	(21,901)	(13,939)

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016, 2015 and 2014

	2016 $000	2015 $000	2014 $000
Cash flows from operating activities:			
Net income/(loss)	(4,957)	(3,031)	(1,982)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Depreciation and amortization	20	7	4
Capitalised interest on convertible debt	1,292	590	297
Unrealised foreign exchange variance	(383)	-	-
Changes in assets and liabilities:			
Accounts receivable	(26)	(4)	-
Inventory	(1,743)	(153)	-
Prepaid expenses and other assets	(606)	(68)	(30)
Accounts payable	151	119	19
Other accrued liabilities	327	(4)	11
Total adjustments	(968)	487	301
Net cash provided by/(used in) operating activities	(5,925)	(2,544)	(1,681)
Cash flows from investing activities:			
Purchase of property and equipment, net	(17)	(20)	-
Purchase of intangible assets, net	(130)	(38)	(79)
Net cash provided by/(used in) investing activities	(147)	(58)	(79)
Cash flows from financing activities:			
Issuance of common stock	-	-	-
Issuance of convertible debt	11,727	2,537	1,700
Net cash provided by/(used in) financing activities	11,727	2,537	1,700
Net increase/(decrease) in cash and cash equivalents	5,655	(65)	(60)
Cash and cash equivalents, beginning of year	19	84	144
Cash and cash equivalents, end of year	5,674	19	84

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016, 2015 and 2014

(1) NATURE OF BUSINESS

Visioneering Technologies, Inc. ("VTI" or "Company") was incorporated as a Delaware corporation on October 23, 2008. Headquartered in Atlanta, Georgia, VTI is a medical device company with principal activities in the design, manufacture, sale and distribution of its NaturalVue daily disposable multi-focal contact lenses for adults with Presbyopia (the progressive loss of ability to see near that occurs in middle-age) and children with Myopia (short-sightedness). Within the US, medical devices are regulated by the FDA, under the Federal Food, Drug, and Cosmetic Act of 1938. The Company's NaturalVue contact lenses obtained FDA clearance in October 2014. The Company outsources the warehousing and fulfillment of orders for its products to MidSouth Premier Opthalmics ("MidSouth"), a contact lens fulfillment company. MidSouth maintains customer accounts on VTI's behalf. MidSouth receives orders, collects funds, and delivers lenses.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASUs) of the Financial Accounting Standards Board (FASB). All amounts are presented in US Dollars unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, inventory, the valuation of long-lived assets, notes payable, and the fair value of share-based awards. Management bases its estimates on historical experience and on other factors which are believed to be reasonable under the circumstances. Actual results may differ from these judgments.

Going Concern

At December 31, 2016 the Company had a net current asset deficiency of $4.1M and for the year then ended incurred operating losses of $5.0M and operating cash outflows of $5.9M. The Company is also forecasting negative operating cash flows over the next year. These financial statements have been prepared solely for use by the Company in connection with a planned initial public offering (IPO) and new stock issue, which is expected to raise approximately $25M in gross proceeds. Furthermore, convertible debt amounting to $22M will be converted to equity upon the occurrence of the IPO. Upon the raising of these proceeds and conversion of convertible debt, the Company will have adequate cash resources to satisfy forecast future operating and capital needs. These financial statements have therefore been prepared on a going concern basis. The financial statements do not include any adjustments that might be necessary if the company is unable to continue as a going concern.

Fair Value of Financial Instruments and Derivatives

The Company has identified cash, accounts receivable, and accounts payable as financial instruments of the Company. Due to the nature of these financial instruments, the Company believes that the fair value of these financial instruments approximates their carrying values.

Embedded Conversion, Redemption and Preference Features

The Company evaluates convertible debt and preferred stock instruments under ASC 480, *Distinguishing Liabilities from Equity* to determine the appropriate classification of the host instrument. Embedded conversion, redemption and preference features within those instruments are evaluated 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, the instrument is evaluated under ASC 470-20, *Debt with Conversion and Other Options* for consideration of any beneficial conversion features.

Cash and Cash Equivalents

As of December 31, 2016, the Company had cash and cash equivalents of $5,674,000, an increase of $5,655,000 from the cash balance of $19,000 at December 31, 2015, and $5,590,000 over the cash balance of $84,000 at December 31, 2014. The increased cash balance is due to convertible debt funding of approximately $11,727,000 offset by operating losses. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Accounts Receivable

Midsouth extends credit to customers, and assumes the liability of such credit. Midsouth credits VTI's account whether or not Midsouth is successful in collecting the funds from a sale. Based on management's review, no allowance for doubtful accounts has been recorded for the years ended December 31, 2016, 2015 and 2014, respectively.

Inventories

The Company outsources manufacturing of its lenses to Pegavision, a contact lens manufacturer located in Taiwan. Pegavision then distributes the lenses to MidSouth for warehousing and shipment of all inventories. Generally, VTI orders lenses three months in advance of expected sales of those lenses. Costs of inventory include Pegavision's costs and transportation fees. Upon recognition of revenue, the associated inventory and costs are recognized in Costs of Goods Sold in the Statement of Operations.

Inventories are stated at the lower of cost or market. The Company regularly reviews its inventory quantities on hand and related cost, and records a provision for any excess or obsolete inventory based on its estimated forecast of product demand and other factors. The Company also reviews its inventory value to determine if it reflects the lower of cost or market, with market value determined based on net realizable value. All inventories held at December 31, 2016, 2015 and 2014 consisted of finished goods.

Intangible Assets

Intangible assets are comprised of patents. Legal costs and other similar fees to obtain and register patents are capitalized. All other costs to internally develop the patents are expensed as incurred. Patents are amortized over 15 years.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the following useful lives:

Asset Classification	Estimate Useful Life
Computer equipment and software	3 years
Office equipment	5 years
Furniture and fixtures	5 years

Depreciation expense is included in general and administrative expense.

Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include 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 an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess carrying value of the impaired asset over its fair value.

Revenue Recognition

MidSouth manages the sales and inventory functions for the Company. Revenue is recognized on a gross basis, with costs associated with the warehousing and delivery of lenses recorded as costs of sales. Revenue is recognized when persuasive evidence of an arrangement exists, the goods have been delivered, the sales price is fixed or determinable, and collectability is reasonably assured. These conditions are generally met when MidSouth has shipped the lenses.

Shipping and Handling Costs

Amounts billed to customers for shipping and handling are included in revenue.

Research and Development Costs

Research and development costs are recognized as an expense in the period in which they are incurred. Research and development expenses consist of wages, benefits, and other operational costs related to the Company's engineering, regulatory, and quality departments; clinical and nonclinical studies; materials and supplies; and third-party costs for contracted services. Research and development costs were $341,000, $263,000 and $387,000 for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in Clinical and Manufacturing in the statement of operations.

Stock-Based Compensation

The Company awards stock options to its employees, directors, and consultants pursuant to stockholder-approved plans. The Company recognizes expense for awards on a straight-line basis over the requisite service period, which generally equals the vesting period. The Company estimates the fair value of stock option awards on the date of grant using the Black-Scholes option-valuation model.

Leases

Leases are classified at their inception as either operating or capital leases based on the economic substance of the agreement. Lease payments made under operating leases are recognized as an expense on a straight-line basis over the lease term.

Income Taxes

The Company is treated as a C-Corporation for U.S. federal income tax purposes. The Company has incurred aggregate losses of approximately $23.6 million for federal income tax purposes since inception, with yearly amounts of approximately $5.0 million, $3.0 million, and $2.0 million, in 2016, 2015, and 2014, respectively. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new standard related to the “Revenue from Contracts with Customers” which amends the existing accounting standards for revenue recognition. The standard requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. This standard is applicable for fiscal years beginning after December 15, 2017 and for interim periods within those years. Earlier application will be permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company expects to adopt this standard on July 1, 2017. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 ("ASU 2015-17") regarding ASC Topic 470 "Income Taxes: Balance Sheet Classification of Deferred Taxes." The amendments in ASU 2015-17 eliminate the requirement to bifurcate Deferred Taxes between current and non-current on the balance sheet and requires that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The amendments for ASU-2015-17 can be applied retrospectively or prospectively and early adoption is permitted. The Company plans to adopt the new guidance prospectively in the first quarter of fiscal 2017. Implementation will have no effect on the Statement of Operations as a full valuation allowance has been made.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." Previous to the issuance of this ASU, ASC 330 required that an entity measure inventory at the lower of cost or market. ASU 2015-11 specifies that “market” is defined as “net realizable value,” or the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Application is to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of ASU No. 2015-11 will not have a material impact on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”. The ASU requires that organizations that lease assets recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The ASU will affect the presentation of lease related expenses on the income statement and statement of cash flows and will increase the required disclosures related to leases. This ASU is effective for annual periods ending after December 15, 2018, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2016-02 on its consolidated financial statements. It is expected that a key change upon adoption will be the balance sheet recognition of leased assets and liabilities and that any changes in income statement recognition will not be material.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting." The ASU affects the accounting for employee share-based payment transactions as it relates to accounting for income taxes, accounting for forfeitures, and statutory tax withholding requirements. This ASU is effective for annual periods ending after December 15, 2016, and interim periods within those periods with early adoption permitted. The Company has early adopted ASU No. 2016-09.

(3) INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Patents	$ 309	$ 179	$ 141
Less accumulated amortization	(51)	(42)	(38)
Intangible assets, net	$ 258	$ 137	$ 103

Amortization expense was $8,729, $4,304 and $3,798 for the years ending December 31, 2016, 2015 and 2014, respectively.

(4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Computer equipment and software	$ 40	$ 14	$ 5
Office equipment	8	2	-
Furniture and fixtures	14	9	-
Total costs	62	25	-
Less accumulated depreciation	(19)	(8)	(5)
Property and equipment, net	$ 43	$ 17	$ -

Depreciation expense was $11,223, $2,981 and $nil for the years ending December 31, 2016, 2015 and 2014, respectively.

(5) CONVERTIBLE DEBT

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

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

In December 2014 upon issuance of the Senior Notes, Prior Note holders were given the option to convert $2 of Prior Notes, including accrued interest balances, to Senior Notes for every $1 invested in Senior Notes. As of December 31, 2016, 2015 and 2014, Prior Notes of $2,451,149, $2,451,149 and $2,338,649 were outstanding, respectively. Senior Notes issued upon conversion of Prior Notes amounted to $3,240,523, $3,240,523, and $3,032,933 as of December 31, 2016, 2015 and 2014 respectively.

At December 31, 2014 and 2015, the Senior Notes plus accrued interest were convertible into Series C Preferred Stock upon majority vote of the Senior Notes holders at a conversion price of $0.23 per share. The conversion price was equivalent to the fair value of Series C Preferred stock on the commitment date, as measured by concurrent sales of Series C Preferred Stock to external investors. Following conversion of all Series C Preferred Stock to Series A-1 and A-1 NV Preferred Stock in 2016, senior notes became convertible into Series A-1 and A-1 NV Preferred Stock.

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

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

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

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

The notes may also be converted upon the closing of an Equity Financing, which is defined as a subsequent sale by the Company of its equity securities (including the Company's common stock and any preferred stock) following the date of the Note Purchase Agreement. Any conversion must be approved by the holders of more than 50% of the aggregate unpaid principal amount of the Series A-1 Notes. Each lender who purchased a Series A-1 Note received a Series A-1 Warrant to purchase equity securities of the Company, generally equal to 50% of the number of equity securities into which the Series A-1 Note associated with such Series A-1 Warrant was converted.

On October 10, 2016, the requisite Series A-1 Note and Senior Note holders entered into amendment agreements pursuant to which upon the conversion of the Series A-1 Notes and Senior Notes in connection with an equity financing, such as the IPO, each Senior Warrant and Series A-1 Warrant will terminate and each Series A-1 Note and Senior Note will convert at a 25% discount to the otherwise applicable conversion price.

In July 2016, the Company, entered into a Note Purchase Agreement with investors (the "Pre-IPO Note Purchase Agreement"), pursuant to which the Company issued convertible notes, primarily to investors based in Australia (the "Pre-IPO Notes"), raising proceeds of A$13,497,000 (US$10,109,336). The Pre-IPO Notes are denominated in Australian dollars (A$) and automatically convert into the Company's equity securities upon an IPO pursuant to a conversion formula specified in the Pre-IPO Note Purchase Agreement.

Convertible Debt as at December 31:

	2016	**2015**	**2014**
	$000	$000	$000
Prior Notes	2,451	2,451	2,339
Senior Notes	6,177	5,977	3,233
Series A-1 Notes	1,418	-	-
Pre-IPO Notes	9,753	-	-
	19,799	8,428	5,572
Interest Accrued	2,049	772	502
Total Convertible Debt	21,848	9,200	6,074

(6) SHAREHOLDERS' EQUITY

The Common and Preferred Stock balances are outstanding as follows (in thousands except number of shares):

	2016			**2015**			**2014**		
	No. of shares	Par value $000	Additional paid-in capital $000	No. of shares	Par value $000	Additional paid-in capital $000	No. of shares	Par value $000	Additional paid-in capital $000
Common Stock	9,577,298	96	3,818	3,266,848	32	129	3,265,459	32	129
A-1	8,607,183	86	2,068	-	-	-	-	-	-
A-1 NV	8,010,575	80	1,814	-	-	-	-	-	-
Preferred Stock Series A	-	-	-	758,500	8	-	758,500	8	-
Preferred Stock Series B	-	-	-	9,824,566	98	7,119	9,824,566	98	7,119
Preferred Stock Series C	-	-	-	767,225	8	556	767,225	8	556
Total equity	26,195,056	262	7,700	14,617,139	146	7,804	14,615,750	146	7,804

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 of the Company.

Preferred Stock Series A

Authorized shares of Series A Preferred Stock were 2,936,000 as of December 31, 2015 and 2014. The Series A Preferred Stock had the following rights and privileges:

Voting: The holders of Series A shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Series A may be converted.

Conversion: Each share of Series A is convertible to Common Stock automatically (1) immediately prior to the closing of a qualified IPO defined as having proceeds exceeding $40 million, (2) upon written consent of holders of a majority of the then outstanding Series A, or (3) any time at the option of the holder. The Series A conversion price is $1.13 which is equal to the original issuance price.

Dividend Rate: The holders of the Series A are entitled to an annual rate of 6.0% of the original issuance price per share, which shall accrue from the date of issuance and shall be payable when and as declared by the board of directors.

Liquidation: The holders of the Series A are entitled to receive an amount per share equal to the original issuance price plus declared but unpaid dividends in the event of any (1) acquisition, (2) sale, lease, or other disposition of all or substantially all of the assets, (3) transaction that results in the exclusive licensing of all or substantially all of the intellectual property, or (4) liquidation, dissolution or winding up of the Company.

Preferred Stock Series B

Authorized shares of Series B Preferred Stock were 9,824,536 as of December 31, 2015 and 2014. The Series B Preferred Stock had the following rights and privileges:

Voting: The holders of Series B shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Series B may be converted.

Conversion: Each share of Series B is convertible to Common Stock automatically (1) immediately prior to the closing of a qualified IPO defined as having proceeds exceeding $40 million, (2) upon written consent of holders of a majority of the then outstanding Series B, or (3) any time at the option of the holder. The Series B conversion price is $0.73 which is equal to the original issuance price.

Dividend Rate: The holders of the Series B are entitled to an annual rate of 6.0% of the original issuance price per share, which shall accrue from the date of issuance and shall be payable when and as declared by the board of directors.

Liquidation: The holders of the Series B are entitled to receive an amount per share equal to the original issuance price plus declared but unpaid dividends in the event of any (1) acquisition, (2) sale, lease, or other disposition of all or substantially all of the assets, (3) transaction that results in the exclusive licensing of all or substantially all of the intellectual property, or (4) liquidation, dissolution or winding up of the Company.

Redemption: Each share is redeemable at the original issuance price plus declared but unpaid dividends after the fifth anniversary of the closing date and upon approval of holders of at least two-thirds of the then outstanding Preferred Stock.

Preferred Stock Series C

Authorized shares of Series C Preferred Stock were 2,606,916 as of December 31, 2015 and 2014. The Series C Preferred Stock had the following rights and privileges:

Voting: The holders of Series C shall be entitled to the number of votes equal to the number of shares of Common Stock into which each share of Series C may be converted.

Conversion: Each share of Series C is convertible to Common Stock automatically (1) immediately prior to the closing of a qualified IPO defined as having proceeds exceeding $40 million, (2) upon written consent of holders of a majority of the then outstanding Series B, or (3) any time at the option of the holder. The Series C conversion price is $0.73 which is equal to the original issuance price.

Dividend Rate: The holders of the Series C are entitled to an annual rate of 6.0% of the original issuance price per share, which shall accrue from the date of issuance and shall be payable when and as declared by the board of directors.

Liquidation: The holders of the Series C are entitled to receive an amount per share equal to the original issuance price plus declared but unpaid dividends in the event of any (1) acquisition, (2) sale, lease, or other disposition of all or substantially all of the assets, (3) transaction that results in the exclusive licensing of all or substantially all of the intellectual property, or (4) liquidation, dissolution or winding up of the Company.

Redemption: Each share is redeemable at the original issuance price plus accrued but unpaid dividends upon approval of holders of a majority of the then outstanding Series C or upon a majority vote if an initial public offering occurs.

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

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

- The preferred shares of any holder who did not invest its pro rata amount were automatically converted on April 12, 2016 into the Company's common stock at an exchange rate of one share of common stock for each share of preferred stock.
- The preferred shares of any holder who invested its pro rata amount were deemed to have been exchanged for shares of Series A-1 Stock at an exchange rate of 3.2 shares of Series A-1 Stock for each share of preferred stock. Further, a portion of the Series A-1 Stock was exchanged for shares of Series A-1 NV Stock. Series A-1 NV Stock possesses identical rights to Series A-1 Stock, except that its holders have no voting rights. Both the Series A-1 Stock and the Series A-1 NV Stock convert at their original issue price.

As a result of the Series A-1 financing round, only common stock, Series A-1 Stock and Series A-1 NV Stock remain issued and outstanding at December 31, 2016.

(7) STOCK COMPENSATION PLANS

The Board of Directors adopted the 2008 Stock Incentive Plan (the "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 plan, 12,160,873 shares of common stock have been authorized for share-based awards. The total number of shares issued and outstanding as of December 31, 2016, 2015 and 2014 was 2,127,604, 2,273,505 and 2,251,116, respectively. Vesting terms and exercise price of options are determined by the board of directors and are defined in the Stock Incentive Agreement for each grant. Options generally vest over a one- to three-year period from date of grant, with a few grants being vested immediately upon issuance. Stock options issued to employees, directors, and consultants expire 10 years from the date of grant. Vested and unexercised shares are cancelled three months after termination, and unvested awards are canceled on the date of termination of employment and become available for future grants.

Stock option activity under the Incentive Plan is summarized as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2014	1,238,548	0.07	5.77
Grants	1,012,568	0.06	
Cancellations/forfeitures	-		
Exercised	-		
Outstanding December 31, 2014	2,251,116	0.07	5.39
Exercisable	2,251,116		
Vested and expected to vest	2,251,116		
Grants	22,389	0.07	
Cancellations/forfeitures	-		
Exercised	-		
Outstanding December 31, 2015	2,273,505	0.07	4.73
Exercisable	2,273,505		
Vested and expected to vest	2,273,505		
Grants	25,000	0.07	
Cancellations/forfeitures	16,274		
Exercised	154,627		
Outstanding December 31, 2016	2,127,604	0.07	3.91
Exercisable	2,120,104		
Vested and expected to vest	2,127,604		

(8) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement plan (the "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 may make discretionary matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation.

(9) COMMITMENTS AND CONTINGENCIES

As of December 31, 2016, the Company's headquarters and principal operations were located in office space in metropolitan Atlanta, Georgia, under management by Regus Management Group LLC, with an expiration date of May 31, 2017. As of December 31, 2016, future rental commitments were approximately $27,000. Net rent expense under these and previous agreements were approximately $72,000, $63,000 and $55,000, for 2016, 2015 and 2014, respectively.

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.

(10) SUBSEQUENT EVENTS

On January 12, 2017, the Compensation Committee of the Board of Directors of the Company approved a grant of options to purchase an additional 10,243,300 of shares, of which 6,158,300 were issued to Stephen Snowdy and 2,140,000 were issued to Sally Dillehay, who are executive management of the Company.