ASX Announcement | 23 August 2022
Visioneering Technologies (ASX:VTI)

Appendix 4D

Atlanta, Georgia, USA, 22 August 2022 (23 August 2022 Sydney time): US-based medical device company and producer of the NaturalVue® (etafilcon A) Multifocal 1 Day Contact Lenses **Visioneering Technologies, Inc. (ASX: VTI)** ('**Visioneering**' or '**the Company**') has today released its Appendix 4D Half Year Final Results for the half year ended 30 June 2022.

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, 2021 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.

Ends.

This release was authorized by the COO & CFO, Brian Lane.

For more information, please contact:

Company	***Investor and media relations***
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About VTI:

Visioneering Technologies Inc. (ASX:VTI) is an innovative eye care company committed to redefining vision. A pioneer in myopia management, VTI merges advanced engineering with a relentless drive to achieve superior results for patients and practitioners. VTI's flagship product is the NaturalVue® (etafilcon A) Multifocal 1-Day Contact Lens, an extended depth of focus lens that is one of the most significant innovations in the eye care industry in more than 20 years. For more information, please visit www.vtivision.com or call +1 844-884-5367, ext. 104.

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.

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

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

Given the current uncertainties regarding the on-going impact of COVID-19 on the trading conditions impacting VTI, the financial markets and the health services world-wide, there can be no assurance that future developments will be in accordance with VTI's expectations or that the effect of future developments on VTI will be those anticipated.

Management believes that these forward-looking statements are reasonable when made. You should not place undue reliance on forward-looking statements because they speak only as of the date when made. VTI does not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. VTI may not actually achieve the plans, projections or expectations disclosed in forward-looking statements. Actual results, developments or events could differ materially from those disclosed in the forward-looking statements.

VTI-IR-ASX67

APPENDIX 4D (RULE 4.2A)

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(US$ in 000's, except per share data)	2022	2021	up/down	% movement
Net Revenue	$3,719	$3,111	up	20%
Net cash used in operating activities	$4,082	$4,000	up	2%
Loss after tax from ordinary activities attributable to members	($3,154)	($1,486)	up	112%
Net loss after tax attributable to members	($3,154)	($1,486)	up	112%
Dividend per security	Nil	Nil		
Franked amount of dividends per security	Nil	Nil		
Net tangible asset backing per CHESS Depository Interest / Share of Class A common stock	$0.28	$0.44		

- **Independent Review**: This report is based on the accompanying unaudited 2022 Half Year Financial Statements which have been reviewed by Grant Thornton LLP with the Report of Independent Certified Public Accountants (the "Report") provided.
- **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 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:** None.
- **A commentary on the results for the period (US$ in 000's except per share data):** The net loss for the half year increased to $3,154 compared to $1,486 for the previous corresponding period. Basic and Diluted earnings per share was ($0.13) and ($0.08) for the six months ended 30 June 2022 and 2021, respectively.
  - Net revenue increased to $3,719 from $3,111 for the previous period. The increase was due to growth in both of the Company's operating segments, primarily due to higher purchases at existing accounts.
  - Cost of Sales increased to $2,089 or 56.2% of net revenue in 2022 from $1,794, or 57.7% of net revenue, in 2021. The monetary increase primarily resulted from the increase in Net revenue. The higher margins in the current period were due to lower per unit costs for products sold and lower logistics (i.e., shipping) expenses. The Company incurred an increase in shipping costs beginning in the first quarter of FY 2021 related to COVID-19. The Company began shipping product primarily by sea from its manufacturer in Taiwan to the US at the beginning of 2022, saving approximately 50% of the cost of the air freight used in 2021. We began realizing the shipping cost savings in the second quarter of 2022, which contributed to the improved margins in the half year. We expect the improvements to benefit the second half of 2022 to an even greater degree, assuming no new deterioration in the performance of the shipping industry.
  - Total Operating Expenses decreased 10% to $4,820 from $5,345 for the previous period, primarily due to lower personnel costs resulting from attrition in positions that the Company currently does not plan to replace. The improvement was partially offset by increased Clinical expense as related to the PROTECT (PROgressive Myopia Treatment Evaluation for NaturalVue Multifocal Contact Lens Trial) Clinical Study, a multi-center, randomized, double masked clinical trial with participating investigators in centers in Canada, the United States and Hong Kong, with additional sites planned in Singapore and Australia.

  - Total Interest income and other, net increased to $10 from $2 due to an increase in US interest rates.

- Interest expense was consistent with prior year at $159 vs $160.
- Gain on fair value of derivative liability decreased to $2 from $58 for the previous period due to the change in fair value of the derivative liability associated with the Convertible Notes.
- Gain on fair value of freestanding options decreased to $187 from $1,725 for the previous period due to the change in the fair value of the derivative liability associated with the freestanding options issued in June 2020 and March 2021. The options issued in June 2020 expired on June 30, 2022. The value of the options issued in March 2021 declined due to a decline in the Company's share price on the ASX.
- Gain on extinguishment of Paycheck Protection Program note payable decreased to $0 from $921 for the previous period due to forgiveness of the note payable related to the Paycheck Protection Program in June 2021 and no corresponding forgiveness in the 2022 period.
- The Company had cash and cash equivalents of $6,856 at 30 June 2022.
- The Company operated in two reportable segments during the period, including North America and Europe/Asia-Pacific.
- There were no returns to shareholders or share buy backs.

VISIONEERING TECHNOLOGIES, INC.

CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2022 and 2021

VISIONEERING TECHNOLOGIES, INC.

CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Visioneering Technologies, Inc.

Results of review of interim financial information

We have reviewed the accompanying condensed interim financial information of Visioneering Technologies, Inc. (a Delaware corporation) (the "Company"), which comprise the condensed balance sheet, and the related condensed statements of operations, changes in stockholders' equity (deficit), and cash flows, as of June 30, 2022 and for the six months ended June 30, 2022 and 2021, and the related notes (collectively referred to as the "interim financial information").

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

Basis for review results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (US GAAS) 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. A review of interim financial information is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of management for the interim financial information

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

GrantThornton

Report on condensed balance sheet as of December 31, 2021

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, 2021, and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2022. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Atlanta, Georgia
August 22, 2022

VISIONEERING TECHNOLOGIES, INC.

CONDENSED BALANCE SHEETS
As of June 30, 2022 and December 31, 2021
(Unaudited)

	June 2022	December 2021
	(in US$000, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,856	$ 10,985
Accounts receivable	1,171	909
Inventory, net	2,174	1,408
Prepaid expenses and other current assets	983	1,146
TOTAL CURRENT ASSETS	11,184	14,448
NON-CURRENT ASSETS		
Property and equipment, net	3	9
Right of use assets, net	54	98
Intangible assets, net	155	162
Other non-current assets	202	197
TOTAL ASSETS	$ 11,598	$ 14,914
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 483	$ 543
Accrued payroll	460	583
Derivative liability	138	325
Other accrued liabilities	584	668
TOTAL CURRENT LIABILITIES	1,665	2,119
LONG-TERM LIABILITIES		
Convertible notes payable	2,759	2,741
Other non-current liabilities	-	9
TOTAL LIABILITIES	4,424	4,869
Commitments and contingencies (Note 13)		
EQUITY		
Class A common stock, par value $0.001 per share; 100,000,000 shares authorized, 24,136,197 shares issued and outstanding at June 30, 2022 and 23,635,500 shares issued and outstanding at December 31, 2021	24	24
Preferred stock, par value $0.001 per share; 5,000,000 shares authorized, no shares issued and outstanding at June 30, 2022 and December 31, 2021	-	-
Additional paid-in capital	93,461	93,178
Accumulated deficit	(86,311)	(83,157)
TOTAL SHAREHOLDERS' EQUITY	7,174	10,045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 11,598	$ 14,914

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2022 and 2021
(Unaudited)

	Six Months Ended June 30,	
	2022	2021
	(in US$000, except share and per share data)	
Net revenue	$ 3,719	$ 3,111
Cost of sales	2,089	1,794
Gross profit	1,630	1,317
Operating Expenses:		
Sales and marketing	2,184	2,174
Clinical and manufacturing	1,422	1,102
General and administrative	1,214	2,069
Total operating expenses	4,820	5,345
Operating loss	(3,190)	(4,028)
Other income and (expenses):		
Investment income and other, net	10	2
Interest expense	(159)	(160)
Gain on extinguishment of Paycheck Protection Program note payable	-	921
Gain on fair value of derivative liability	2	58
Gain on fair value of freestanding options	187	1,725
Loss before income taxes	(3,150)	(1,482)
Income tax expense	4	4
Net loss	$ (3,154)	$ (1,486)
Net loss per share – Basic and Diluted	$ (0.13)	$ (0.08)
Weighted average shares outstanding – Basic and Diluted	23,920,308	17,491,113

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2022
(Unaudited)

	Common Stock		Additional	Accumulated	
	Number of Shares	Amount US$000	Paid-In Capital US$000	Deficit US$000	Total US$000
Balance at December 31, 2021	23,635,500	$ 24	$ 93,178	$ (83,157)	$ 10,045
Share awards for 2021 compensation	267,693	-	135	-	135
Share awards for 2022 compensation	233,004	-	101	-	101
Stock based compensation	-	-	47	-	47
Net loss	-	-	-	(3,154)	(3,154)
Balance at June 30, 2022	24,136,197	$ 24	$ 93,461	$ (86,311)	$ 7,174

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(in US$000)	
Cash flows from operating activities:		
Net loss	$ (3,154)	$ (1,486)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13	15
Gain on fair value of derivative liability	(2)	(58)
Gain on extinguishment of Paycheck Protection Program note payable	-	(921)
Change in fair value of Listed and Unlisted Options	(187)	(1,725)
Amortization of right-of-use asset	44	42
Amortization of debt discount	20	19
Stock-based compensation	148	85
Changes in assets and liabilities:		
Accounts receivable	(262)	(174)
Inventory	(766)	(504)
Prepaid expenses and other assets	163	62
Accounts payable	(60)	176
Accrued payroll	11	400
Other accrued liabilities	(50)	69
Net cash used in operating activities	(4,082)	(4,000)
Cash flows from investing activities:		
Purchases of intangible assets	(4)	(4)
Net cash used in investing activities	(4)	(4)
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs of $1,261	-	16,674
Payment of note payable	(43)	-
Net cash (used in) provided by financing activities	(43)	16,674
Net (decrease) increase in cash and cash equivalents	(4,129)	12,670
Cash and cash equivalents, beginning of period	10,985	2,408
Cash and cash equivalents, end of period	$ 6,856	$ 15,078
Supplemental disclosure:		
Cash paid for interest	$ 159	$ 140
Cash paid for taxes	$ 4	$ 4
Share awards for 2021 compensation	$ 135	$ -
Issuance of freestanding options	$ -	$ 2,768

See accompanying notes to condensed financial statements

NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2022 and 2021
In US$ (Unaudited)

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

Visioneering Technologies, Inc. ("VTI", "we", "us", "our" or the "Company") was incorporated as a Delaware corporation on October 23, 2008. Headquartered in Atlanta, Georgia, VTI is a medical device company that designs, manufactures, sells and distributes contact lenses. Our flagship product is the NaturalVue® (etafilcon A) Multifocal 1 Day Contact Lens for adults with Presbyopia (the progressive loss of ability to see near that occurs in middle age) and children with Myopia (nearsightedness). Within the United States ("US"), medical devices are regulated by the US Food and Drug Administration ("FDA"), under the Federal Food, Drug, and Cosmetic Act of 1938. We obtained FDA clearance for our NaturalVue contact lenses in late 2014 and received the CE Mark, as well as Australian Therapeutic Goods Administration ("TGA") approval in early 2018, enabling us to sell our contact lenses in the US, Europe, Australia and New Zealand. We received approval to sell our contact lenses in Hong Kong and Singapore in 2019, in Canada in 2020, and in Malaysia in 2022.

In March 2017, we completed our Initial Public Offering ("IPO") and associated listing on the Australian Stock Exchange ("ASX"). The ASX uses an electronic system called 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 traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares is held by a depository, CDN, which is a wholly-owned subsidiary of the ASX, and is an approved general participant of ASX Settlement.

We currently manage warehousing and distribution of our products through a contract with a Third-Party Logistics provider (the "3PL"). The 3PL stores our inventory and ships it to our customers, which include major contact lens distributors ("Customers"). These Customers generally have non-exclusive rights to market, promote, sell and distribute our products ("Products") within specified territories, provided that Products shall be sold only to permitted eye care professionals ("ECPs") and shipped only to ECPs or directly to a patient if specifically directed by the ECPs. As of June 30, 2022, VTI had entered into agreements with Customers in the US, Europe, Australia, New Zealand, Hong Kong, Singapore, Canada and Malaysia.

Operations

To date, the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of $86.3 million from the Company's inception through June 30, 2022

In April 2021, the Company completed an issuance of common stock that raised $16.7 million, net of issuance costs. As of June 30, 2022, the Company's cash and cash equivalents were $6.9 million. The Company's ability to achieve profitability and positive cash flow is dependent upon its ability to increase revenue and contain its expenses. Management has adopted an operating plan that should enable the Company to operate for at least one year from the issuance of these financial statements without the need to raise additional capital.

To meet our future working capital needs and maintain compliance with our debt covenants, we may need to raise additional debt or equity financing. We historically have been able to raise additional capital through issuance of equity and/or debt financing. However, there are no guarantees regarding our ability to raise additional financing or successfully implement our revenue increase or cost reduction plans in order to ensure that we can meet our future working capital needs.

Effect of the COVID-19 Pandemic

The public health crisis caused by the COVID- 19 pandemic and the measures being taken by governments, businesses, and the public to limit the spread of COVID-19 have had, and the Company expects to continue to have, certain negative effects on, and present certain risks to, the Company's business. The Company is currently unable to fully determine the future impact on its business. The COVID-19 pandemic had an adverse impact on the Company's revenues beginning late in the first quarter of 2020 and variably through that year as the virus surged and waned in the US and abroad. Generally, net revenue and related metrics were less impacted by the virus in 2021 and the first half of 2022. The Company is monitoring the pandemic and its effect on the Company's financial position, results of operations and cash flows. Should the pandemic continue for an extended period and revenue metrics decline, the impact on the Company's operations could have an adverse effect on the Company's revenue, financial condition and cash flows.

Basis of Presentation

The Company has prepared the accompanying 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. 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, 2021 and related notes included in the Company's Annual Report in Appendix 4E, which was filed with the ASX on February 24, 2022. 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, the fair value of derivatives, and the fair value of share-based awards. Management bases its estimates on historical experience and other factors which it believes to be reasonable under the circumstances. Actual results may differ from these judgments.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, current assets, accounts payable and accrued expenses approximate their fair value because of their short maturities. The weighted average interest rate of the Company's convertible debt approximates the rate at which the Company could obtain alternative financing; therefore, the carrying amount of the convertible debt approximates fair value. The Company uses a binomial lattice model and assumptions that consider, among other variables, the fair value of the underlying stock, risk-free interest rate, volatility, expected life and dividend rates in estimating fair value for the conversion feature of the Convertible Notes (Note 5), the Black-Scholes option valuation model to determine the fair value of the Unlisted Options and the ASX price, adjusted for changes from the last trade date to the valuation date, to determine the fair value of the Listed Options (Note 7).

Embedded Conversion, Redemption and Preference Features

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

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of 90 days or less when purchased. Cash and cash equivalents were $6.9 million as of June 30, 2022 and $11.0 million as of December 31, 2021. At times, cash balances may exceed the Federal Deposit Insurance Corporation insurance limit.

Accounts Receivable

The carrying value of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. We extend credit based on evaluation of a customer's financial condition and do not require collateral. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability. We charge provisions for doubtful accounts to operations at the time we determine these amounts may become uncollectible. Based on our review, we have not recorded an allowance for doubtful accounts as of June 30, 2022 or December 31, 2021.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost determined under the first in, first out (FIFO) method. We regularly review our inventory quantities on hand and related cost and record a provision for any excess or obsolete inventory based on our estimated forecast of product demand and other factors. We also review our inventory value to determine if it reflects the lower of cost or net realizable value. Based on these reviews, we did not record any increases to inventory reserves in the six months ended June 30, 2022 or 2021. All inventory held at June 30, 2022 and December 31, 2021 consisted of finished goods.

Intangible Assets

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

Property and Equipment

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

We compute depreciation expense 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

Impairment of Long-lived Assets

We test long-lived assets for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that we consider in deciding when to perform an impairment review include, but are not limited to, significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If we perform an impairment review to evaluate a long-lived asset for recoverability, we compare forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. We would recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. We would base the impairment loss on the excess carrying value of the impaired asset over its fair value. No impairment charges were necessary based on our assessments in the six months ended June 30, 2022 or 2021.

Revenue Recognition

We account for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. See Note 2, Revenue Recognition, for additional details on the application of this guidance.

Advertising Costs

We recognize advertising costs as an expense in the period in which we incur them. We incurred advertising expense of approximately $155,000 and $230,000 in the six months ended June 30, 2022 and 2021 respectively, and included these expenses in Sales and marketing in the Condensed Statements of Operations.

Research and Development Costs

We expense research and development costs in the period in which we incur them. Research and development expenses consist of wages, benefits, and other operational costs related to our engineering, regulatory, and quality departments, clinical and nonclinical studies, materials and supplies, and third-party costs for contracted services. We incurred research and development costs of approximately $371,000 and $310,000 in the six months ended June 30, 2022 and 2021, respectively, and included them in Clinical and manufacturing in the Condensed Statements of Operations.

Stock-Based Compensation

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

Income Taxes

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

We consider income tax positions for uncertainty in accordance with ASC 740-10. We believe that our income tax filing position and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position; therefore, we have not recorded any ASC 740-10 liabilities for uncertain tax positions. We will recognize accrued interest and penalties related to unrecognized tax benefits, if any, as interest expense and income tax expense, respectively, in the Condensed Statements of Operations. We do not believe that the amount of unrecognized tax benefits will significantly increase or decrease within 12 months of June 30, 2022. Given the Company’s net operating losses, all years since inception are subject to review.

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

Reverse Stock Split

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

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

Earnings Per Share (EPS)

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

Recent Accounting Pronouncements

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

In August 2020, the FASB issued ASU 2020-06*, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.* This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The standard requires entities to provide expanded disclosures about the terms and features of convertible instruments and amends certain guidance in ASC 260 on the computation of EPS for convertible instruments and contracts on an entity's own equity. The standard became effective for the Company on January 1, 2022. The adoption of this standard did not have a material impact on the Company's financial statements.

(2) REVENUE RECOGNITION

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

Currently, we derive all revenue from product sales. We recognize revenues from product sales at a point in time when the Customer obtains control, typically upon shipment to the Customer. We accrue for fulfillment costs when we recognize the related revenue. Taxes collected from Customers relating to product sales and remitted to governmental authorities are excluded from revenues.

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

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

(3) INTANGIBLE ASSETS

Intangible assets consist of the following as of June 30, 2022 and December 31, 2021:

	2022 US$000	2021 US$000
Patents	$ 282	$ 282
Less accumulated amortization	(127)	(120)
Intangible assets, net	$ 155	$ 162

Amortization expense was approximately $7,000 in each of the six months ended June 30, 2022 and 2021. The weighted average remaining useful life of our patents as of June 30, 2022 was 8.2 years.

We capitalize patent costs and amortize them over their estimated economic lives and perform impairment testing when qualitative factors indicate that the assets may be impaired. We identified no indications of impairment for capitalized patent costs during 2022 and 2021 and did not record impairment charges in the six months ended June 30, 2022 and 2021.

Amortization expense for the next five years is as follows:

For the year ended December 31,	US$000
2022 (remaining six months)	$ 8
2023	15
2024	15
2025	15
2026	15
Thereafter	87
Total	$ 155

(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and December 31, 2021:

	2022 US$000	2021 US$000
Computer equipment and software	$ 116	$ 116
Office equipment	49	49
Furniture and fixtures	52	52
Leasehold improvements	12	12
Total costs	229	229
Less accumulated depreciation	(226)	(220)
Property and equipment, net	$ 3	$ 9

Depreciation expense was approximately $6,000 and $8,000 for the six months ended June 30, 2022 and 2021, respectively.

(5) CONVERTIBLE NOTES PAYABLE

Convertible notes payable consisted of the following at June 30, 2022 and December 31, 2021:

	2022 US$000	2021 US$000
Face value of Convertible Notes	$ 2,800	$ 2,800
Unamortized deferred financing costs	(41)	(61)
Derivative liability	-	2
Balance at end of period	$ 2,759	$ 2,741

The following table presents a reconciliation of the beginning and ending balances for the six months ended June 30, 2022 and the year ended December 31, 2021:

	2022 US$000	2021 US$000
Balance at beginning of period	$ 2,741	$ 2,830
Amortization of deferred financing costs	20	39
Loss (gain) on derivative liability	(2)	(128)
Balance at end of period	$ 2,759	$ 2,741

In July 2019, the Company entered into Note Purchase Agreements ("Convertible Notes") with Investors raising proceeds of $3.0 million before issuance costs. The Convertible Notes were issued at face value of $1 per Note and were convertible at the election of the Note holder at any time before the maturity date to CDIs at a conversion price per CDI of $0.075AUD. The maturity date at issuance was July 11, 2021. We extended the maturity date to July 11, 2023 in January 2020. We adjusted the conversion price to $0.028 AUD in connection with the Placement completed in June 2020 (see Note 7) and to $2.80 AUD in connection with the Reverse Split (see Note 1).

The Convertible Notes bear interest at 10% per annum with interest payable quarterly in arrears. If an event of default occurs, the rate of interest will increase to 12% until such default is cured by the Company or waived by the majority of the Note holders. The Company or Note holder may elect to satisfy the whole or part of an interest payment by issuance of CDIs subject to consent of the other party. The issue price of each CDI under this clause will be the greater of the amount equal to 90% of the average volume weighted average price for the five trading days immediately preceding the date of the election notice or the conversion price. The Convertible Notes contain a prepayment penalty of 2% of the face value of the note if paid prior to the maturity date. Interest expense relating to the Convertible Notes was approximately $140,000 in each of the six months ended June 30, 2022 and 2021.

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

The conversion feature is considered to be an embedded derivative that is not considered clearly and closely related to the debt host and therefore must be bifurcated and accounted for separately from the debt host. The Company recorded a debt discount and a conversion option liability of approximately $123,000 for the fair value of the conversion feature at issuance as well as approximately $36,000 of debt issuance costs. The Company is amortizing the debt discount and issuance costs over the four-year term of the Convertible Notes. We adjust the conversion option liability to market at each reporting period based on many factors, including changes in the share price. We reduced the derivative liability to $0 as of December 31, 2019. We evaluated the effect of the June 2020 change in the conversion price noted above and determined that the conversion option liability was not impacted by the change in the conversion price. The liability was $0 at the date of change in the conversion price. We decreased the derivative liability to $2,000 as of December 31, 2021 and decreased the derivative liability to $0 as of June 30, 2022 and recorded a gain on the fair value of the derivative liability of $2,000 in the Condensed Statements of Operations for the six months ended June 30, 2022.

The Convertible Notes include covenants related to liquidity and net monthly cash flow. The Company was not in compliance with the liquidity covenant in April 2020. The majority holder of the Convertible Notes consented to the Company not meeting the liquidity covenant through the date that the Placement completed in conjunction with the Company agreeing to adjust the conversion rate for the Convertible Notes from $7.50 AUD to $2.80 AUD, provided that the majority holder participated in the Placement at a minimum subscription amount. The Placement was completed as planned and the Company returned to compliance with all covenants as of the Placement date and remained in compliance as of June 30, 2022. The convertible debt did not affect diluted earnings per share due to the Company's net loss position.

(6) PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

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

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

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

(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.

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

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

On January 7, 2020, the Company issued 666,667 CDIs (representing the same number of shares) to complete a placement of its shares. The Company raised $1.9 million net of $0.2 million of issuance costs through the placement.

On June 3, 2020, the Company issued 3,649,336 CDIs (representing the same number of shares) to complete a placement of its shares. On June 30, 2020, the Company completed an SPP under which it issued 762,142 CDIs. The Company raised $3.8 million net of $0.4 million of issuance costs through the placement and the SPP. The Company issued each CDI issued under the placement and the SPP at a subscription price of $1.40 AUD and issued one freestanding option for every two CDIs subscribed for, with each freestanding option having an exercise price of $2.80 AUD and an expiration date of June 30, 2022. These options are unlisted (the "Unlisted Options"). The Unlisted Options are call options that are not considered clearly and closely related to the Company's shares and must be accounted for separate from equity. We recorded a liability of $606,000 as of June 3, 2020 for the fair value of the Unlisted Options related to the Placement and an additional $94,000 as of June 30, 2020 for the fair value of the Unlisted Options related to the SPP. The fair value of all Unlisted Options increased to $1,769,000 as of December 31, 2020 and decreased to $210,000 as of June 30, 2021. We recorded a gain on fair value of freestanding options relating to the Unlisted Options of $1,559,000 in the Condensed Statements of Operations for the six months ended June 30, 2021. The fair value of all Unlisted Options was $0 as of December 31, 2021 and June 30, 2022. The Unlisted Options expired on June 30, 2022 and are no longer outstanding.

In September and October 2020, holders exercised an aggregate of 142,571 Unlisted Options for an exercise price of $0.3 million. All remaining Unlisted Options expired on June 30, 2022.

On March 22, 2021, the Company issued 13,011,765 CDIs (representing the same number of shares) to complete a placement of its shares. On April 13, 2021, the Company completed an SPP under which it issued 690,587 CDIs. The Company raised $16.7 million net of $1.3 million of issuance costs through the placement and the SPP. The Company issued each CDI issued under the placement and the SPP at a subscription price of $1.70 AUD and issued one freestanding option for every two CDIs subscribed for, with each freestanding option having an exercise price of $3.00 AUD and an expiration date of February 28, 2024. These options are listed on the ASX (the "Listed Options"). The Listed Options are call options that are not considered clearly and closely related to the Company's shares and must be accounted for separate from equity. We recorded a liability of $2,628,000 as of March 22, 2021 for the fair value of the Listed Options related to the placement and an additional $140,000 as of April 13, 2021 for the fair value of the Listed Options related to the SPP for a total value on issuance of $2,768,000. The fair value of all Listed Options as of June 30, 2021 was $2,602,000. We recorded a gain on fair value of freestanding options relating to the Listed Options of $166,000 in the Condensed Statements of Operations for the six months ended June 30, 2021. The fair value of all Listed Options as of June 30, 2022 and December 31, 2021 was $138,000 and $325,000, respectively. We recorded a gain on fair value of freestanding options relating to the Listed Options of $187,000 in the Condensed Statements of Operations for the six months ended June 30, 2022.

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

(8) LEASES

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

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

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

Rent expense was approximately $55,000 and $72,000 in the six months ended June 30, 2022 and 2021, respectively, and is included in General and administrative expenses in the Condensed Statements of Operations. These amounts include variable lease costs of $8,000 and $25,000 in the six months ended June 30, 2022 and 2021, respectively.

Supplemental balance sheet information as of June 30, 2022 for the Company's operating lease is as follows:

	US$000
NON-CURRENT ASSETS	
Right of use assets, net	$ 54
Total lease assets	$ 54
CURRENT LIABILITIES	
Other accrued liabilities	$ 62
Total lease liabilities	$ 62

As of June 30, 2022, a schedule of maturity of lease liabilities under all operating leases is as follows:

For the year ended December 31,	US$000
2022 (remaining six months)	$ 54
2023	9
Total	63
Less amount representing interest	(1)
Present value of minimum lease payments	62
Less current portion	(62)
Non-current portion	$ -

Cash paid for operating leases was approximately $55,000 and $24,000 during the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the remaining lease term of the Company's operating lease was 0.6 years. The discount rate used to determine the lease liabilities was 6%. When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, the Company's lease does not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. The discount rate used for the existing lease was established on adoption of the new lease standard at January 1, 2019.

(9) CONCENTRATIONS AND CREDIT RISK

For the six months ended June 30, 2022, three Customers accounted for approximately 91.5% of our total sales. These same Customers accounted for 84.5% of our accounts receivable as of June 30, 2022.

For the six months ended June 30, 2021, two Customers accounted for approximately 85.2% of our total sales. The same two Customers accounted for 79.3% of our accounts receivable as of June 30, 2021.

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

(10) SEGMENT INFORMATION

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer ("CEO"). The Company's CEO resigned in early 2022 and has not been replaced. In the absence of a CEO, the Company's Chief Operating and Chief Financial Officer is the CODM. While the CODM is apprised of a variety of financial metrics and information, the business is principally managed and organized based upon geography. We present our operations through two reportable segments:

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

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

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

Six Months Ended June 30, 2022 (US$000)	**North America**	**Europe/Asia-Pacific**	**Corporate Support**	**Total**
Net revenue	$ 3,471	$ 248	$ -	$ 3,719
Cost of sales	1,917	172	-	2,089
Gross profit	1,554	76	-	1,630
Sales and marketing	2,122	62	-	2,184
Clinical and manufacturing	-	-	1,422	1,422
General and administrative	-	-	1,214	1,214
Total expenses	2,122	62	2,636	4,820
Operating income (loss)	$ (568)	$ 14	$ (2,636)	(3,190)
Interest expense and other, net				40
Loss before income taxes				$ (3,150)

Six Months Ended June 30, 2021 (US$000)	**North America**	**Europe/Asia-Pacific**	**Corporate Support**	**Total**
Net revenue	$ 2,919	$ 192	$ -	$ 3,111
Cost of sales	1,675	119	-	1,794
Gross profit	1,244	73	-	1,317
Sales and marketing	1,912	262	-	2,174
Clinical and manufacturing	-	-	1,102	1,102
General and administrative	-	2	2,067	2,069
Total expenses	1,912	264	3,169	5,345
Operating loss	$ (668)	$ (191)	$ (3,169)	(4,028)
Interest expense and other, net				2,546
Loss before income taxes				$ (1,482)

(11) STOCK COMPENSATION PLANS

Stock-based compensation expense was approximately $148,000 and $85,000 for the six months ended June 30, 2022 and 2021, respectively.

The Board adopted the 2008 Stock Incentive Plan ("Incentive Plan"), with an effective date of July 1, 2008. The Incentive Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Restricted Stock Units, and Stock Appreciation Rights. Under the Incentive Plan, 12,160,873 shares of common stock were authorized for share-based awards. The total number of options issued and outstanding as of June 30, 2022 and December 31, 2021 was 5,610. The Incentive Plan is the predecessor to the 2017 Plan described below. On January 18, 2017, the Board determined that no additional stock incentives would be awarded under the 2008 Incentive Plan, but stock incentives previously granted would continue to be governed by the terms of the Incentive Plan.

The Board adopted the 2017 Equity Incentive Plan (the "2017 Plan"), with an effective date of January 18, 2017. The 2017 Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Stock Units, Performance Awards and Stock Appreciation Rights. The total number of shares reserved for issuance under the 2017 Plan was increased from 2,010,000 to 3,610,500 at the Company's Annual Meeting of Stockholders in June 2022. The share reserve may be increased each year in accordance with the 2017 Plan documents. The total number of options issued and outstanding as of June 30, 2022 and December 31, 2021 was 793,784 and 1,226,649, respectively. In addition, a total of 1,100,351 stock awards have been granted under the 2017 Plan through June 30, 2022. As of June 30, 2022, there were 1,716,365 awards available for grant under the 2017 Plan.

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

Additionally, we recognize stock-based compensation expense related to stock options granted to non-employees on a straight-line basis, as the stock options are earned. We issued options to non-employees, which generally vest ratably over the time period we expect to receive services from the non-employee.

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

There were no option grants in the six months ended June 30, 2021. Assumptions for option grants in the six months ended June 30, 2022 are as follows:

	2022
Risk-free interest rate	2.41%
Expected volatility	88%
Expected term (years)	6.25
Dividend rate	0.0%

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

	Total Options Outstanding			Nonvested Options	
	Number of Options	Weighted Average Exercise Price US$	Weighted Average Remaining Contractual Term in Years	Number of Options	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2021	1,232,259	$1.18	8.75	927,337	$0.73
Grants	306,777	0.51		306,777	0.21
Cancellation / forfeitures	(739,642)	1.18		(541,849)	0.73
Vested	-	-		(53,369)	0.79
Exercised	-	-		-	-
Outstanding at June 30, 2022	799,394	0.92	8.94	638,896	0.48
Exercisable at June 30, 2022	160,498	1.61	7.78		

The intrinsic value of options unexercised as of June 30, 2022 and 2021 was approximately $0. The total fair value of options vested during the six months ended June 30, 2022 was approximately $42,000.

As of June 30, 2022 and December 31, 2021, there was approximately $268,000 and $569,000, respectively, of total unrecognized compensation expense related to stock option awards under the combined plans. We expect to recognize that cost over a weighted average period of 2.94 years.

In the six months ended June 30, 2022, the Company granted 267,693 shares, that were fully vested on the date of grant and issued to current employees under the 2017 Plan, in lieu of earned but unpaid short-term cash incentive for 2021. The grant date fair value of the shares issued was $135,000 and was recorded against accrued payroll. In addition, the Company granted 233,004 restricted shares to employees in lieu of cash remuneration for bonuses earned in 2022. The shares were fully vested on the date of grant. The grant date fair value of the restricted shares was $101,000 and was included in operating expenses in the Condensed Statement of Operations for the six months ended June 30, 2022.

(12) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement plan ("401(k) Plan") for the benefit of eligible employees, as defined. Each participant may elect to contribute to the 401(k) Plan each year up to the maximum amount allowed by law, subject to certain Internal Revenue Service limitations. The Company makes matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation. The Company contributed approximately $65,000 and $67,000 in the six months ended June 30, 2022 and 2021, respectively.

(13) COMMITMENTS AND CONTINGENCIES

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

In addition, the Company warrants to customers that its products operate substantially in accordance with the product's specifications. Historically, we have not incurred any significant costs related to product warranties and expect none in the future, and as such have not recorded any accruals for product warranty costs as of June 30, 2022.

(14) FAIR VALUE

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

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

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

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

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, 2022 and December 31, 2021.

The Company's assets and liabilities measured at fair value on a recurring basis include short-term investments of $6.6 million as of June 30, 2022 and $10.7 million as of December 31, 2021, the fair value of the conversion feature of the Convertible Notes of $0 at June 30, 2022 and $2,000 at December 31, 2021, and the fair value of Listed Options and Unlisted Options of $138,000 as of June 30, 2022 and $325,000 as of December 31, 2021. We consider the factors used in determining the fair value of our short-term investments to be Level 1 inputs and the fair value of the conversion feature, Listed Options and Unlisted Options to be Level 3 inputs.

For Level 3 instruments carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents a reconciliation of the beginning and ending balances for the six months ended June 30, 2022 and 2021:

Convertible notes conversion feature	2022 US$000	2021 US$000
Balance at beginning of period	$ 2	$ 130
Total (gains) losses – realized/unrealized	(2)	(58)
Balance at end of period	$ 0	$ 72

Listed and Unlisted Options	2022 US$000	2021 US$000
Balance at beginning of period	$ 325	$ 1,769
Call options issued with Placement and SPP, at fair value	-	2,768
Total (gains) losses – realized/unrealized	(187)	(1,725)
Balance at end of period	$ 138	$ 2,812

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs. Assumptions for valuations in the six months ended June 30, 2022 are as follows:

	Freestanding Options	Conversion Feature
Risk-free interest rate	2.51%	2.80%
Expected volatility	120.28%	7.00%
Expected term (years)	1.67	1.02
Dividend rate	0%	0%
Coupon rate	NA	10.00%
Conversion price	NA	A$2.80
Foreign exchange rates	NA	0.688

(15) 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, 2022 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 2018, and subject to examinations at various state levels between 2008 and 2018.

(16) SUBSEQUENT EVENTS

The Company evaluated the accounting and disclosures requirements for subsequent events through August 22, 2022, the issuance date of the financial statements and determined that no events have occurred that would require adjustments to our disclosures in the condensed financial statements.