



10745 Westside Way, Suite 200

Alpharetta, GA 30009

Tel: +1 (844) 884 5367

Email: [info@vtivision.com](mailto:info@vtivision.com)

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

[www.vtivationinvestors.com](http://www.vtivationinvestors.com) (for investors)

## ASX Announcement

### Visioneering Technologies, Inc., Appendix 4D

**Atlanta, Georgia, 17 August 2018 AT:** Visioneering Technologies, Inc (ASX: VTI), a US-based medical device company ('Visioneering' or 'The Company') primarily engaged in the design, manufacture, sale and distribution of its proprietary NaturalVue® (etafilcon A) Multifocal 1 Day (NaturalVue MF) Contact Lenses has today released its Appendix 4D Half Yearly Report for the six months ended 30 June 2018.

The Half Yearly Report does not include all of the commentary, notes and information that are typically found in an annual financial report. Accordingly, this Half Yearly Report should be read in conjunction with Visioneering Technologies' annual report for the year ended December 31, 2017 and any public announcements made by the Company during the subsequent interim period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

#### For more information, please contact:

<i>Company</i>	<i>Investor and media relations</i>
Stephen Snowdy CEO, Visioneering Technologies, Inc. Email: <a href="mailto:ssnowdy@vtivision.com">ssnowdy@vtivision.com</a>	Kyahn Williamson WE Buchan Tel: +61 (3) 9866 4722 Email: <a href="mailto:kwilliamson@buchanwe.com.au">kwilliamson@buchanwe.com.au</a>

#### About VTI:

Visioneering Technologies, Inc. (VTI) is a US-based medical device company primarily engaged in the design, manufacture, sale and distribution of a revolutionary new contact lens: the NaturalVue Multifocal (MF) contact lens. The NaturalVue MF contact lens employs VTI's Neurofocus Optics® technology, which was developed, refined and tested over many years. The characteristics of the NaturalVue MF contact lens allow it to be used in two of the largest eye-care markets globally: adults with presbyopia (age-related difficulty in seeing close objects) and children with myopia (near-sightedness, or difficulty seeing distant objects).

NaturalVue lenses were cleared by the FDA in late 2014 and VTI recently commenced its US market expansion for NaturalVue MF contact lenses, following a successful pilot US market launch in 2015 and 2016. VTI also sells and plans additional contact lens products.

#### Foreign ownership restrictions:

VTI's CHESSE Depository Interests (CDIs) are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (**Securities Act**) for offers which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are 'restricted securities' under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable future except in very limited circumstances after the expiration of a restricted period, unless the re-sale 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 Australian Securities Exchange (**ASX**). This designation restricts any CDIs from being sold on ASX to US persons. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.



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## APPENDIX 4D (RULE 4.2A)

### HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	June 2018 \$USD	June 2017 \$USD	up/down	% movement
<b>Revenue from ordinary activities</b>	\$1,162,314	\$298,861	up	289%
Loss after tax from ordinary activities attributable to members	(\$9,972,926)	(\$9,974,042)	down	-0.01%
Net loss after tax attributable to members	(\$9,972,926)	(\$9,974,042)	down	-0.01%

<b>Dividend information</b>	Amount per security \$USD	Franked amount per security \$USD
Interim dividend	Nil	Nil
Previous corresponding dividend	Nil	Nil

<b>Net tangible asset backing per CHES Depository Interest / share of Class A common stock</b>	30 Jun 2018 \$USD	30 Jun 2017 \$USD
	\$0.05	\$0.13

- **Independent Review:** This report is based on the accompanying unaudited 2018 Half Year Financial Statements which have been reviewed by Grant Thornton LLP with the Report of Independent Certified Public Accountants (the "Report") provided. The Report provided includes an emphasis of matter paragraph regarding going concern and an other matters paragraph regarding restatement adjustments. (See notes 1 and 2 to the financial statements.)
- **Changes in control over entities:** There are no entities over which control has been gained or lost during the six month period ended 30 June 2018.
- **Details of dividends and dividend reinvestment plans:** The Company does not propose to pay any dividends in relation to the period.
- **Details of associates or joint ventures:** N/A
- **Set of accounting standards used in compiling the report:** The unaudited 2018 Half Year Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. (US GAAP) and are denominated in U.S. dollars.

# **VISIONEERING TECHNOLOGIES, INC.**

## **FINANCIAL STATEMENTS**

For the Six Months Ended June 30, 2018 and 2017

**VISIONEERING TECHNOLOGIES, INC.**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Grant Thornton LLP**  
1100 Peachtree Street, NE, Suite 1200  
Atlanta, GA 30309-4504  
T 404.330.2000  
F 404.330.2047  
[www.GrantThornton.com](http://www.GrantThornton.com)

Board of Directors  
Vioneering Technologies, Inc.

We have reviewed the accompanying condensed interim financial statements of Vioneering Technologies, Inc. (a Delaware corporation) (the “Company”), which comprise the condensed balance sheet, and the related condensed statements of operations, changes in shareholders’ equity (deficit), and cash flows, as of June 30, 2018 and for the six month period then ended, and the related notes to the condensed interim financial statements.

### Management’s responsibility

The Company’s management is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

### Auditor’s responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

### Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed interim financial statements referred to above for them to be in accordance with accounting principles generally accepted in the United States of America.

**Report on condensed balance sheet as of December 31, 2017**

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Company as of December 31, 2017, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unqualified audit opinion on those audited financial statements, with an emphasis of matter paragraph regarding going concern and another matter paragraph regarding restatement adjustments, in our report dated March 16, 2018. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of matter regarding going concern**

The accompanying condensed interim financial statements have been prepared assuming that the Company will continue as a going concern. Note 1 of the Company's audited financial statements as of and for the year ended December 31, 2017 includes a statement that substantial doubt exists about the Company's ability to continue as a going concern. Note 1 of the Company's audited financial statements also discloses the events and conditions, management's evaluation of the events and conditions, and management's plans regarding these matters. Our auditor's report on those financial statements includes an emphasis of matter paragraph referring to the matters in Note 1 of those financial statements. As indicated in Note 1 of the accompanying unaudited condensed interim financial statements as of June 30, 2018, and for the six months then ended, the Company has stated that substantial doubt exists about the Company's ability to continue as a going concern. The accompanying unaudited condensed interim financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Other matters**

The condensed interim financial statements of Visioneering Technologies, Inc. as of June 30, 2017, and for the six month period then ended, before the effects of the adjustments to restate the financial statements for the six months ended June 30, 2017 to correct the errors described in Note 2 of the accompanying unaudited condensed interim financial statements, were reviewed by other auditors whose report, dated August 29, 2017, stated that, based on their review, nothing has come to their attention that causes them to believe that the financial statements as of and for the six months ended June 30 2017 does not present fairly, in all material respects, the financial position of the entity as of June 30, 2017 and of its financial performance and its cash flows for the half-year ended on that date, in accordance with accounting principles generally accepted in the United States of America.

As part of our audit of the 2017 financial statements, we audited the aforementioned adjustments described in Note 2 of the accompanying unaudited condensed interim financial statements that were applied to restate the financial statements for the six months ended June 30, 2017. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the condensed interim financial statements of the Company for the six months ended June 30, 2017 other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the six months ended June 30, 2017 taken as a whole.

*Grant Thornton LLP*

Atlanta, Georgia  
August 16, 2018

# VISIONEERING TECHNOLOGIES, INC.

## CONDENSED BALANCE SHEETS As of June 30, 2018 and December 31, 2017

	June 2018 <u>US\$000</u>	December 2017 <u>US\$000</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,099	\$ 16,584
Accounts receivable, net of allowance for doubtful accounts	352	242
Inventory	2,737	2,748
Prepaid expenses and other current assets	<u>452</u>	<u>479</u>
TOTAL CURRENT ASSETS	10,640	20,053
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	140	162
Intangible assets, net	331	297
Other non-current assets	<u>44</u>	<u>43</u>
TOTAL ASSETS	<u>\$ 11,155</u>	<u>\$ 20,555</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 363	\$ 164
Other accrued liabilities	<u>1,420</u>	<u>1,174</u>
TOTAL CURRENT LIABILITIES	1,783	1,338
<b>LONG-TERM LIABILITIES</b>		
Deferred rent	<u>39</u>	<u>31</u>
TOTAL LIABILITIES	<u>1,822</u>	<u>1,369</u>
Commitments and contingencies (Note 12)		
<b>EQUITY</b>		
Common stock, par value \$0.001 per share, 600,000,000 shares authorized and 197,063,334 shares issued and outstanding at June 30, 2018 and 196,989,356 shares issued and outstanding at December 31, 2017	197	197
Additional paid-in capital	61,341	61,221
Accumulated deficit	<u>(52,205)</u>	<u>(42,232)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>9,333</u>	<u>19,186</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 11,155</u>	<u>\$ 20,555</u>

See accompanying notes to the condensed financial statements.



# VISIONEERING TECHNOLOGIES, INC.

## CONDENSED STATEMENTS OF OPERATIONS For the Six Months Ended June 30, 2018 and 2017

	Six Months ended June 30,	
	2018	2017
	(as restated in Note 2)	
	In US\$000, except share and per share data	
NET SALES	\$ 1,162	\$ 299
COST OF SALES	(1,770)	(257)
GROSS PROFIT	(608)	42
EXPENSES		
Sales and marketing	5,623	3,245
Clinical and manufacturing	1,383	633
General and administrative	2,443	1,813
TOTAL EXPENSES	9,449	5,691
OPERATING LOSS	(10,057)	(5,649)
Loss on fair value of derivative liability	-	(1,421)
Loss on share redemption of debt	-	(1,460)
Interest income (expense) and other, net	84	(1,444)
LOSS BEFORE INCOME TAXES	(9,973)	(9,974)
INCOME TAX EXPENSE	-	-
NET LOSS	\$ (9,973)	\$ (9,974)
Basic earnings per share	(\$0.05)	(\$0.09)
Diluted earnings per share	(\$0.05)	(\$0.09)
Weighted average shares outstanding for basic earnings per share	197,059,682	114,155,297
Weighted average shares outstanding for diluted earnings per share	197,059,682	114,155,297

See accompanying notes to the condensed financial statements.

**VISIONEERING TECHNOLOGIES, INC.**

**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)  
For the Six Months Ended June 30, 2018**

	Common Stock	Paid-in	Accumulated	Total
	Shares	Amount	Capital	Deficit
	Number	US\$000	US\$000	US\$000
Balance at December 31, 2017	196,989,356	\$ 197	\$ 61,221	\$ (42,232)
Issuance of common stock	4,688	-	-	-
Stock based compensation	69,290	-	120	120
Net loss	-	-	-	(9,973)
Balance at June 30, 2018	197,063,334	\$ 197	\$ 61,341	\$ (52,205)

See accompanying notes to the condensed financial statements.

# VISIONEERING TECHNOLOGIES, INC.

## CONDENSED STATEMENTS OF CASH FLOWS For the Six Months Ended June 30, 2018 and 2017

	Six months ended June 30,	
	2018	2017
	(as restated in Note 2)	
	US\$000	US\$000
Cash flows from operating activities:		
Net loss	\$ (9,973)	\$ (9,974)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	38	20
Change in fair value of derivative liability	-	1,421
Loss on share redemption of debt	-	1,460
Accrued interest on convertible debt	-	354
Amortization of debt discount	-	446
Unrealized foreign exchange loss	-	688
Inventory write-down and reserves	821	-
Stock based compensation	120	65
Changes in assets and liabilities:		
Accounts receivable	(110)	(31)
Inventory	(810)	(653)
Prepaid expenses and other assets	27	348
Accounts payable	200	(227)
Other accrued liabilities	253	444
Net cash used in operating activities	(9,434)	(5,639)
Cash flows from investing activities:		
Purchase of property and equipment, net	(10)	(30)
Purchase of intangible assets, net	(41)	(5)
Net cash used in investing activities	(51)	(35)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs of \$509	-	23,395
Net cash provided by financing activities	-	23,395
Net (decrease) increase in cash and cash equivalents	(9,485)	17,721
Cash and cash equivalents, beginning of period	16,584	5,674
Cash and cash equivalents, end of period	\$ 7,099	\$ 23,395
Supplemental disclosure:		
Cash paid for interest	-	-
Cash paid for taxes	-	-

See non-cash disclosures in Note 6.

See accompanying notes to the condensed financial statements.

# VISIONEERING TECHNOLOGIES, INC.

## NOTES TO CONDENSED FINANCIAL STATEMENTS

For the Half-Year Ended June 30, 2018

In US\$

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

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 (near-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. For the six months ended June 30, 2018, all sales of the Company's products were in the United States.

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

Prior to August 25, 2017, the Company outsourced the warehousing and the revenue cycle management function to MidSouth Premier Ophthalmics ("MidSouth"), a contact lens fulfillment company. MidSouth received orders, collected funds, delivered lenses, and maintained customer accounts on VTI's behalf. On August 25, 2017, the Company's agreement with MidSouth expired and was not renewed.

On July 10, 2017, the Company entered into a Third Party Logistics contract with Wisconsin Vision Associates, Inc. ("WVA") to receive, warehouse, and distribute Company's products. WVA is paid a monthly base service fee and an additional fee based on the monthly number of pallets utilized by the Company. On August 10, 2017, the Company entered into a Supply and Distribution Agreement with WVA. WVA's non-exclusive right to distribute includes the right to market, promote, sell and distribute the Company's products ("Products") within the United States and the United Kingdom, provided that Products shall be sold only to permitted customers and shipped only to permitted customers or directly to a patient in the United States if specifically directed by the permitted customer. The Company and WVA agreed to a price list on the Products the Company sells to WVA. The Company shall invoice WVA upon shipment of Products. WVA shall pay the Company for each undisputed invoice within thirty (30) days following the later of (i) the date of receipt of the invoice and (ii) delivery of the relevant Products to WVA.

On September 1, 2017, the Company entered into a Supply and Distribution Agreement with ABB/Con-Cise Optical Group, LLC ("ABB"). ABB's non-exclusive right to distribute includes the right to market, promote, sell and distribute the Company's Products within the United States and the United Kingdom, provided that Products shall be sold only to permitted customers and shipped only to permitted customers or directly to a patient in the United States if specifically directed by the permitted customer. The Company and ABB agreed to a price list on the Products the Company sells to ABB. The Company shall invoice ABB upon shipment of Products. ABB shall pay the Company for each undisputed invoice within thirty (30) days following the later of (i) the date of receipt of the invoice and (ii) delivery of the relevant Products to ABB.

### *Basis of Presentation*

The Company has prepared the accompanying unaudited interim financial statements and notes in conformity with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by US GAAP for complete financial statements. In the opinion of the Company's management, the accompanying interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's interim financial information. 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.

The accompanying interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2017 and related notes included in the Company's Annual Report in Appendix 4E, which was filed with the ASX on March 29, 2018. The financial results for any interim period are not necessarily indicative of the expected financial results for the full year.

### *Use of Estimates*

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

### *Liquidity and Going Concern*

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

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. To date the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of \$52.2 million from the Company's inception through June 30, 2018. As of June 30, 2018, the Company's cash and cash equivalents were \$7.1 million. The Company's ability to achieve profitability and positive cash flow is dependent upon its ability to increase revenue and contain its expenses.

In order to meet the Company's working capital needs through the next twelve months, the Company may need to raise additional debt or equity financing. The Company historically has been able to raise additional capital through issuance of equity and/or debt financing and the Company has a plan in place to reduce spending in the absence of further capital being raised in order to satisfy its obligations due within one year from the date of issuance of these financial statements. In addition, the Company received commitments for \$6.4 million of equity financing effective August 15, 2018 and may raise up to an additional \$2.2 million by early September 2018 (see Note 15). However, there is no guarantee that the equity raised will be sufficient to satisfy the Company's obligations due within one year from the date of these condensed financial statements or that the Company will successfully implement its cost reduction plans. Because of these issues,

there is substantial doubt about the Company's ability to continue as a going concern within one year after these financial statements are issued.

#### *Fair Value of Financial Instruments*

The Company has identified cash, accounts receivable, and accounts payable as financial instruments of the Company. Due to the nature of the cash, accounts receivable, and accounts payable, the Company believes that the fair value of those accounts 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 cash conversion equity components and beneficial conversion features.

#### *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. As of June 30, 2018, and December 31, 2017, the Company had cash and cash equivalents of \$7.1 million and \$16.6 million, respectively. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limit.

#### *Accounts Receivable*

The carrying value of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. Credit is extended based on evaluation of a customer's financial condition and collateral is not required. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability. Provisions for doubtful accounts are charged to operations at the time management determines these amounts may become uncollectible. Based on management's review, no allowance for doubtful accounts has been recorded for the periods ended June 30, 2018 and December 31, 2017.

#### *Inventory*

Inventory is stated at the lower of cost or net realizable value with cost determined under the first in, first out (FIFO) method. 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 net realizable value. All inventory held at June 30, 2018 and December 31, 2017 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 a 15 year period.

### *Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation. Repairs and maintenance costs are expensed as incurred. Depreciation expense is included in general and administrative expense.

Depreciation is computed 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*

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, but 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 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. As of June 30, 2018 and December 31, 2017, the Company has not experienced impairment losses on its long-lived assets.

### *Revenue Recognition*

In May 2014, the FASB issued guidance on recognizing revenue from contracts with customers. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the new revenue standard using a modified retrospective basis on January 1, 2018 to all contracts that were not completed. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The adoption of this guidance had no impact on the amount and timing of revenue recognized, therefore, no adjustments were recorded to our condensed financial statements upon adoption. See Note 3, Revenue Recognition, for additional details on the application of this guidance.

### *Advertising Costs*

Advertising costs are recognized as an expense in the period in which they are incurred. The Company incurred advertising expense of \$120,488 and \$60,298 for the six months ended June 30, 2018 and 2017, respectively and are included in sales and marketing in the Condensed Statements of Operations.

### *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 \$20,374 and \$3,812 for the periods ended June 30, 2018 and 2017, respectively, and are included in clinical and manufacturing in the Condensed Statements of Operations.

### *Stock-Based Compensation*

The Company measures 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 recognizes 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.

Stock-based compensation expense recognized in the Condensed Statements of Operations for the six months ended June 30, 2018 and 2017 is based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

### *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*

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

Income tax positions are considered for uncertainty in accordance with ASC 740-10. The Company believes that its income tax filing position and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position; therefore, no ASC 740-10 liabilities for uncertain tax positions have been recorded. The Company will recognize accrued interest and penalties related to unrecognized tax benefits, if any, as interest expense and income tax expense, respectively, in the Condensed Statements of Operations. The Company does not believe that the amount of unrecognized tax benefits will significantly increase or decrease within 12 months of June 30, 2018. Given the Company's net operating losses, all years since inception are subject to review.

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

### *Earnings Per Share (EPS)*

Basic EPS is calculated in accordance with ASC 260, *Earnings per Share*, by dividing net income or loss attributable to common stockholders by the weighted average common stock outstanding. Diluted EPS is calculated in accordance with ASC 260 by adjusting weighted average common shares outstanding for the dilutive effect of common stock options, warrants, convertible preferred stock, and accrued but unpaid convertible preferred stock dividends. In periods where a net loss is recorded, no effect is given to potentially dilutive securities, since the effect would be anti-dilutive. The common stock equivalents of the Company's



convertible debt and stock options were not included in the computation of dilutive EPS because to do so would have been anti-dilutive.

#### *Reclassifications*

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

#### *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires that organizations that lease assets recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The ASU will affect the presentation of lease related expenses on the income statement and statement of cash flows and will increase the required disclosures related to leases. This ASU is effective for the Company beginning January 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2016-02 on its consolidated financial statements. Management expects that a key change upon adoption will be the balance sheet recognition of leased assets and liabilities and does not expect that changes in income statement recognition will be material.

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

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

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

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

## (2) FINANCIAL STATEMENT RESTATEMENT

The Company determined that amendment of the Company's Senior Notes and Series A-1 Notes in October 2016 resulted in embedded derivatives that should have been bifurcated and accounted for as a marked-to-market liability. In addition, The Company determined that its Pre-IPO Notes issued in July 2016 also contained embedded derivatives that should have been bifurcated and accounted for as a marked-to-market liability. The Company did not separately account for the embedded derivatives in the previously issued 2017 Half Yearly condensed financial statements and the June 30, 2017 Condensed Statement of Operations and Condensed Statement of Cash Flows presented herein have been restated accordingly. The table below reflects the impact of the restatement on the 2017 Half Yearly condensed financial statements:

For the six months ended June 30, 2017	As previously reported US\$000s	Effect of restatement US\$000s	As restated US\$000s
Condensed Statement of Operations			
Interest expense and other, net	(4,687) *	3,243	(1,444)
Loss on change in fair value of derivative	-	(1,421)	(1,421)
Loss on share redemption of debt	-	(1,460)	(1,460)
Net Loss	(10,336)	362	(9,974)
Condensed Statement of Cash Flows			
Net Loss	(10,336)	362	(9,974)
Change in fair value of derivative liability	-	1,421	1,421
Loss on share redemption of debt	-	1,460	1,460
Amortization of debt discount	-	446	446
Beneficial conversion feature on convertible debt	3,689	(3,689)	-

\* Includes \$644K change due to reclassification of foreign currency loss from general and administrative expense.

The cumulative effect of the restatement on accumulated deficit as of June 30, 2017 was \$362,511. The per-share impact for the six months ended June 30, 2017 was \$0.003.

## (3) REVENUE RECOGNITION

The Company sells its products to major contact lens distributors ("Customers"). In addition to distribution agreements with Customers, the Company enters into arrangements with eye care providers that provide for privately-negotiated discounts with respect to their purchase of the Company's products from the Customers. The Company then reimburses the Customers for discounts provided to eye care providers. All of our current contracts have a single performance obligation, as the promise to transfer the individual goods is not separately identifiable from other promises in the contracts and is, therefore, not distinct.

Currently, all revenue is derived from product sales. The Company recognizes revenues from product sales at a point in time when the Customer obtains control, typically upon shipment to the Customer. The Company accrues for fulfillment costs when the related revenue is recognized.

Revenues from product sales are recorded at the net sales price (transaction price), which includes estimates of variable consideration related to discounts to distributors and eye care providers; product returns; and rebates for patient relating to the Company's sales of its products.

These reserves are based on estimates of the amounts earned or to be claimed on the related sales. Management's 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 the Company's best estimates of the amount of consideration to which it is 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, the Company may adjust these estimates, which could have an effect on earnings in the period of adjustment.

The Company will exchange returned product with replacement inventory. The Company typically does not provide cash refunds.

The Company receives payments from its Customers based on billing schedules established in each contract, which vary across the Company's Customers but generally range between 30 to 90 days. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation is that the Customer will pay for the product in one year or less of receiving those products.

**(4) INTANGIBLE ASSETS**

Intangible assets consist of the following as of June 30, 2018 and December 31, 2017:

	<b>2018</b>	<b>2017</b>
	<u>US\$000</u>	<u>US\$000</u>
Patents	\$396	\$356
Less accumulated amortization	(65)	(59)
Intangible assets, net	<u>331</u>	<u>297</u>

Amortization expense was \$6,081 and \$10,440 for the six months ending June 30, 2018 and 2017, respectively. The weighted average remaining useful life as of June 30, 2018 was 12.4 years.

Patent costs are capitalized and amortized over their estimated economic lives and those costs are subject to impairment testing when qualitative factors indicate that the assets may be impaired. No indications of impairment were identified for capitalized patent costs during 2018 and 2017 and no impairment charges were recorded.

Amortization expense for the next five years is as follow:

	<u>US\$000</u>
2018	\$22
2019	22
2020	22
2021	22
2022	22
Thereafter	<u>220</u>
Total	<u>331</u>

**(5) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2018 and December 31, 2017:

	<b>2018</b>	<b>2017</b>
	US\$000	US\$000
Computer equipment and software	\$113	\$103
Office equipment	49	49
Furniture and fixtures	52	52
Leasehold improvements	12	12
Total costs	226	216
Less accumulated depreciation	(86)	(54)
Property and equipment, net	140	162

Depreciation expense was \$32,218 and \$9,250 for the six months ending June 30, 2018 and 2017, respectively.

**(6) NON-CASH ACTIVITIES**

In March 2017, in conjunction with the IPO, the convertible debt along with the embedded derivatives were converted to equity in a non-cash transaction totaling \$29,567,000 with an equal offset to Additional Paid-In Capital.

**(7) SHAREHOLDERS' EQUITY**

*Common Stock*

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

In March 2017, the Company completed its IPO and associated listing on the ASX. 79,365,079 CDIs were issued (each representing an interest in one share of newly issued common stock) and \$23.4 million, net of expenses, was received. In conjunction with the IPO, all outstanding Convertible Debt and Preferred Stock was converted into common stock.

**(8) CONCENTRATIONS AND CREDIT RISK**

For the six months ended June 30, 2018, two customers, which are contact lens distributors, accounted for approximately 97.3% of the Company's total sales. These two same customers accounted for 89.6% and 100% of the Company's accounts receivable as of June 30, 2018 and December 31, 2017, respectively. For the six months ended June 30, 2017, no customers accounted for more than 10% of the Company's total sales.

The Company relies on a single manufacturer for our contact lenses.

**(9) SEGMENT INFORMATION**

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

**(10) STOCK COMPENSATION PLANS**

The Company's stock-based compensation expense for the six months ended June 30, 2018 and 2017 was \$119,851 and \$64,767, 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 have been authorized for share-based awards. The total number of options issued and outstanding as of June 30, 2018 and December 31, 2017 was 9,388,074 and 11,535,574, respectively. Vesting terms and exercise price of options are determined by the Board and are defined in a stock incentive agreement for each grant. Options generally vest over a one to four-year period from date of grant, with a few grants being vested immediately upon issuance. Stock options issued to employees, directors, and consultants expire 10 years from the date of grant. Vested and unexercised shares are cancelled three months after termination, and unvested awards are canceled on the date of termination of employment and become available for future grants. Upon the exercise of stock options, the Company may issue the required shares out of authorized but unissued common stock. The Incentive Plan is the predecessor to the 2017 Plan described below. On January 18, 2017, the Board determined that no additional stock incentives would be awarded under the 2008 Incentive Plan, but stock incentives previously granted would continue to be governed by the terms of the Incentive Plan.

The Board adopted the 2017 Equity Incentive Plan (the "2017 Plan"), with an effective date of January 18, 2017. The 2017 Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Stock Units, Performance Awards and Stock Appreciation Rights. The total number of shares reserved for issuance under the 2017 Plan is 11,000,000. The share reserve may be increased each year in accordance with the 2017 Plan documents. The total number of shares issued and outstanding as of June 30, 2018 and December 31, 2017 was 202,188 and 978,331, respectively. Vesting terms and exercise price of options are determined by the Board and are defined in a stock incentive agreement for each grant.

Additionally, stock-based compensation expense related to stock options granted to non-employees is recognized on a straight-line basis, as the stock options are earned. The Company issued options to non-employees, which generally vest ratably over the time period the Company expects to receive services from the non-employee. The values attributable to these options are amortized over the service period and the unvested portion of these options are remeasured each reporting period over the remaining vesting period. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The grant date fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model that uses certain assumptions. Pre-IPO, the estimated fair value of common stock was determined with the assistance of an independent valuation specialist. Post IPO, the Company uses the ASX stock price to determine fair value of the stock on the date of grant. Expected volatilities are based on historical volatility of certain comparable companies in the contact lens industry traded on U.S. exchanges over similar expected terms, as determined by the Company. The expected term of options granted is derived using the simplified method (the midpoint between vesting date and contractual terms). The Company intends to use the simplified method for the foreseeable future until more detailed information about exercise behavior will be more widely available. The risk-free rate for periods within the expected term of the option is based 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 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Risk-free interest rate	1.25%	1.25%
Expected volatility	50%	50%
Expected term (years)	6	5
Dividend Rate	0	0

Stock option activity is summarized as follows:

	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Term in Years
Outstanding at December 31, 2017	12,513,905	\$0.09	8.35
Grants	202,188	0.32	
Cancellation/forfeitures	(3,121,143)		
Exercised	(4,688)		
Outstanding at June 30, 2018	<u>9,590,262</u>	<u>0.08</u>	<u>7.61</u>
Exercisable	5,637,919		

The weighted average grant date fair value of options granted during the year was \$0.13 in 2018 and 2017. The intrinsic value of options unexercised as of June 30, 2018 and December 31, 2017 was \$1,840,699 and \$4,242,751, respectively.

As of June 30, 2018, there was approximately \$554,165, of total unrecognized compensation expense related to stock option awards under the combined plans. That cost is expected to be recognized over a weighted average period of 1.95 years.

#### **(11) EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) retirement plan ("401(k) Plan") for the benefit of eligible employees, as defined. Each participant may elect to contribute to the 401(k) Plan each year up to the maximum amount allowed by law, subject to certain Internal Revenue Service limitations. The Company makes matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation. The Company contributed \$103,860 and \$43,995 for the six months ending June 30, 2018 and 2017, respectively.

#### **(12) COMMITMENTS AND CONTINGENCIES**

The Company's headquarters and principal operations are located in metropolitan Atlanta, Georgia. Operating leases with escalating rents are recorded as expense on a straight-line basis over the life of the lease. In addition to minimum rental payments, additional payments based on real estate taxes, common area maintenance and insurance are expensed when incurred. Net rental expense under this and previous agreements were \$75,504 and \$43,391, for the six months ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, future rental commitments are as follows:

	US\$000
2018	\$48
2019	99
2020	101
2021	105
2022	108
Thereafter	9
	<u>470</u>

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

In addition, the Company warrants to customers that the Company's products operate substantially in accordance with the product's specifications. Historically, no significant costs have been incurred related to product warranties and none are expected in the future, and as such no accruals for product warranty costs have been made.

### **(13) 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, the Company uses 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 June 30, 2018.

The following fair value table presents information about the Company's assets and liabilities measured at fair value on a recurring basis:

	June 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
Assets								
Cash equivalents	\$6,849	-	-	\$6,849	\$16,334	-	-	\$16,334
Assets measured at fair value	6,849	-	-	6,849	16,334	-	-	16,334

#### (14) INCOME TAXES

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

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, the Company's best estimate of operating results. In estimating the annual effective tax rate, the Company does not include the estimated impact of unusual and/or infrequent items, including the reversal of valuation allowances, which may cause significant variations in the customary relationship between income tax expense (benefit) and pretax income (loss) in quarterly periods. The income tax expense (benefit) for such unusual and/or infrequent items is recorded in the quarterly period such items are incurred.

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. The Company's effective tax rate for the six months ended June 30, 2018 properly excluded tax benefits associated with year-to-date pre-tax losses. 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 2016, and subject to examinations at various state levels between 2005 and 2016. The statute of limitations on these years will close when the NOLs expire or when the statute closes on the years in which the NOLs are utilized.

At December 31, 2017, the Company had federal NOL carry-forwards of approximately \$31.1 million available to reduce future taxable income. The Company's federal NOL carry-forwards remain fully reserved as of June 30, 2018. We have not performed a study of our NOLs for limitations required by 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 NOL carry-forwards will expire at various dates between 2023 and 2037.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act") which made widespread changes to the Internal Revenue Code. The Act, among other things, reduced the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a transition tax on earnings of certain foreign subsidiaries that were previously not subject to U.S. tax and creates new income taxes on certain foreign sourced earnings. The Company has made reasonable estimates related to the remeasurement of U.S. deferred tax balances for the reduction in the tax rate. For the six months ended June 30, 2018, the Company has not made any adjustments to the estimated amounts recorded as of December 31, 2017.



**(15) SUBSEQUENT EVENTS**

On August 15, 2018, the Company announced that it had received commitments from sophisticated and professional investors to subscribe for an equity capital raise consisting of 49,200,000 CDIs representing the same number of share of Class A common stock totaling \$6.4 million (the "Placement"). The Company expects the settlement of the CDIs subscribed for under the Placement to occur on August 20, 2018. The CDIs will rank equally with existing CDIs of the Company.

In addition to the Placement, Visioneering will offer existing holders of CDIs with a registered address in Australia or New Zealand the opportunity to subscribe for up to approximately \$11,000 in additional CDIs per holder under a security purchase plan (the "SPP"). The amount to be raised under the SPP will be capped at approximately \$2.2 million. The Company expects the offer under the SPP to open on August 22, 2018 and to close on September 5, 2018. The Company cannot predict the amount of capital to be raised in the SPP, if any.

The Company evaluated the accounting and disclosures requirements for subsequent events through August 16, 2018, the issuance date of the condensed financial statements.