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ASX Announcement

Visioneering Technologies, Inc., Appendix 4E

Atlanta, Georgia, 27 February 2018 AT: Visioneering Technologies, Inc (ASX: VTI), a US-based medical device company ('Visioneering' or 'The Company') 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 4E Full Year Final Results for the period ended 31 December 2017.

For more information, please contact:

Company	***Investor and media relations***
Stephen Snowdy CEO, Visioneering Technologies, Inc. Email: ssnowdy@vtivision.com	Kyahn Williamson WE Buchan Tel: +61 (3) 9866 4722 Email: kwilliamson@buchanwe.com.au

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 CHESS Depositary 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 4E (RULE 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2017 $USD (Unaudited)	2016 $USD (Unaudited)	up/down	% movement
Revenue from ordinary activities	$1,048,978	$216,208	up	385%
Loss after tax from ordinary activities attributable to members	($16,981,419)	($8,306,852)	up	104%
Net loss after tax attributable to members	($16,981,419)	($8,306,852)	up	104%

Dividend information	Amount per security $USD	Franked amount per security $USD
Interim dividend	Nil	Nil
Previous corresponding dividend	Nil	Nil

Net tangible asset backing	31 Dec 2017 $USD (Unaudited)	31 Dec 2016 $USD (Unaudited
	$0.10	($0.65)

- **Annual financial results:** This report is based on the accompanying unaudited consolidated 2017 financial statements which are in the process of being audited. We anticipate the independent audit report will contain an emphasis of matter paragraph regarding going concern and an other matters paragraph regarding restatement adjustments. Due to the restatement adjustments, the 2016 financial information has been labelled “unaudited” pending completion of the 2017 audit. (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 2017.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** N/A
- **Set of accounting standards used in compiling the report:** The unaudited consolidated 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.
- **Details of audit disputes or audit qualification:** Audit in progress.

A commentary on the results for the period: The net loss for the year increased to US$16,981,419 compared to US$8,306,852 for the previous corresponding period. Basic and Diluted earnings per share was (US$0.11) and (US$1.03) for the years ended 31 December 2017 and 2016, respectively.

Net Sales increased to US$1,048,978 from US$216,208 for the previous period, as a result of the commercial launch in the United States.

Cost of Sales increased to US$909,679 from US$164,530 for the previous period, as a result of the increase in Net Sales.

Total Operating Expenses increased to US$12,885,299 from US$4,092,010 for the previous period, reflecting increased investment in sales and marketing, clinical and manufacturing, and general administrative expenses as we expanded the commercial launch in the United States.

Loss on fair value of derivative increased to US$1,421,054 from US$578,285 for the previous period due to the changes in fair value of the derivative leading up to the initial public offering ("IPO") in March 2017.

Loss on stock redemption of debt increased US$1,459,653 from US$0 for the previous period due to write off of the unamortized debt discount when the convertible debt was converted to common stock in connection with the IPO in March 2017.

Total Interest expense and other, net decreased to US$1,354,712 from US$3,688,235 due to conversion of debt to common stock in connection with the IPO in March 2017.

The Company had cash and cash equivalents of US$16,584,062 at 31 December 2017.

The Company operated in one segment only during the period and there were no returns to shareholders or share buy backs.

Please also refer to the separate update on the full year financial results of the Company and the Company's consolidated financial statements, with accompanying notes, which are attached hereto.

Annual Meeting of Stockholders: The Annual Meeting of Stockholders of the Company will be held at *Johnson Winter & Slattery's Sydney office* at Level 25, 20 Bond Street Sydney, New South Wales, Australia on Friday, 20 April at 10.00am Australian Eastern Standard.

VISIONEERING TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016
Unaudited

VISIONEERING TECHNOLOGIES, INC.

CONTENTS

VISIONEERING TECHNOLOGIES, INC.

BALANCE SHEETS
December 31, 2017 and 2016
(Unaudited)

	December 2017 US$000	December 2016 (as restated in Note 2) US$000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$16,584	$5,674
Accounts receivable, net of allowance for doubtful accounts	242	30
Inventory	2,748	1,897
Prepaid expenses and other current assets	479	709
TOTAL CURRENT ASSETS	20,053	8,310
NON-CURRENT ASSETS		
Property and equipment, net	162	43
Intangible assets, net	297	258
Other non-current assets	43	10
TOTAL ASSETS	20,555	8,621
LIABILITIES		
CURRENT LIABILITIES		
Convertible notes payable, net	-	8,261
Accounts payable	164	371
Accrued interest	-	1,665
Derivative liability	-	5,136
Other accrued liabilities	1,174	341
TOTAL CURRENT LIABILITIES	1,338	15,774
LONG-TERM LIABILITIES		
Deferred rent	31	-
Accrued interest	-	383
Convertible notes payable	-	9,753
TOTAL LONG-TERM LIABILITIES	31	10,136
TOTAL LIABILITIES	1,369	25,910
Commitments and contingencies (Note 11)		
EQUITY		
Preferred stock, par value $0.001 per share, 50,000,000 shares authorized and 0 shares issued and outstanding at December 31, 2017; Preferred stock, par value $0.01 per share, 100,000,000 shares authorized and 16,617,758 shares issued and outstanding at December 31, 2016. The liquidation preference for the Series A-1 NV Preferred Shares was $1,842,432 at December 31, 2016. The liquidation preference for the Series A-1 Preferred Shares was $1,979,652 at December 31, 2016.	-	166
Common stock, par value $0.001 per share, 600,000,000 shares authorized and 196,989,356 shares issued and outstanding at December 31, 2017; Common stock, par value $0.01 per share, 125,000,000 shares authorized and 9,577,298 shares issued and outstanding at December 31, 2016.	197	96
Additional paid-in capital	61,221	7,700
Accumulated deficit	(42,232)	(25,251)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	19,186	(17,289)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	20,555	8,621

See accompanying notes to condensed financial statements.

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF OPERATIONS
For the Years Ended December 2017 and 2016
Unaudited

	2017 US$000	2016 (As restated in Note 2) US$000
NET SALES	$1,049	$216
COST OF SALES	(910)	(165)
GROSS PROFIT	139	51
EXPENSES		
Sales and marketing	7,518	1,244
Clinical and manufacturing	1,509	1,040
General and administrative	3,857	1,808
TOTAL EXPENSES	12,884	4,092
OPERATING LOSS	(12,745)	(4,041)
Loss on fair value of derivative liability	(1,421)	(578)
Loss on stock redemption of debt	(1,460)	-
Interest expense and other, net	(1,355)	(3,687)
LOSS BEFORE INCOME TAXES	(16,981)	(8,306)
INCOME TAX EXPENSE	-	-
NET LOSS	(16,981)	(8,306)
Basic earnings per share	($0.11)	($1.03)
Diluted earnings per share	($0.11)	($1.03)
Weighted average shares outstanding for basic earnings per share	155,342,232	8,037,995
Weighted average shares outstanding for diluted earnings per share	155,342,232	8,037,995

See accompanying notes to condensed financial statements.

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Years Ended December 31, 2017 and 2016
Unaudited

	Common Stock		Preferred Stock		Paid-in	Accumulated	
	Shares Number	Amount US$000	Shares Number	Amount US$000	Capital US$000	Deficit US$000	Total US$000
Balance at December 31, 2015	3,266,848	$32	11,350,291	$114	$7,804	($16,945)	($8,995)
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 (As previously reported)	9,577,298	96	16,617,758	166	7,700	(21,902)	(13,940)
Impact of derivative accounting	-	-	-	-	-	(3,349)	(3,349)
Balance at December 31, 2016 (As restated in Note 2)	9,577,298	96	16,617,758	166	7,700	(25,251)	(17,289)
Reduction in par value of common stock	-	(86)	-	-	86	-	-
Issuance of stock through IPO, net of issuance costs	79,365,079	79	-	-	23,316	-	23,395
Conversion of preferred stock	16,617,758	17	(16,617,758)	(166)	149	-	-
Share settlement of convertible debt and derivative	91,429,221	91	-	-	29,476	-	29,567
Stock based compensation	-	-	-	-	494	-	494
Net loss	-	-	-	-	-	(16,981)	(16,981)
Balance at December 31, 2017	196,989,356	197	-	-	61,221	(42,232)	19,186

VISIONEERING TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017and 2016
Unaudited

	2017 US$000	2016 (As restated in Note 2) US$000
Cash flows from operating activities:		
Net loss	($16,981)	($8,306)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	45	20
Change in fair value of derivative liability	1,421	578
Loss on stock redemption of debt	1,460	
Accrued interest on convertible debt	799	4,063
Unrealized foreign exchange loss/(gain)	688	(383)
Loss on disposal of property and equipment	3	
Stock based compensation	494	-
Changes in assets and liabilities:		
Accounts receivable	(212)	(26)
Inventory	(851)	(1,743)
Prepaid expenses and other assets	197	(606)
Accounts payable	(207)	151
Other accrued liabilities	864	327
Net cash used in operating activities	(12,280)	(5,925)
Cash flows from investing activities:		
Purchase of property and equipment, net	(158)	(17)
Purchase of intangible assets, net	(47)	(130)
Net cash used in investing activities	(205)	(147)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs of $509	23,395	-
Issuance of convertible debt	-	11,727
Net cash provided by financing activities	23,395	11,727
Net increase in cash and cash equivalents	10,910	5,655
Cash and cash equivalents, beginning of period	5,674	19
Cash and cash equivalents, end of period	16,584	5,674
Supplemental disclosure:		
Cash paid for interest	-	-
Cash paid for taxes	-	-

See non-cash disclosures in Note 6.

See accompanying notes to condensed financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
Unaudited
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 (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. For the years ended December 31, 2017 and 2016, 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. 79,365,079 CHESS Depositary Interests 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 fulfillment of orders for its products to MidSouth Premier Opthalmics ("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 accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative US GAAP as found in the Accounting Standards Codification

("ASC") and Accounting Standards Updates ("ASUs") of the Financial Accounting Standards Board ("FASB"). All amounts are presented in US Dollars unless otherwise stated.

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.

To date the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of $42,232,484 from the Company's inception through December 31, 2017. As of December 31, 2017, the Company's cash and cash equivalents were $16.6. 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. While the Company has historically been able to raise additional capital through issuance of equity and/or debt financing, and while 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, there can be no guarantees on the Company's ability to raise additional equity, or successfully implement its cost reduction plans. Because no mitigating efforts to raise capital have been approved prior to the issuance of the 2017 financial statements, there is substantial doubt about the Company's ability to continue as a going concern within one year after these financial statements are issued.

Fair Value of Financial Instruments

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

At December 31, 2016, the Company had convertible debt with a reported carrying amount of $18,013,923, net of unamortized discounts of $1,786,148.

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. The effective interest rates imputed on the convertible debt due to derivative bifurcation ranged from 31.8% to 108.9%

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 December 31, 2017 and 2016, the Company had cash and cash equivalents of $16.6 million and $5.7 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. 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 December 31, 2017 and December 31, 2016, respectively.

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 December 31, 2017 and December 31, 2016 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 the 15 year life of the patent.

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
Leasehold Improvements	Lesser of 5 years or life of the lease

Depreciation expense is included in general and administrative expense.

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 December 31, 2017 and 2016, the Company has not experienced impairment losses on its long-lived assets.

Revenue Recognition

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.

Prior to August 25, 2017, the Company sold its products directly to Eye Care Providers (“ECPs”) with the assistance of MidSouth, a contact lens fulfillment company. MidSouth maintained the warehouse, received orders, collected receivables, and shipped the lenses. Revenue for transactions fulfilled by MidSouth was recognized when the title to goods were delivered to the ECP, the sales price was fixed or determinable and collectability was reasonably assured.

Subsequent to August 25, 2017, the Company entered into warehousing and distribution agreements with WVA and ABB which in turn sell the product to ECPs. Revenue is recognized upon sale to WVA and ABB.

Contact lens wearers who purchase the Company’s products may receive rebate coupons which they can submit to the Company to receive rebates. The Company accrues the estimated amount of such rebates when sales occur and records the cost of the rebates as a reduction of revenue.

The Company through its distributors offers discounted pricing to ECPs. The Company accrues the estimated amount of such payments and records the discounted amount as a reduction of reported revenue when the distributor grants the discounted pricing.

Advertising Costs

Advertising costs are recognized as an expense in the period in which they are incurred. The Company incurred advertising expense of $179,872 and $18,010 for the years ended December 31, 2017 and 2016, respectively and are included in sales and marketing in the Statement 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 $7,899 and $341,000 for the periods ended December 31, 2017 and December 31, 2016, respectively, and are included in clinical and manufacturing in the 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 statements of operations for the years ended December 31, 2017 and 2016 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 consolidated statements of operations. The Company does not believe that the amount of unrecognized tax benefits will significantly increase or decrease within 12 months of December 31, 2017. The Company remains subject to examination by taxing authorities for its 2014-2017 tax returns.

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.

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.

Reclassifications

Certain amounts in 2016 have been reclassified to conform with current year presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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 fiscal years beginning after December 15, 2018. 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 January 1, 2018. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2015, the FASB issued ASU No. 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 ASU is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments for ASU-2015-17 can be applied retrospectively or prospectively and early adoption is permitted. The Company adopted 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*. Prior 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 beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. As of January 1, 2017, the Company has adopted ASU No. 2015-11.

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 fiscal years beginning after December 15, 2019, and interim periods for fiscal years beginning after December 15, 2020, 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. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*, that requires embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met. One of those criteria is that the economic characteristics and risks of the embedded derivatives are not clearly and closely related to the economic characteristics and risks of the host contract. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation: Stock Compensation (Topic 718)*. FASB issued this update as part of is Simplification Initiative. The areas of simplification in this update involve several aspects for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of ASU 2016-09 on its consolidated financial statements.

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 are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2016-18 on its consolidated financial statements.

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 are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of ASU No. 2017-05 on its consolidated financial statements.

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 in the first quarter of fiscal year 2018. Early adoption is permitted. The new guidance must be applied on a prospective basis. The Company does not anticipate that the adoption of this standard will have a significant impact on the 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 fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, 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 will evaluate the impact of the adoption of this standard on its financial statements.

(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, it was determined that the Company's 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 2016 financial statements and the 2016 financial statements presented herein have been restated accordingly. The table on the next page reflects the impact of the restatement on the 2016 financial statements:

As of and for the year ending December 31, 2016	As previously reported US$000s	Effect of restatement US$000	As restated U$000
Balance Sheets			
Convertible notes payable, current	$10,047	($1,786)	$8,261
Derivative liability	-	5,136	5,136
Accumulated deficit	(21,901)	(3,350)	(25,251)
Statement of Operations			
Interest expense and other, net	(916)	(2,771)	(3,687)
Loss on change in fair value of derivative	-	(578)	(578)
Net Loss	(4,957)	(3,349)	(8,306)
Statement of Changes in Shareholders' Equity			
Net Loss	(4,957)	(3,349)	(8,306)
Statement of Cash Flows			
Net Loss	(4,957)	(3,349)	(8,306)
Change in fair value of derivative liability	-	578	578
Accrued interest on convertible debt	1,292	2,771	4,063

The cumulative effect of the restatement on accumulated deficit as of December 31, 2016 was $3,349,534. The per-share impact for the years ended December 31, 2017 and 2016 was $0.42 and $0.02, respectively.

(3) INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2017 and 2016:

	2017 US$000	**2016** US$000
Patents	$356	$309
Less accumulated amortization	(59)	(51)
Intangible assets, net	297	258

Amortization expense was $8,511 and $8,621 for the years ending December 31, 2017 and 2016, respectively. The weighted average remaining useful life as of December 31, 2017 was 12.33 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 2016 and 2017 and no impairment charges were recorded.

Amortization expense for the next five years is as follow:

	US$000
2018	$20
2019	20
2020	20
2021	20
2022	20
Thereafter	197
Total	297

(4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017 and 2016:

	2017 US$000	**2016** US$000
Computer equipment and software	$103	$40
Office equipment	49	8
Furniture and fixtures	52	14
Leasehold improvements	12	-
Total costs	216	62
Less accumulated depreciation	(54)	(19)
Property and equipment, net	162	43

Depreciation expense was $36,220 and $11,223 for the years ending December 31, 2017 and 2016, 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 was payable upon maturity and accrued at a rate of 6% per annum. The Prior Notes would mature upon demand. Prior Notes were convertible into Series A-1 preferred stock or equity instruments issued in an equity financing.

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

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

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

Upon the closing of an equity financing transaction, the Senior Notes plus accrued interest 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 embedded, contingently exercisable warrants with a purchase price equivalent to 0.02% of the associated Senior Notes. The number of shares to which the warrant entitles the holder is either (i) one-half the number of shares of stock into which the Senior Notes issued to the holder are converted, or (ii) the number of shares of common stock issuable upon the conversion of one-half of the number of shares of stock into which the Senior Notes issued to the holder are converted. The warrants 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 ("Series A-1 Note Purchase Agreement"), pursuant to which the Company issued Series A-1 convertible demand notes ("Series A-1 Notes") and contingently exercisable warrants to purchase shares of the Company's capital stock ("Series A-1 Warrants") and raised proceeds of $1,418,141. 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 Series A-1 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 Series A-1 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 contingently exercisable Series A-1 Warrant to purchase equity securities of the Company, generally equal to 50% of the number of equity securities into which the Series A-1 Note associated with such Series A-1 Warrant was converted.

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, 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 connection with the amendment of the Series A-1 Notes and Senior Notes, the Company determined that the conversion rights were a contingent share settled redemption feature. As a result of the amendment, the Company recorded derivative liabilities of $360,898 and $1,639,904 on the Series A-1 Note and Senior Note, respectively. Because the Series A-1 and Senior notes were due on demand, the debt discounts were immediately recorded as an expense at the date of the amendment. The derivative liability was recorded at its fair value at the date of the amendment and the fair value was marked to market resulting in a loss on derivative of $292,233 at December 31, 2016 and $597,405 upon conversion at the time of the Company's IPO in March 2017.

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

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

Convertible debt at December 31, 2017 and 2016:

	2017	**2016**
	US$000	US$000
Prior Notes	-	$2,451
Senior Notes	-	6,177
Series A-1 Notes	-	1,418
Pre-IPO Notes	-	9,753
	-	19,799
Debt discount	-	(1,785)
Total Convertible Debt	-	18,014

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

(6) NON-CASH ACTIVITIES

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

(7) SHAREHOLDERS’ EQUITY

The Common and Preferred Stock balances are outstanding as follows as of December 31, 2017 and 2016 (in thousands except number of shares):

	2017			**2016**		
	No. of shares outstanding	Par value US$000	Additional paid-in capital US$000	No. of shares outstanding	Par value US$000	Additional paid-in capital US$000
Common Stock	196,989,356	$197	$61,221	9,577,298	$96	$3,818
A-1	-	-		8,607,183	86	2,068
A-1 NV	-	-		8,010,575	80	1,814
	196,989,356	197	61,221	26,195,056	262	7,700

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 Australian Stock Exchange. 79,365,079 CHESS Depositary Interests 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.

Convertible Preferred Stock Series A

Issued shares of Series A Convertible Preferred Stock (“Series A”) were 758,500 as of December 31, 2015. The carrying amount of the Series A was $7,585 including Series A Preferred Stock of $7,585. The Series A Preferred Stock had the following rights and privileges:

> *Conversion:* Each share of Series A was 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 was $1.13 which was equal to the original issuance price. The Series A converted into 1,130,489 shares of common stock or Series A-1 in April 2016 as further described in “Preferred Stock Series A-1 and Preferred Stock Series A-1 NV”, see next page.
>
> *Voting:* The holders of Series A were 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.
>
> *Dividend Rate:* The holders of the Series A were entitled to dividends at 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.
>
> *Liquidation:* The holders of the Series A were 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. At December 31, 2015 and through the date of conversion in April 2016, the liquidation preference for the Series A was $853,313.

Redeemable Convertible Preferred Stock Series B

At December 31, 2015, 9,824,566 authorized shares of Series B Redeemable Convertible Preferred Stock (“Series B”) were issued and outstanding. The carrying amount of the Series B was $7,217,126 including Series B Preferred Stock of $98,246 and Additional Paid-in Capital of $7,118,880. The Series B had the following rights and privileges:

> *Conversion:* Each share of Series B was 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 was $0.73 which was equal to the original issuance price. The Series B converted into 20,046,558 shares of common stock or Series A-1 in April 2016 as further described in “Preferred Stock Series A-1 and Preferred Stock Series A-1 NV”, see next page.

Voting: The holders of Series B were entitled to the number of votes equal to the number of shares of common stock into which each share of Series B could be converted.

Dividend Rate: The holders of the Series B were entitled to an annual rate of 6.0% of the original issuance price per share, which would accrue from the date of issuance and shall be payable when and as declared by the Board. Dividends were not declared or paid to the holders of the Series B.

Liquidation: The holders of the Series B were 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. At December 31, 2015 and through the date of conversion in April 2016, the liquidation preference for the Series B was $7,217,104.

Redemption: Each share was 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

At December 31, 2015, 767,225 shares of Series C were issued and outstanding. The carrying amount of the Series C at December 31, 2015 was $563,603 including Series C Preferred Stock of $7,672 and Additional Paid-in Capital of $555,931. The Series C Preferred Stock had the following rights and privileges:

Conversion: Each share of Series C was 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 was equal to the original issuance price. The Series C converted into 1,598,017 shares of common stock or Series A-1 in April 2016 as further described in "Preferred Stock Series A-1 and Preferred Stock Series A-1 NV", below.

Voting: The holders of Series C were 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.

Dividend Rate: The holders of the Series C were entitled to an annual rate of 6.0% of the original issuance price per share, which would accrue from the date of issuance and be payable when and as declared by the Board. Dividends were neither declared nor paid to the holders of the Series C.

Liquidation: The holders of the Series C were 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. At December 31, 2015 and through the date of conversion in April 2016, the liquidation preference for the Series C was $1,690,810.

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 Series A-1 warrants under the Series A-1 Note Purchase Agreement dated March 2, 2016. Holders of the Company's preferred stock (i.e., Series A, Series B and Series

C) were entitled to invest up to their pro rata amount in the borrowing. In connection with the transaction, all outstanding Preferred Stock Series A, B and C was converted as follows:

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

As a result of the Series A-1 financing round in 2016, only common stock, Series A-1 and Series A-1 NV remained issued and outstanding at December 31, 2016. At the time of the Company's IPO in March 2017, the Series A-1 and Series A-1 NV converted into common stock. As a result of the IPO, only common stock was outstanding at December 31, 2017. The liquidation preference for the Series A-1 NV was $1,842,432 at December 31, 2016. The liquidation preference for the Series A-1 was $1,979,652 at December 31, 2016.

(8) CONCENTRATIONS AND CREDIT RISK

For the year ended December 31, 2017, two customers, which are contact lens distributors, accounted for approximately 57.7% of the Company's total sales. These two same customers accounted for 100% of the Company's accounts receivable as of December 31, 2017.

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

(9) STOCK COMPENSATION PLANS

The Company's stock-based compensation expense for the years ended December 31, 2017 and 2016 was $494,291 and $471, 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 December 31, 2017 and December 31, 2016 was 11,535,574 and 2,127,604, 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 December 31, 2017 was 978,331. 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 calculated 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 over similar expected terms, as determined by the Company. The expected term of options granted is derived using the simplified method. 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 2017 and 2016 are as follows:

	2017	**2016**
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, 2015	2,272,116	$0.07	4.73
Grants	25,000	0.07	
Cancellation/forfeitures	(16,274)		
Exercised	(153,238)		
Outstanding at December 31, 2016	2,127,604	0.07	4.67
Exercisable	2,119,339		
Grants	11,242,631	0.09	
Cancellation/forfeitures	(856,330)		
Exercised	-		
Outstanding at December 31, 2017	12,513,905	0.09	8.35
Exercisable	4,617,059		

The weighted average grant date fair value of options granted during the year was $0.13 in 2017 and $0.03 in 2016. The intrinsic value of options unexercised as of December 31, 2017 and 2016 was $4,242,751 and $0, respectively.

As of December 31, 2017 and 2016, there was approximately $956,328 and $254, respectively, 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 2.92 years.

(10) 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 discretionary matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation. The Company contributed $135,350 and $42,962 for the years ending December 31, 2017 and 2016, respectively.

(11) 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 $109,000 and $72,000, for 2017 and 2016, respectively.

As of December 31, 2017, future rental commitments are as follows:

	US$000
2018	$88
2019	99
2020	101
2021	105
2022	108
Thereafter	9
	510

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.

(12) 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 December 31, 2017 and 2016.

To establish the fair value of the bifurcated derivatives, the Company applied Level 3 unobservable inputs. In particular, the Company evaluated the estimated fair value based on the liquidity and contractual settlement features, contractually restricted market mechanisms to realize such value in the likelihood of an IPO or equity financing event, and finally the estimated investor return associated with the redemption feature.

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

	December 31, 2017				December 31, 2016			
	Level 1 US$000s	Level 2 US$000s	Level 3 US$000s	Total US$000s	Level 1 US$000s	Level 2 US$000s	Level 3 US$000s	Total US$000s
Assets								
Cash equivalents	$16,284	-	-	$16,284	-	-	-	-
Assets measured at fair value	16,284	-	-	16,284	-	-	-	-
Liabilities								
Derivative liability	-	-	-	-	-	-	$5,136	$5,136
Liabilities measured at fair value	-	-	-	-	-	-	5,136	5,136

(13) INCOME TAXES

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

In accordance with ASC 740, the Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates in effect for the year in which the differences are expected to reverse. The Company records a valuation allowance against the net deferred tax asset to reduce the net carrying value to an amount that is more likely than not to be realized.

The provision for income taxes consists of the following components:

	2017 US$000	2016 US$000
Current expense		
Federal	-	-
State	-	-
Current income tax expense	-	-
Deferred expense		
Federal	($1,490)	($2,854)
State	(139)	(135)
Total deferred income tax expense	(1,629)	(2,989)
Valuation Allowance	1,629	2,989
Deferred income tax benefit	-	-
Total income tax expense	-	-

The following summarizes the Company's valuation allowance:

	2017 US$000	2016 US$000
Beginning of year	($10,034)	($7,045)
Income tax provision	(1,629)	(2,989)
Deferred rate change	3,096	-
End of year	(8,567)	(10,034)

Net deferred tax assets and liabilities are as follows:

	2017 US$000	2016 US$000
Deferred tax assets		
NOL carryforwards	$7,508	$7,241
R&D tax credits	867	867
Other deferred tax assets	192	2,562
Valuation allowance	(8,567)	(10,034)
Total deferred tax assets	-	636
Deferred tax liabilities		
Debt Discount	-	(636)
Total deferred tax liabilities	-	(636)
Net deferred tax assets and deferred tax liabilities	-	-

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

	2017		2016	
	US$000	Percent	US$000	Percent
Federal tax benefit at statutory rate	($5,774)	34%	($2,824)	34%
State tax - net of federal benefit	(278)	2%	(136)	2%
Permanent items and other	1,093	-6%	(29)	0%
Conversion of Debt to Equity	1,924	-11%	-	0%
Impact of Tax Cuts and Jobs Act	4,503	-27%	-	0%
Change in valuation allowance	(1,467)	9%	2,989	-36%
Total tax expense	-	0%	-	0%

The change in permanent differences and other items from 2016 to 2017 is primarily due to the decreased benefit due to the loss on stock redemption of debt, foreign currency exchange loss on debt conversion and disallowed non-cash interest expense. However, as the current period movement creates an increased net operating loss (NOL) which has a full valuation allowance recorded against its deferred tax assets, there is no impact to total tax expense.

As of December 31, 2017 and 2016, the Company had federal NOL carryforwards of approximately $31.1 million and $19.5 million, respectively, that are available to reduce future income unless otherwise taxable. If not utilized, the federal NOL carryforwards will expire at various dates between 2023 and 2037.