



2015 ANNUAL REPORT

UPDATER INC. (ARBN 609 188 329)

Corporate Information

UPDATER INC.

ARBN 609 188 329

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New York, NY 10001

Email info@updater.com

Website updater.com

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Company Secretary:

Scott Mison

secretary@updater.com

Phone +61 8 9481 1444

AUDITORS

Withum Smith + Brown PC
1411 Broadway
9th Floor
New York, NY 10018

STOCK EXCHANGE LISTING

CHESS Depositary Interests (CDIs) over shares of common stock in Updater Inc. (the “Company” or “Updater”) are listed on the Australian Securities Exchange (ASX) under the code UPD. 25 CDIs are transferable for 1 share of common stock.

DIRECTORS

David Greenberg

Founder, CEO and Chairman

Ryan Hubbard

CTO and Executive Director

Grant Schaffer

Non-Executive Director

Antony Catalano

Non-Executive Director

LEGAL ADVISORS

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Level 22, 1 Martin Place
Sydney NSW 2000

DLA Piper LLP (US)

1251 Avenue of the Americas
New York, New York 10020

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Updater Inc. (ASX: UPD) is a New York City based technology company making the moving process easier for the 17 million US households moving each year. Updater has spent 5 years building a defensible technology infrastructure and now processes a significant percentage of all household moves in the US. Management believes that Updater's growing market share will enable Updater to unlock a substantial revenue opportunity and dramatically improve the consumer relocation experience in the US.

This 2015 Annual Report dated 31 March 2016 (this "Annual Report") includes results from financial year 2015. Unless stated otherwise, all information contained in this Annual Report is accurate as at 24 March 2016. All capitalised terms used in this Annual Report and not otherwise defined shall have the meaning ascribed in the Company's Prospectus, dated 17 November 2015 (the "Prospectus"). All terms that are defined in both this Annual Report and the Prospectus shall have the meaning set forth in this Annual Report. The contents of this Annual Report shall supersede in the case of any inconsistency between this Annual Report and the Prospectus or any other ASX filings.



Letter from the Founder, CEO and Chairman

Letter from the CEO

Dear Investors,

Updater has a big vision: we are reimagining the entire relocation ecosystem in the United States. For the 17 million households that move every year in the US, we are turning a formerly painful process into a helpful, efficient, and enjoyable experience with our Mover Product.

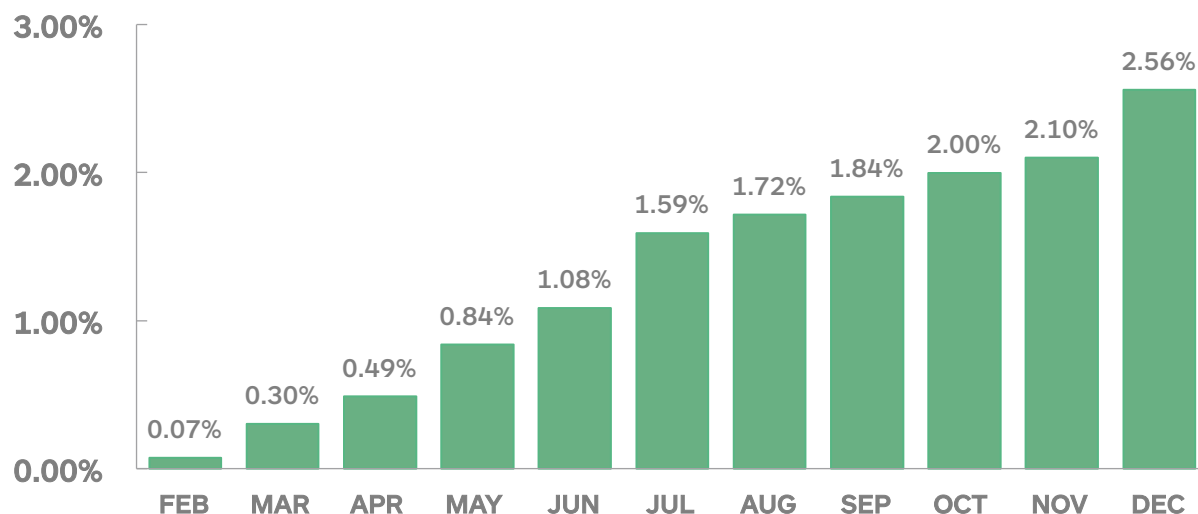
For the Real Estate Companies that regularly interact with Movers, we are delivering technology that enables them to add unprecedented value and improve their bottom line. For the Businesses that currently (mis)spend billions of dollars each year trying to target Movers, we plan to build them valuable technology to facilitate helpful, relevant and contextual communication with Movers, which will in turn dramatically improve the Mover Product experience.

Management is thrilled that our team executed on our vision in many significant ways in 2015.

2015 Highlights

- Our key performance metric, Estimated Market Share, hit all-time highs in each quarter of 2015 (see Figure 1). In December 2015, Updater processed 2.56% of all US household moves. With 5% Estimated Market Share, management believes that Updater will be positioned to unlock a very substantial revenue opportunity after the launch of our Business Products in 2017.
- In February 2015, we launched our Integration Platform which enables Real Estate Companies to seamlessly integrate with Updater. The success of our Integration Platform has proven to be a key factor for consistent growth.
- On 7 December 2015, we successfully listed on the ASX after raising A\$22M. The IPO fundraise was heavily over-subscribed with leading institutional investors participating.
- On 15 December 2015, we appointed Antony Catalano, CEO of Domain Group, as Non-Executive Director.
- Our progress through 2015 was publicly recognized with two exciting awards. We received an American Business Award in the category of *Most Innovative Tech Company of the Year*, and we won the highly-coveted *Apartment Technology Innovator Award* from the National Multifamily Housing Council.
- Our team grew to 26 full-time employees. A healthy culture and fierce dedication to Updater's vision has contributed to the execution of many crucial projects.

Figure 1: Estimated Market Share 2015



Subsequent Results

On 23 March 2016, Updater announced its Estimated Market Share results for January and February 2016, which are set forth below. Estimated Market Share in February 2016 hit an all-time high, surpassing 3% of all household moves in the US.

Month	Monthly Moves Processed	Estimated Market Share (of all US household moves)
January 2016	36,623	2.66%
February 2016	37,546	3.03%

Reasons for Success

Updater's growing market share is a reflection of certain key trends and dynamics:

- Our team has spent four years building key industry relationships and innovative technology, which now serve as the foundation on which we are scaling and our key source of defensibility from competitors.
- The enthusiasm for Updater in the market and the rapid adoption of our technology, from both Real Estate Companies and Transaction Management Systems, proves our product-market fit and the need for an improved relocation system.
- The dedication and high quality of the Updater team, which includes leading sales professionals in the real estate industry and some of New York's top engineers, enables consistent sales progress and product iteration.



The Updater team at the Q4 2015 Company Offsite

Our Engineering Achievements

2015 was a very successful year for Updater's technology development. Our CTO, Ryan Hubbard, and his team focused on (a) building our defensible infrastructure that enables us to scale, and (b) enhancing our Real Estate Products. 2015 highlights include:

- Launching and continually refining our Integration Platform that supports integrating with REST, SOAP, XML feeds and even direct database connections.
- Integrating with over 10 major Transaction Management Systems including MoversSuite, BackAgent and SkySlope.
- Onboarding hundreds of Real Estate Companies onto our Integrations Platform.
- Refining our Real Estate Products, which allows our Real Estate Company partners to more efficiently customise the moving experience for their Clients and gain insights into the positive impact of our Real Estate Products on their bottom line.

In 2016 we will likely double the size of our engineering team to support new and deeper software integrations, add self service options for our partners to further increase our scalability, and add new features to our Real Estate Products to provide further value for our partners. We will also increase the size of our product team in 2016 to ensure that we have adequate personnel and expertise to implement significant enhancements of the Mover Product and begin development of Business Products in 2017.

Our 2016 Business Objectives

In 2016, Updater hopes to achieve 5% Estimated Market Share and build a world-class team that can rapidly execute on our vision. We hope Updater will emerge as an industry leader in US relocation in 2017.

Our Growth Strategy:

- Prioritise efficient onboarding of Real Estate Companies by actively integrating with the most widely used Transaction Management Systems.
- Prioritise building innovative technology for Real Estate Companies to customise and brand the moving experience for their Clients, in turn delivering strong return on investment (ROI) for their purchase of our Real Estate Products.
- Hire world-class Senior Management to lead our sales, support and product teams.
- Expand our sales, support, product, and engineering teams by hiring the most capable and talented professionals.

Our Business Principles:

- We always remain “on the side of the Mover”, and we always prioritise the Mover experience. Our Real Estate Company partners trust Updater to deliver a phenomenal experience for their Clients – an obligation and responsibility that we take very seriously.
- We safeguard Movers’ personal information and honor our strict Privacy Pledge, which promises that we never rent, sell or share information behind the back of our Real Estate Company partners and their Clients.
- We serve as the needed “user experience layer” between Businesses and Movers, ensuring that all communication is helpful, relevant and contextual for Movers. Unlike other companies in the relocation industry, Management does not seek to build a “lead generation” platform, nor do we seek to surface traditional “ads” within our platform.

Our Strong Financial Position

We are pleased to report that at year-end 2015, we held approximately US\$16,800,000 cash in the bank, well within our planned budget and more than enough capital to achieve our near-term business objectives outlined in this Annual Report and the Prospectus. Updater also remains debt-free.

Updater’s 2015 normal operating expenses totaled US\$5,158,264, the majority of which related to personnel. This loss also includes a non-cash entry of US\$854,600 for stock-based compensation. Therefore, the total cash used for operating activities (cash burn) was approximately US\$4,300,000,

and the average monthly cash burn in 2015 from normal operations was approximately US\$360,000. Management anticipates that as we increase the size of our team and expand the scope of our operations, our average monthly cash burn will increase in 2016.

Although 2015 revenue of \$183,492 increased as compared to 2014 revenue of \$109,712, it is important to note that *increased market share, not revenue, was Updater's sole 2015 business objective, and this continues to be the objective in 2016*. All of Updater's 2015 revenue related to our Real Estate Products, as we are not yet selling Business Products.

Updater is fortunate to have a strong cash position and can afford to continue its planned strategy of focusing the majority of its resources on increasing market share. Management believes that the strategy of focusing on market share, rather than short-term revenue, will increase the probability of emerging as an industry leader in 2017, potentially resulting in far greater revenue in the long-term, a more defensible position, and innovative integrations with Businesses that result in a superior experience for Movers.

Our audited financial statements are included in this Annual Report on page 33. All financial amounts in the audited financial statements are in US Dollars.

Moving Forward

In 2016, Updater will remain in hyper-growth mode, executing on our exciting strategy to rapidly increase Estimated Market Share. We are optimistic that we can achieve our ambitious goal of surpassing 5% market share within 2016, and we are excited to modernise the relocation experience in the US.

Reflecting on Updater's 4-year journey, we are thankful to both our long-standing and new shareholders. We are appreciative for your faith in our talented and passionate team, and your support for our mission.



David M. Greenberg
Founder, CEO and Chairman



Products and Partners

Products and Partners

Updater's products are built and designed for the key participants operating within the U.S. consumer relocation industry: Movers, Real Estate Companies and Businesses.

Real Estate Companies can customise and personalise the Updater experience for their Clients via the Real Estate Products. When launched, Businesses will have the opportunity to further customise the Updater experience for their existing and/or ideal prospective customers via the Business Products. These customisations from both Real Estate Companies and Businesses will result in a personalised, efficient and contextual experience for Movers.

THE MOVER PRODUCT

The moving process can be an inefficient and painful experience that often involves reaching out to many separate businesses to transfer, sign-up and/or disconnect services (such as telephone, electricity, gas, water, television and Internet providers), change address information (such as for mail forwarding, drivers license, insurance, online accounts, banking, and more), and coordinate the transportation of household goods (such as packing, storage and moving services).

The Mover Product is a free product that provides Movers in the U.S. with a centralised online service to organise and complete relocation-related tasks and logistics. The Mover Product currently helps Movers forward mail with the USPS, update accounts and records with various businesses and organisations that accept Updater change-of-address notifications, discover home service providers and utilities that provide services at the new home, notify friends and family of the new address, unlock special new-mover discounts, and more. Currently, Movers can only access the Mover Product via an invitation from a Real Estate Company. Since launching the Mover Product, approximately 500,000 individual Movers have created an end-user account for the Mover Product.

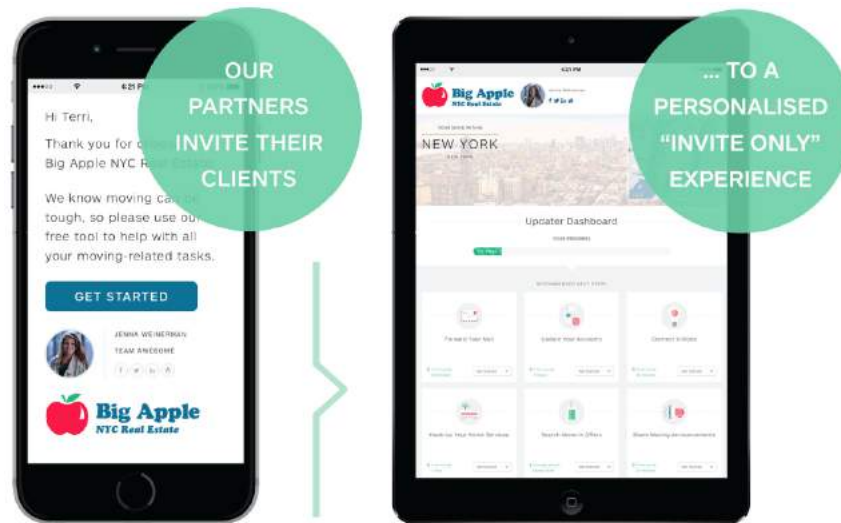
REAL ESTATE PRODUCTS

The Real Estate Products enable Real Estate Companies to provide their Clients with the “invite only” Mover Product, and to brand, customise and personalise the Mover Product experience for their Clients. Updater has developed unique Real Estate Products to suit different types of Real Estate Companies. For example, the product for property management companies is different to the product for real estate brokerage firms. Updater has also developed unique interfaces and account types for various roles within Real Estate Companies, such as corporate managers and individual professionals.

Real Estate Companies pay Updater subscription fees to use the Real Estate Products. Pricing varies by the size and type of the Real Estate Company and the selected product tier. Numerous Real Estate Companies that use the Real Estate Products have reported significant business value and strong return on investment (ROI). For example, the Real Estate Products may help Real Estate Companies deliver an improved Client experience, stay top-of-mind, generate more referrals, increase the

likelihood of retaining Clients, and/or increase Client engagement with important and/or revenue-generating products (such as resident portals or referral systems).

Updater's Real Estate Product

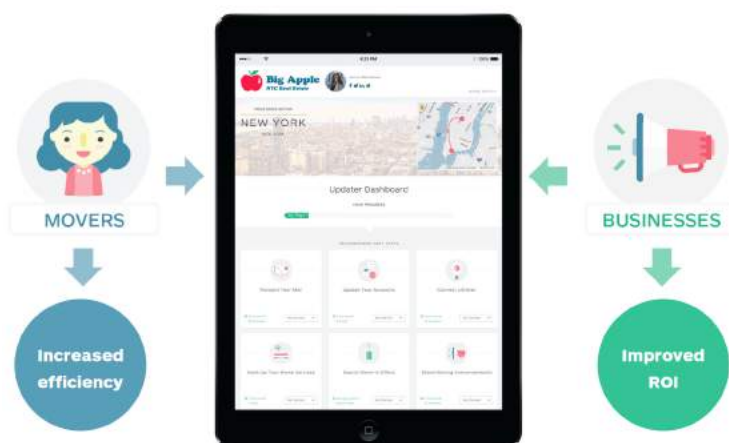


Updater has signed partnership agreements with over 350 Real Estate Companies, and over 200 Real Estate Companies are “live” using a Real Estate Product. Updater’s Real Estate Company partners include some of the largest and most influential Real Estate Companies in the U.S. real estate industry. Updater’s “live” Real Estate Company partners have locations or properties in 46 U.S. states.

BUSINESS PRODUCTS (initial development and launch planned for 2017)

Updater plans to develop Businesses Products that will enable Businesses to customise the Mover Product experience for their existing and/or ideal prospective customers who are likely to find such customisations helpful and valuable.

Updater plans to develop the Business Products for a large and diversified group of consumer Businesses in the U.S. that seek to communicate intelligently and contextually with Movers. The Business Products will seek to enable Businesses to provide Movers with helpful, contextual and relevant communication and unprecedented functionality throughout the move-lifecycle. Many U.S. Businesses have pre-registered for the Business Products, which are scheduled for initial development and launch of pilot programs in 2017. Management intends to charge Businesses long-term access fees rather than charging Businesses for the number of new sign-ups, connections, purchases, etc.



In the future, Business Products may enable Businesses to present Movers, within the Mover Product, with variable and intelligent messages and/or advanced functionality for completing or initiating transactions, such as sign-ups, transfers, address updating and more. Certain customisations, such as enabling transactions within the Mover Product, may require technology integrations between Updater and the applicable Business partner's customer or other database. Updater only plans to enable Businesses to customise the moving experience for the Movers who are most likely to find the applicable communication or functionality relevant and contextual, such as existing customers of the Business or consumers moving into the applicable geographic footprint of the Business.

The Business Products will seek to simultaneously help Businesses efficiently retain and acquire Movers while providing Movers with relevant content and unprecedented functionality and efficiency. Management believes that the Business Products will greatly enhance the Mover Product, resulting in increased demand from Movers for the Mover Product, thereby creating a potential "network effect".

Management believes that the more Businesses that partner with Updater and utilise the Business Products (following their launch in 2017), the more Movers will want/need the Mover Product, resulting in more Real Estate Companies purchasing the Real Estate Products for their Clients. In turn, the more Real Estate Companies that invite Clients, the more Businesses will want to use the Business Products. Thus, Management believe that Updater may create a "virtuous circle" in the relocation industry, delivering increased value to all parties.

UPDATER'S INTEGRATION PLATFORM

Updater launched its Integration Platform in February 2015. The Integration Platform enables Real Estate Companies that purchase a Real Estate Product to seamlessly and automatically share Mover information with Updater for the purpose of inviting Clients to the Mover Product, personalising each Client's Mover Product experience, and generally enabling Updater to deliver an improved moving experience. Businesses that also seek to invite relocating customers to a branded, customised and/or personalized version of the Mover Product may also leverage the Integration Platform. The Integration Platform is a state-of-the-art software system that is optimised for engineers and operations managers at Real Estate Companies to seamlessly integrate with Updater.

The Integration Platform enables Real Estate Companies (or Businesses) to integrate by (a) using an integration that Updater has developed for the Transaction Management System that they have purchased, (b) using an integration that Updater develops specifically for their system or exported files, and/or (c) leveraging Updater's REST API (Application Programming Interface using REST architecture).

Updater has facilitated integration options with over 10 major Transaction Management Systems widely used by real estate brokers, property managers and moving companies in the U.S. Also, Updater is in the planning and development stages with over 10 additional Transaction Management Systems.

Mover information that is processed via the Integration Platform passes through an extensive process of cleaning, eliminating duplicate information, and filtering before the applicable Mover is invited to use a personalised and customised version of the Mover Product at the optimal time before moving. All Mover information that is processed via the Integration Platform is also subject to, and protected by, Updater's Privacy Pledge (found at updater.com/privacy).

The launch of the Integration Platform was a key milestone for Updater because Real Estate Companies (and individual real estate professionals) can now invite Clients to the Mover Product with minimal ongoing manual work. The Integration Platform streamlines and simplifies the onboarding of new Real Estate Company partners and facilitates ongoing and consistent use of the Real Estate Products.

KEY METRICS

Updater's has two key performance metrics for 2016:

- Monthly Moves Processed
- Estimated Market Share

Updater defines a "Move" as a unique old/new address pair within a 3-month timeframe. Any Move information (regardless of completeness) that is passed through the Integration Platform from any third party partner is counted as a "Move Processed" if Updater has permission to invite the applicable Mover(s) to the Mover Product (regardless of whether the applicable Mover(s) is actually invited to the Mover Product or uses the Mover Product). The aggregate number of unique Moves Processed from all sources in a given month is one of Updater's key metrics for measuring growth and is referred to as "Monthly Moves Processed".

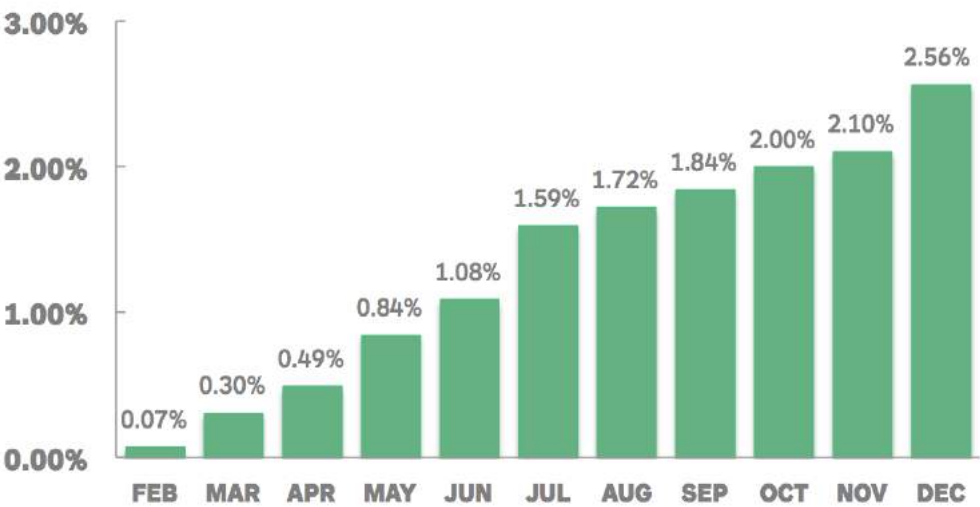
Currently, Updater is only tracking U.S. household Moves for Moves Processed. A Move is considered "processed" during the month of the estimated move date, as opposed to the date any applicable invitation is sent to the Mover(s). For purposes of calculating Moves Processed, when Updater onboards a new Real Estate Company, Updater may count all Move information shared from such partner for the calendar month in which the onboarding occurs, the preceding calendar month, and all future months.

As described in Section 2.5 of the Prospectus, relocation is seasonal. For calculating the "Estimated

Market Share” of Monthly Moves Processed, Updater divides the total number of Monthly Moves Processed by the estimated number of unique U.S. household moves that occurred during the applicable month, as determined by applying the applicable seasonality curve to the assumed total number of annual U.S. household moves for the given year.

At year-end 2015, Updater’s Monthly Moves Processed totaled 31,690 unique household Moves, equating to an Estimated Market Share of 2.56% of all unique household moves in the U.S.

Estimated Market Share (2015)



For calculating Estimated Market Share in 2016, Updater will continue using the same seasonality curve that was used in 2015, which is set forth in figure 2.3 in the Prospectus. Management estimates that approximately 17 million U.S. household moves will occur in 2016. Therefore, in 2016, Updater will continue using the same total market size (17 million household moves) for calculating Estimated Market Share as was used in 2015.

REVENUE STREAMS

Currently, Updater charges Real Estate Companies subscription fees for the Real Estate Products, and provides the Mover Product for free to Movers.

The proposed Business Products (scheduled for development in 2017) are a primary revenue opportunity that Updater has identified. Management plans to charge Businesses for long-term access to the product. Management does not intend to charge Businesses referral fees or charge for the number of new sign-ups, connections, purchases, etc. Updater always prioritises the Mover experience by ensuring all communication within the Mover Product is helpful and contextual.



Directors Report

Directors Report

DIRECTORS REPORT

Please find below the Directors report for the year ended 31 December 2015.

The names and details of the Company's Directors in office during the financial year and until the date of this Annual Report are set forth below. Directors were in office for this entire period unless otherwise stated.

This Annual Report has been made in accordance with a resolution of the Directors.

NAMES, QUALIFICATIONS, EXPERIENCE & RESPONSIBILITIES OF DIRECTORS

David Greenberg, Founder and Chief Executive Officer / Executive Director

- David is responsible for driving the vision and execution of the Company's business plan.
- David built and launched Updater out of his own frustrations with moving, recognizing that there had to be a better way to organise and complete all moving-related tasks.
- Prior to launching Updater, David practiced corporate law at Cravath, Swaine & Moore LLP.
- David holds a Juris Doctor from Cornell Law School and a Bachelor of Arts from the University of Pennsylvania.
- Other current directorships of listed companies: None
- Former directorships of listed companies in last three years: None

Ryan Hubbard, Chief Technology Officer / Executive Director

- Ryan oversees technical strategy for the Company and drives all engineering initiatives. Ryan joined the Board in 2014.
- Ryan has over 15 years of experience in the technology and software engineering industry.
- Prior to joining the Company, Ryan served as Partner and CTO of YellowHammer, a multi-award-winning performance trading platform that was ranked #37 on the Inc. 5000 Fastest Growing Companies list in 2013. Prior to YellowHammer, Ryan

was Co-Founder and CTO of eVariant, a market leader in healthcare CRM/PRM software to manage interactions across both digital and direct channels.

- Ryan holds a Bachelor of Computer Science and Engineering from the University of Connecticut.
- Other current directorships of listed companies: None
- Former directorships of listed companies in the last three years: None

Grant Schaffer, Non-Executive Director

- Grant was the lead seed investor in the Company and has been on the Board since 2011.
- Grant is an active technology investor in both Australia and the United States. Grant previously held a range of senior positions within London-based investment bank Evolution Securities (since sold to Investec plc), and Ernst & Young in Australia.
- Grant is a chartered accountant, holds a Bachelor of Arts and a Bachelor of Commerce degree from the University of Western Australia, is a Member of the Australian Institute of Company Directors and completed the Owner/President Management Program at Harvard Business School.
- Current directorships of listed companies: None
- Former directorships of listed companies in last three years: None

Antony Catalano, Non-Executive Director

Appointed 15 December 2015

- Antony has been the CEO of Domain Group since November 2013. The value of Domain, Fairfax Media's (ASX: FXJ) most significant asset, has grown well over one billion dollars under his leadership.
- Antony established Metro Media Publishing (MMP) in 2009, Victoria's fastest-growing media business, which publishes a suite of glossy magazines that reach more than one million homes throughout Melbourne. Antony also pioneered the highly-effective agent equity model, which underpinned MMP's extraordinary success in digital and print publishing, and this model has been rolled out nationally by Domain Group.
- Antony is a recognized thought leader in the real estate technology industry.

- Current directorships of listed companies: Real Estate Investar Group Limited
- Former directorships of listed companies in last three years: None

NAME AND QUALIFICATIONS OF COMPANY SECRETARY

Scott Mison, Company Secretary

Appointed 20 October 2015

- Scott has over 16 years experience in finance and corporate compliance within Australia, the UK, Central Asia and the United States.
- Scott holds a Bachelor of Business degree, is a Member of the Institute of Chartered Accountants and a Member of the Governance Institute of Australia.
- Scott is also a Board Member of Wheelchair Sports WA Inc., a not-for-profit organisation.
- Current directorships of listed companies: 1-Page Limited and Jupiter Energy Limited
- Former directorships of listed companies in last three years: None

CORPORATE STRUCTURE

State of Incorporation

The Company is incorporated in the State of Delaware, United States of America. As a foreign company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

General Description of Capital Structure

The Company is authorised to issue 110,000,000 Shares, 55,000,000 of which are designated common stock, par value US\$0.001 per Share, and 55,000,000 of which are designated common prime stock, par value US\$0.001 per share.

In the event of a breach of an applicable mandatory escrow agreement, common stock will automatically convert into common prime stock for the duration of the breach. As at the date of this Annual Report, no shares of common prime stock are issued or outstanding.

The Company has reserved an aggregate of 11,500,000 Shares of common stock for stock options under its 2010 Stock Incentive Plan.

25 CDIs are transferrable for 1 Share of common stock.

Securities on Issue

The Company had the following securities on issue:

Category	Number	CDI equivalent*
Shares	17,079,487	426,987,175
Options	2,979,000	74,475,000
Warrants	234,750	5,868,750

*Assumes all Shares are held in the form of CDIs.

Authorised but unissued shares – Subject to the limitation on the issue of securities under the Listing Rules and DGCL, the Company's authorised but unissued Shares will be available for future issue without Shareholder approval. The Company may use additional Shares for a variety of purposes, including future capital raises, to fund acquisitions, and as employee compensation.

Voting Rights

At a meeting of the Company, every holder of common stock present in person or by proxy, is entitled to one vote for each Share of common stock held on the record date for the meeting on all matters submitted to a vote of the Shareholders. Holders of Shares do not have cumulative voting rights. Holders of common prime stock do not have voting rights. Voting rights for CDI holders are set forth in the Additional Information section of this Annual Report.

Dividends

Holders of common stock are entitled to receive ratably dividends, if any, as may be declared from time to time by the Board out of funds legally available for dividend payments. Holders of common prime stock are not entitled to dividends.

Rights Attaching to Shares

Shareholders have no preferences or rights of conversion, exchange, pre-emption or other subscription rights. There are no redemption or sinking fund provisions applicable to the Shares. In the event of any liquidation, dissolution or winding-up of the Company's affairs, Shareholders will be entitled to share ratably in the Company's assets that are remaining after payment or provision for payment of all of the Company's debts and obligations and after any applicable liquidation payments to former holders of preferred stock as described below.

Delaware Law, Certificate of Incorporation and Bylaws

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holders and

takeovers). Provisions of DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarised in section 9.2 of the Prospectus) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Board believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Liquidation Covenant for Venture Capital Investors

The Company has provided the U.S. Venture Capital Investors with a Liquidation Covenant. The Liquidation Covenant provides that in the event of a sale or liquidation of the Company (and only in such event), the Company shall pay to the U.S. Venture Capital Investors the greater of (a) US\$0, or (b) an amount equal to US\$7.2m, less any proceeds received by the U.S. Venture Capital Investors from any sale of their applicable Shares, less any proceeds to be received by the U.S. Venture Capital Investors from the liquidation or sale of the Company. This Liquidation Covenant was provided as part of a recapitalisation (which was implemented in part to facilitate the ASX Listing) and in recognition that the U.S. Venture Capital Investors relinquished their preference shares and converted their holdings into common stock in order to facilitate the Listing. Each Share of common stock will have the right to receive a pro rata portion of assets remaining for distribution upon a liquidation of the Company after any applicable payments pursuant to the Liquidation Covenant.

SIGNIFICANT EVENTS POST PERIOD END

Except as otherwise set out in this Annual Report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the period under review.

USE OF FUNDS

The Company has used the proceeds of the ASX IPO and other available assets in a manner generally consistent with the business objectives described in the Prospectus.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has entered into Deeds of Indemnity with the Directors, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the Directors and officers of the Company against certain liabilities and costs to the extent permitted by law. Full details of the coverage and premium are not disclosed as the insurance policy prohibits the disclosure.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, WithumSmith + Brown, as part of the terms of its audit engagement agreement, against claims by third parties (for an unspecified amount) arising from or relating to the Company's knowing misrepresentations or false or incomplete information provided to the auditors.

No payment has been made to indemnify WithumSmith + Brown during or since the financial year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company adhere to strict principles of corporate governance. The Company's corporate governance statement is included in this Annual Report.

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's auditors during the financial year.



Corporate Governance Statement

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company adhere to strict principles of corporate governance.

The Board of Directors of the Company is responsible for the overall corporate governance of the Company, and guiding and monitoring the business and affairs of the Company on behalf of the Shareholders and to whom they are accountable.

The Company's corporate governance principles and policies are structured with reference to the Corporate Governance Councils best practice recommendations, which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the Board to add value
Principle 3.	Act ethically and responsibly
Principle 4.	Safeguard integrity in corporate reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

The Company currently has in place corporate governance policies and charters which have been posted in a dedicated corporate governance information section on the Company's website at www.updater.com. The Board's corporate governance policies and charters includes procedures for compliance with the ASX Listing Rules continuous disclosure requirements, trading in the Company's securities, the management of risk, and a Code of Conduct.

BOARD OF DIRECTORS

Role of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is required to do all things that may be necessary to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Set the strategic direction for the Company and monitor progress of those strategies;

- Establish policies appropriate for the Company;
- Monitor the performance of the Company, the Board and Senior Management;
- Approve business plans and budgets;
- Authorise and monitor investment and strategic commitments;
- Review and ratify systems for workplace safety, risk and internal control, codes of conduct, and regulatory compliance;
- Report to Shareholders, including, but not limited to, the Financial Statements of the Company; and
- Take responsibility for corporate governance.

Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the current size of the Company and scale of its operations.

The Company's Bylaws provide that the number of Directors on the Board is to be fixed exclusively by the Board. Newly created directorships resulting from any increase in the Company's authorised number of Directors or any vacancies will be filled by a majority of the remaining Directors in office, unless otherwise required by law or by resolution of the Board. Currently, the Board has authorised a total of four (4) Directors.

The preferred skills and experiences for a Director of the Company include:

- Financing of operations;
- Business development and industry expertise; and
- Public company financial reporting and administration.

Chairman of the Board

The Chairman of the Board should be a Non-Executive Director and the Board of Directors will elect the Chairman. Mr. David Greenberg, however, is an Executive Chairman and is not Independent. Given his skills, experience and knowledge of the Company, the Board considers that it is appropriate for him to be Chairman.

Independent Directors

The Board considers that a Director is "Independent" if that Director complies with the following

criteria:

- Apart from Director's fees and shareholding, Independent Directors should not have any business dealings which could materially affect their independent judgment;
- Must not have served in an executive capacity with the Company in the last 3 years;
- Must not have served in advisory capacity with the Company in the last 3 years;
- Must not be a significant customer or supplier for the Company;
- Must not be appointed through a special relationship with a Board member;
- Must not owe allegiance to a particular group of Shareholders which gives rise to a potential conflict of interest;
- Must not hold conflicting cross directorships; and
- Must not be a Substantial Shareholder or a nominee of a Substantial Shareholder (as defined under section 9 of the Corporations Act).

Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that, out of a total of four Directors, one is considered Independent.

Mr. David Greenberg is the CEO and Executive Chairman of the Company and is not considered to be Independent. His experience and knowledge of the Company and his contributions to the Board make it appropriate for him to remain on the Board and serve as Chairman.

Mr. Ryan Hubbard is the CTO and Executive Director of the Company and is not considered to be Independent. His experience and knowledge of the Company and his contributions to the Board make it appropriate for him to remain on the Board.

Mr. Grant Schaffer is a Non-Executive Director of the Company. He is not considered Independent because he is a Substantial Shareholder of the Company. His experience makes his contribution to the Board important and significant.

Mr. Antony Catalano is an Independent Non-Executive Director of the Company. His experience and expertise makes his contribution to the Board important and significant.

Term and Removal of Directors

The Company's Bylaws provide that Directors shall hold office until his or her successor has been elected and qualified or, if earlier, his or her death, resignation, retirement, disqualification or removal.

The Company's Bylaws provide that any Director may be removed either with or without cause at any special meeting of Shareholders duly called and held for such purpose.

Nomination of Directors

Nominations for Directors must be received by the Company no earlier than 120 calendar days and no later than 90 calendar days prior to the first anniversary of the preceding year's annual meeting (provided however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 70 calendar days after such anniversary date, nominations for the election of directors must be received by the Company no earlier than 120 calendar days and no later than 90 calendar days prior to the annual meeting); or if the first public announcement of the annual meeting is less than 100 days prior to the date of such annual meeting, nominations for the election of Directors must be received by the Company no later than 10 calendar days following the day on which the public announcement of the date of such meeting was made by the Company.

Vacancies on the Board of Directors

If any vacancy occurs in the Board of Directors caused by death, resignation, retirement, disqualification, or removal from office of any Director, or otherwise, or if any new directorship is created by an increase in the authorized number of Directors, a majority of the Directors then in office, though less than a quorum, or the sole remaining Director, may choose a successor or fill the newly created directorship; and a Director so chosen shall hold office until the next election of Directors and until his or her successor has been duly elected and qualified or, if earlier, his or her death, resignation, retirement, disqualification or removal.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received, the advice is to be made immediately available to all Board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to any Director, senior manager and/or Company Secretary who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, such employee shall have the right to report any breach to an Independent Director without further reference to senior managers of the Company.

Insurance

- The Directors review the requirements for insurance coverage for the risks associated with the Company's business operations. The Board will maintain insurance as it considers appropriate, however, the Company will not be insured against all risks, either because appropriate coverage is not available or because the Directors consider the applicable premiums to be excessive in relation to the

perceived benefits that would accrue.

- The Company maintains insurance policies that indemnify its Directors and officers against various liabilities that might be incurred by any Director or officer in his or her capacity as such.

Share Ownership

Directors are encouraged to own Shares in the Company. All current Directors are shareholders in the Company.

Board Meetings

The following points identify the frequency of Board meetings and the extent of reporting from Senior Management at the meetings:

- A minimum of six meetings are to be held per year;
- Other meetings will be held as required, meetings can be held by telephone; and
- Information provided to the Board shall include all material information on: operations, budgets, strategy, cash flows, funding requirements, Shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment and strategy proposals.

Board Performance Review

There was no evaluation conducted during the financial year.

Other Areas for Board Review

Reporting to Shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market.

Board Committees

Audit Committee

The Company has established an audit committee. The Board is of the opinion that due to the size of the Company, the functions performed by the audit committee will be handled by the full Board.

The CEO declares in writing to the Board that the Company's financial statements for the year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the CEO

prior to the Board's approval of the release of the annual and half-year accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

The Company has requested that the external auditors be available to answer Shareholder questions regarding the audit at the Company's annual meeting.

Nomination and Remuneration Committee

The Company has established a nomination and remuneration committee. The Board is of the opinion that due to the size of the Company, the functions performed by the nomination and remuneration committee will be handled by the full Board.

Remuneration levels for Directors and Senior Management of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Management.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for Shareholders. The remuneration structures take into account:

- The capability and experience of the Director and/or senior manager;
- The Director's and/or senior manager's ability to control the relevant department's performance;
- The Company's performance including (a) the Company's progress on stated business objectives, and (b) the growth in share price; and
- The amount of incentives within the Director's and/or senior manager's remuneration package.

Risk Management

The risks involved in the Company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on an annual basis to formally review such risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

The potential exposures, including financial and reputational, associated with running the Company are considered by the Board and Senior Management.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and ensure that its financial affairs comply with applicable laws and regulations and professional practices. The CEO declares to the Board that the financial reporting, risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. This representation is made by the CEO prior to the Board's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by,

appropriate levels of management and relevant external service providers.

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests. The Company is also guided by its core values of honesty, integrity, common sense and respect.

The Board has adopted a Code of Conduct for Directors and employees of the Company that reflects the Company's principals and core values. The Company's actions aimed at achieving above average wealth creation for its Shareholders should at all times comply with this Code of Conduct, which provides principles to which Directors and employees should be familiar and to which they are expected to adhere and advocate.

It is the responsibility of the Board to ensure that the Company performs in line with its Code of Conduct, and regularly review the Code of Conduct.

Diversity

The Board has adopted a diversity policy. The Company is committed to workplace diversity and recognises the benefits arising from recruitment, development and retention of a talented, diverse and motivated workforce.

Trading in Company Securities by Directors, officers and employees

Trading of Company securities is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that implements strict guidelines as to when a Director, officer or an employee can deal in Company securities. The policy prohibits trading in the Company's securities whilst a Director, officer or employee is in the possession of price sensitive information. The Company requires all employees to consult with Senior Management before dealing in Company securities to ensure that Company policies are not violated.

SHAREHOLDER COMMUNICATION

The Board aims to ensure that Shareholders and the general investing community have equal access to material information about the Company.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability of Senior Management with compliance. This disclosure policy includes processes for the identification of matters that are material to the Company's stated business objectives and/or which may have a material effect on the price of the Company's securities, and then disclosing such matters to the ASX and posting them on the Company's website.

The Company also has a strategy to promote effective communication with Shareholders and encourage effective participation at general meetings through a policy of open disclosure to Shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- The Company's activities and analysis of performance relative to stated goals and objectives;
- Conflicts of interest and related party transactions;
- The grants of options and details of stock option plans;
- The process for performance evaluation of the Board, its committees, individual Directors and Senior Management;
- The use of clear and concise text in all communications.

The following information is communicated to Shareholders via filing on the ASX and available on the Company's website (www.updater.com):

- An annual report;
- Notices of meetings of Shareholders;
- Half yearly and quarterly reports reviewing the operations, activities, and financial position of the Company; and
- All material information that is required to be disclosed pursuant to the Listing Rules.

ASX CORPORATE GOVERNANCE PRINCIPLES

Since listing in December 2015, the Company has followed all of the recommendations of the ASX Corporate Governance Council, except for the following:

- The majority of the members of the Board are not Independent Directors, the Chairman is not an Independent Director, and the Chairman is the same person as the CEO. These are departures from Recommendations 2.4 and 2.5. Currently there is only one out of four members of the Board that are Independent Directors. Considering the Company's stage of development and the collective experience and expertise of the Directors, the Board considers the current composition of the Board appropriate.
- The majority of the Directors on the Audit and Risk Committee and the Nomination and Remuneration Committee are not Independent Directors. These

are departures from Recommendations 4.1 (audit), 7.1 (risk), 2.1 (nomination) and 8.1 (remuneration). The Remuneration and Nomination Committee is not chaired by an Independent Director as set forth in Recommendations 2.1 (nomination) and 8.1 (remuneration). The Audit and Risk Committee is not chaired by an Independent Director as set forth in Recommendations 4.1 (audit) and 7.1 (risk). The Company is presently unable to comply with all of the recommendations of the ASX Corporate Governance Council regarding the composition of these Board committees given that only one Director is considered to be Independent. The Board may adjust the composition of its Board committees in the future when additional Independent Directors are appointed.

- Due to the Company's stage of development and number of employees, the Company may face particular issues in relation to setting, reviewing, assessing and reporting on certain diversity measures. Consequently, the Company may not fully comply with Recommendation 1.5 (diversity).



Consolidated Financial Statements

All financial amounts are in US Dollars

UPDATER INC.
Financial Statements
With Independent Auditors' Report
Years Ended December 31, 2015 and 2014

Updater Inc.
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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors and Stockholders,
Updater, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Updater, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Updater Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Withum Smith + Brown, PC

March 14, 2016

Updater Inc.
Balance Sheets
December 31, 2015 and 2014

Assets	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current assets		
Cash and cash equivalents	\$ 16,605,391	\$ 1,995,062
Restricted cash	100,225	25,013
Accounts receivable	27,882	10,172
Prepaid expenses	115,989	-
Total current assets	<u>16,849,487</u>	<u>2,030,247</u>
Property and equipment, net	34,610	56,522
Other assets	<u>50,881</u>	<u>50,881</u>
	<u><u>\$ 16,934,978</u></u>	<u><u>\$ 2,137,650</u></u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 241,092	\$ 116,654
Deferred revenue	<u>34,771</u>	<u>55,778</u>
Total current liabilities	<u>275,863</u>	<u>172,432</u>
Long term liabilities		
Warrant liability	959,689	63,567
Deferred rent	<u>12,768</u>	<u>10,989</u>
Total long term liabilities	<u>972,457</u>	<u>74,556</u>
Stockholders' equity		
Series A-1 convertible preferred stock, \$.001 par value, (Liquidation preference - \$4,999,992.47)	-	3,355
Series A convertible preferred stock, \$.001 par value, (Liquidation preference - \$2,999,999.66)	-	3,135
Common stock, \$.001 par value	17,080	5,645
Additional paid in capital	29,885,371	10,004,745
Accumulated deficit	<u>(14,215,793)</u>	<u>(8,126,218)</u>
Total stockholders' equity	<u>15,686,658</u>	<u>1,890,662</u>
	<u><u>\$ 16,934,978</u></u>	<u><u>\$ 2,137,650</u></u>

The Notes to Financial Statements are an integral part of these statements.

Updater Inc.
Statements of Operations
Years Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Revenue, net	\$ 183,492	\$ 109,712
Cost of revenue	<u>27,460</u>	<u>56,216</u>
Gross margin	156,032	53,496
Operating expenses		
Research and development expense	1,369,546	1,508,564
Sales and marketing expense	1,908,398	1,331,794
General and administrative expense	<u>2,036,352</u>	<u>826,291</u>
Total operating expenses	<u>5,314,296</u>	<u>3,666,649</u>
Loss from operations	(5,158,264)	(3,613,153)
Other income (expense)		
Interest expense	(42,347)	-
Interest income	2,158	1,273
Change in fair value of warrants	(896,122)	(30,709)
Other income	<u>5,000</u>	<u>839</u>
Total other income (expense), net	<u>(931,311)</u>	<u>(28,597)</u>
Net loss	<u>\$ (6,089,575)</u>	<u>\$ (3,641,750)</u>

The Notes to Financial Statements are an integral part of these statements.

Updater Inc.
Statements of Changes in Stockholders' Equity
Years Ended December 31, 2015 and 2014

	Series A-1 Convertible Preferred Stock		Series A Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount			
December 31, 2013	-	-	3,135,451	3,135	5,351,888	5,352	4,863,452	(4,484,468)	387,471
Issuance of preferred stock for cash, net	3,354,799	3,355	-	-	-	-	4,949,687	-	4,953,042
Issuance of common stock for cash	-	-	-	-	193,024	193	23,067	-	23,260
Exercise of warrants	-	-	-	-	100,000	100	88,370	-	88,470
Stock based compensation expense	-	-	-	-	-	-	80,169	-	80,169
Net loss	-	-	-	-	-	-	-	(3,641,750)	(3,641,750)
December 31, 2014	3,354,799	3,355	3,135,451	3,135	5,644,912	5,645	10,004,745	(8,126,218)	1,890,662
Issuance of common stock for cash, net of expense	-	-	-	-	5,876,167	5,876	18,930,300	-	18,936,176
Issuance of common stock to related parties for cash	-	-	-	-	341,706	342	999,658	-	1,000,000
Conversion of preferred stock to common stock	(3,354,799)	(3,355)	(3,135,451)	(3,135)	6,543,236	6,543	(53)	-	-
Repurchase of common stock	-	-	-	-	(4,641,494)	(4,641)	(995,359)	-	(1,000,000)
Exercise of options	-	-	-	-	40,000	40	94,755	-	94,795
Stock based compensation expense (restricted stock)	-	-	-	-	3,274,960	3,275	389,720	-	392,995
Stock based compensation expense (options)	-	-	-	-	-	-	461,605	-	461,605
Net loss	-	-	-	-	-	-	-	(6,089,575)	(6,089,575)
December 31, 2015	-	\$ -	-	\$ -	17,079,487	\$ 17,080	\$ 29,885,371	\$ (14,215,793)	\$ 15,686,658

The Notes to Financial Statements are an integral part of these statements.

Updater Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash flows from operating activities		
Net loss	\$ (6,089,575)	\$ (3,641,750)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	28,054	23,834
Change in fair value of warrants	896,122	30,709
Stock based compensation expense	854,600	80,169
Changes in operating assets and liabilities:		
Accounts receivable	(17,710)	(4,236)
Prepaid expenses	(115,989)	-
Deferred rent	1,779	1,893
Deferred revenue	(21,007)	55,778
Accounts payable and accrued expenses	124,437	28,205
Net cash used by operating activities	<u>(4,339,289)</u>	<u>(3,425,398)</u>
Cash flows from investing activities		
Purchases of property and equipment	(6,141)	(28,990)
Increase in restricted cash	(75,212)	(6)
Increase in security deposit	-	(15,766)
Net cash used by investing activities	<u>(81,353)</u>	<u>(44,762)</u>
Cash flows from financing activities		
Proceeds from issuance of common stock, net	18,936,176	23,260
Repurchase of common stock	(1,000,000)	-
Proceeds from issuance of common stock to related parties	1,000,000	-
Proceeds from issuance of series A convertible preferred stock, net	-	4,953,042
Proceeds from exercise of warrants	-	88,470
Proceeds from exercise of options	94,795	-
Net cash provided by financing activities	<u>19,030,971</u>	<u>5,064,772</u>
Net increase in cash and cash equivalents	14,610,329	1,594,612
Cash and cash equivalents		
Beginning of year	1,995,062	400,450
End of year	<u>\$ 16,605,391</u>	<u>\$ 1,995,062</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 23,208</u>	<u>\$ -</u>

Non cash investing and financing activity

On September 15, 2015, 6,490,250 shares of preferred stock were converted to 6,543,236 shares of common stock.

The Notes to Financial Statements are an integral part of these statements.

1. **Summary of Significant Accounting Policies**

Nature of Business

Updater Inc. (the "Company"), a Delaware C-Corporation, develops and markets tools for consumers to complete their move-related tasks. The Company partners with companies in the relocation services industry like real estate agents and brokers, property managers, moving companies, and title insurance companies to provide a co-branded version of its product to consumers. The Company serves clients throughout the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant estimates include stock based compensation expense, warrant expense, and revenue recognition.

Cash and Cash Equivalents

The Company considers cash equivalents to be only those investments which are highly liquid, readily convertible to cash and have a maturity date within ninety days from the date of purchase.

Accounts Receivable and Credit Policies

Accounts receivable are uncollateralized, non-interest bearing customer obligations due under normal trade terms, usually within 30 days of services provided. Customer account balances with invoices dated over 90 days are considered delinquent.

The Company applies collections of accounts receivable to specific invoices in accordance with customer specifications, or if unspecified, to the oldest outstanding invoices.

Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management may also utilize the direct write off method for specific balances that are deemed uncollectible between financial reporting periods. Management determined that no allowance for doubtful accounts was required as of December 31, 2015 and 2014.

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured.

The Company typically enters into fixed fee contracts with enterprise and small business clients which dictate both revenue recognition and billings to customers. These contracts are typically for a 1-year initial term, with annual renewals thereafter. Fees are due under the contracts in varying terms either monthly or annually. Revenue is recognized upon delivery of the service. The Company occasionally receives payment in advance of service, this payment is deferred and recognized into revenue upon delivery of the service.

The Company enters into annual fixed fee contracts with individual real estate agents. All fees are due under the contracts in advance of the annual term. Payments received upon the inception of the contract are deferred and recognized into revenue upon delivery of the service.

In early 2014, the Company charged consumers in advance for one-time use of its product. Revenue from these sales were recognized at the time of receipt. The Company discontinued sales of its direct-to-consumer product in 2014 and has no further obligations to perform resulting from these sales.

Updater Inc.
Notes to Financial Statements
December 31, 2015 and 2014

The Company occasionally enters into fee-sharing agreements with its enterprise and small business clients or other referral sources. The total amount paid out pursuant to these agreements has, to date, been de-minimus.

Property and Equipment

Property and equipment are carried at cost less depreciation. Depreciation of property and equipment are provided using the straight-line method at the following rates:

<u>Description</u>	<u>Estimated Life (Years)</u>
Computer equipment	5
Furniture	5

Expenditures for major renewals and betterments that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Concentration of Credit Risk

The Company periodically maintains cash balances in excess of the FDIC insurance limit of its financial institutions. The Company has had no losses related to these financial institutions.

Research and Development

Costs incurred for research and product development, which primarily comprise salaries, taxes, and benefits, are expensed as incurred. In addition, the Company recognizes research and development expenses in the period in which it becomes obligated to incur such costs.

Advertising

The Company expenses the cost of advertising and marketing as incurred. Total advertising costs were approximately \$500 for the year ended December 31, 2015, and \$130,000 for the year ended December 31, 2014.

Cost of Revenue

Cost of revenue consists primarily of payments for data authentication and outside services.

Sales and Marketing

Sales and marketing consists primarily of advertising expense, salaries, taxes and benefits, and travel, meals and entertainment.

General and Administrative

General and administrative consists primarily of salaries, taxes and benefits, facilities costs, depreciation and amortization, professional services, stock based compensation, and other general overhead.

Stock-Based Compensation

Stock-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense, net of estimated pre-vesting forfeitures, ratably over the vesting period of the award. Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, volatility, dividend yield, risk free rates and pre-vesting forfeitures. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. If factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected pre-vesting forfeiture rate and only recognize expense for those shares expected to vest. If the actual forfeiture rate is materially different from its estimate, stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

Updater Inc.
Notes to Financial Statements
December 31, 2015 and 2014

Income Taxes

The Company accounts for its income taxes using the asset and liability method. Under the asset and liability method, deferred taxes are determined for differences between the carrying values of assets and liabilities for financial and tax reporting purposes. Deferred income taxes are recognized as assets for net operating loss carry forwards that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company is required to file tax returns in the U.S. federal jurisdiction and various states/cities. The Company has no open years prior to December 31, 2012.

The Company had no uncertain tax positions at any of its balance sheet dates. In addition, the Company has no material income tax related penalties or interest for the periods reported in these financial statements.

The Company follows the accounting pronouncement dealing with uncertain tax positions. The pronouncement clarifies the accounting for uncertainty in income taxes recognized in the Company's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The pronouncement also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Fair Value Measurements

The carrying amounts of the Company's cash and cash equivalents, accounts payable, accrued expenses, and its line of credit approximate fair value due to the short-term nature of these instruments. The Company presents its warrant liability at fair value in accordance with the accounting pronouncement dealing with fair value measurements.

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.
- Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

The assets or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transactions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. The Company uses the Black Scholes pricing model to value Level 3 financial liabilities at inception and on subsequent valuation dates. This simulation incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk free rates, and volatility. The inputs utilized by management are highly subjective, changes to the inputs could result in a material change to the calculated value.

2. Restricted Cash

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The restricted cash balance consists of a certificate of deposit which collateralizes the Company credit card as required by the banking institution.

3. Property and Equipment

Property and equipment consists of the following at:

	December 31, 2015	December 31, 2014
Computer equipment	\$ 78,156	\$ 72,015
Furniture	<u>22,153</u>	<u>22,153</u>
Subtotal	100,309	94,168
Accumulated depreciation	<u>(65,699)</u>	<u>(37,646)</u>
Property and equipment, net	<u>\$ 34,610</u>	<u>\$ 56,522</u>
Depreciation expense charged to operations	<u>\$ 28,054</u>	<u>\$ 23,834</u>

4. Income Taxes

A summary of the Company's deferred income taxes are as follows:

	December 31, 2015	December 31, 2014
Net operating loss carryforward	\$ 5,017,863	\$ 4,417,441
Other	<u>423,452</u>	<u>(1,141)</u>
Total deferred tax assets, net	5,441,315	4,416,300
Valuation allowance	<u>(5,441,315)</u>	<u>(4,416,300)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets consist primarily of net operating loss carryforwards. The Company has provided for a 100% valuation allowance for all periods presented as the realization of sufficient future taxable income during the expiration period of the net operating loss carryforwards is uncertain. As of December 31, 2015, the Company has approximately \$11 million in federal, state and city net operating loss carryforwards available to offset future taxable income. The majority of the federal and state net operating loss carryforwards will begin to expire in 2032. The Company's effective income tax rate differs from the federal and state statutory rates for all periods presented due to the valuation allowance recorded against the deferred tax assets.

5. Line of Credit

In January 2015 the Company entered into an agreement for a secured credit line facility with Silicon Valley Bank ("SVB") that provides for borrowings of up to \$1,500,000, which can be drawn down in increments of at least \$500,000 during the draw period, which ends on January 13, 2016. The line was secured by a first perfected security interest in all assets, excluding intellectual property. Commencing on March 1, 2015, the Company commenced interest only monthly payments. Interest was charged at 1.25% above the Prime Rate. On September 11, 2015, the Company repaid this facility in full and terminated the agreement. In January 2015, the Company issued to SVB a warrant for 22,000 shares of common stock with an exercise price of \$0.47 per share and a term of 10 years in connection with this loan. The value of the warrants was determined to be immaterial and no value was ascribed to them. As of December 31, 2015, all of the aforementioned warrants remained outstanding.

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6. Commitments

The Company has office space in New York City under a non-cancellable lease which expires January 2017. For the years ended December 31, 2015 and 2014, rent expense amounted to \$136,335 and \$154,684, respectively.

The future minimum rental payments due under the lease agreement are as follows as of December 31:

2016	\$ 123,767
2017	<u>10,337</u>
	<u>\$ 134,104</u>

7. Concentrations

The Company periodically maintains cash balances in excess of the FDIC insurance limit of \$250,000 in its financial institutions. The Company has had no losses related to these financial institutions.

During the year ended December 31, 2014, the Company had sales to one customer approximating 12% of total revenue.

8. Stockholders' Equity

2015 Equity Overview

Authorized and Outstanding

At December 31, 2015, the authorized capital of the Company consists of 55,000,000 shares of common stock and 55,000,000 shares of common prime stock. 17,079,487 shares of common stock were issued and outstanding and there were no shares of common prime stock issued and outstanding.

Sale of Stock

On September 15, 2015, the Company sold 1,476,167 shares of common stock to new stockholders for cash totaling \$4,290,979.

On September 15, 2015, the Company sold 113,902 shares of common stock to an existing stockholder for cash totaling \$333,333, and 227,804 shares of common stock to certain Company officers in exchange for two stock subscription receivables totaling \$666,667, which were fully repaid by November 9, 2015.

On December 7, 2015 the Company listed CHESS Depositary Interests ("CDIs") on the Australian Securities Exchange ("ASX") after successfully raising approximately \$16,150,000 in gross proceeds from new Australian investors. Net cash proceeds were reduced by approximately \$1,370,000 of issuance costs. The Company issued a total of 4,400,000 new shares of common stock as part of the IPO fundraising transaction. CDIs, not the Company's common stock, are traded on the ASX. At the option of the holder, 25 CDIs can be converted to 1 share of common stock, and vice versa.

Grants of Restricted Stock

On August 28, 2015, 3,274,960 shares of restricted common stock were issued to existing employees and directors in exchange for services.

Exercise of Stock Options

During the year ended December 31, 2015, 40,000 shares of common stock were issued upon the exercise of stock options for cash totaling \$94,795.

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Recapitalization

On August 28, 2015, the Company completed a recapitalization of its stock, whereby all of the existing preferred stockholders converted their shares into common stock and the Company repurchased 4,641,494 shares of common stock for cash totaling \$1,000,000. Since August 28, 2015, there has been no preferred stock outstanding.

2014 Equity Overview

Authorized and Outstanding

At December 31, 2014, the authorized capital of the Company consisted of 18,000,000 shares of common stock and 6,490,250 shares of preferred stock. Of the preferred stock, 3,135,451 shares were designated Series A preferred stock and 3,354,799 were designated Series A-1 preferred stock. All preferred stock was issued and outstanding and 5,644,912 shares of common stock were issued and outstanding.

Sale of Stock

On February 7, 2014, the Company issued 3,354,799 shares of Series A-1 preferred stock for cash totaling \$4,953,042.

Exercise of Stock

During the year ended December 31, 2014, 189,899 shares of common stock were issued upon the exercise of stock options for cash totaling \$22,413.

Preferred Stock

The following provisions set forth the rights and privileges of the preferred shareholders according to the Company's Certificate of Incorporation in operation prior to the recapitalization of the Company. Since August 28, 2015, and the recapitalization of the stock of the Company, there has been no preferred stock outstanding.

Voting

Preferred shareholders were entitled to one vote for each share of common stock into which such preferred stock could then be converted and had voting rights and powers equal to the voting rights of the common stock. After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

The holders of the common stock were entitled to one vote for each share of common stock held at all meetings of stockholders (and written actions in lieu of meetings); There was no cumulative voting. The holders of common stock prime shall not be entitled to any voting rights.

Dividends

The holders of preferred stock were entitled to receive, a non-cumulative dividend on each outstanding share of preferred stock (the "Preferred Dividends") at the rate of 8% per annum of the Original Issue Price (as defined below), when and if declared by the Board of the Directors out of the assets of the Company that are by law available. The "Series A Original Issue Price" meant \$0.9568 per share, and the "Series A-1 Original Issue Price" meant \$1.4904 per share. All preferred shares were subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the preferred stock. The Company could not declare, pay, or set aside any dividends on common stock of the Company unless any and all such dividends or distributions in excess of the Preferred Dividends were distributed among all holders of common stock and preferred stock in proportion to the number of shares of common stock that would be held by each such holder if all shares of preferred stock were converted to common stock at the then effective conversion rate. After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock

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outstanding.

The holders of common stock shall be entitled to receive dividends, when and if declared, out of the assets legally available. The holders of common stock prime shall not be entitled to share in any dividends or other distributions of the Company.

Liquidation

In the event of any closing of the sale, lease, transfer or other disposition of all or substantially all of the Company's assets or merger or consolidation of the Company with or into another entity, the grant to a single entity of an exclusive, irrevocable license to the Company's intellectual property that is used to generate substantially all of the Company's revenues, or a liquidation, dissolution or winding up of the Company, the holders of shares of preferred stock then outstanding were entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of common stock by reason of their ownership thereof, an amount per share equal to (i) the Original Issue Price, plus any Preferred Dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of the relevant series of preferred stock been converted into common stock immediately prior to such liquidation, dissolution, winding up or liquidation event.

If upon any such liquidation, dissolution or winding up of the Company or liquidation event, the assets of the Company available for distribution to its stockholders shall be insufficient to pay the holders of shares of preferred stock the full applicable liquidation amount to which they shall be entitled, the holders of shares of preferred stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective applicable liquidation amounts that would otherwise be payable in respect of the shares of preferred stock held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or liquidation event, after the payment in full of the applicable liquidation amounts to be paid to the holders of shares of preferred stock, the remaining assets of the Company available for distribution to its stockholders shall be distributed among the holders of shares of common stock, pro rata based on the number of shares held by each such holder. After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

In the event of any liquidation, dissolution or winding up of the Company, any assets of the Company available for distribution shall be distributed equally to the holders of the common stock and the common stock prime on a pro-rata basis.

Liquidation Preference

In the event of a sale of the Company or all or substantially all of its assets, a merger or consolidation of the Company (except a merger or consolidation in which the holders of capital stock of the Company immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Company or the surviving or acquiring entity), or either a voluntary or involuntary liquidation, dissolution, or winding up of the Company, the Company is obligated to pay a group of investors (the "preferred stockholders") who formerly held preferred stock the aggregate amount of \$7,199,991.94 less (y) any proceeds received by the preferred stockholders from the sale of their common stock, and less (z) any proceeds to be paid to the preferred stockholders from a sale or liquidation of the Company by virtue of their common stock ownership.

Anti-Dilution

If the Company issues additional stock (as defined in the articles of incorporation) without consideration or for consideration per share less than the conversion price applicable to the series A preferred stock or series A-1 preferred stock, the conversion price for said series A and A-1 preferred stock shall be adjusted. The adjusted price will be determined by multiplying the conversion price by a fraction, the numerator of which shall be the number of shares of common stock outstanding immediately prior to

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such issuance plus the number of shares of common stock that the aggregate consideration received by the Company for such issuance would purchase at such conversion price. The denominator of which shall be the number shares of common stock outstanding (as defined in the articles of incorporation) immediately prior to such issuance plus the number of shares of such additional stock.

After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

Conversion

Each share of preferred stock is convertible, at the option of the holder, at any time after the date of issuance of such share, into such number of fully paid and nonassessable shares of common stock as is determined by dividing the applicable Original Issue Price for such series by the applicable Conversion Price (as defined below) for such series (the conversion rate for a series of preferred stock into common stock is referred to herein as the "Conversion Rate" for such series), determined on the date the certificate is surrendered for conversion. The initial Conversion Price per share for each series of preferred stock is the Original Issue Price applicable to such series; provided, however, that the Conversion Price for each series of preferred stock is subject to adjustment. As of the Series A-1 Original Issue Date, the Conversion Rate for the Series A preferred stock is 1.016899007.

Each share of Series A preferred stock shall automatically be converted into shares of common stock at the applicable Conversion Rate then in effect for such series of preferred stock immediately upon the earlier of (i) this corporation's sale of its common stock in a public offering with aggregate gross proceeds of at least \$50,000,000 (a "Qualifying IPO"), or (ii) the date specified by written consent or agreement of the holders of a majority of the then outstanding shares of Series A preferred stock.

Each share of Series A-1 preferred stock shall automatically be converted into shares of common stock at the applicable Conversion Rate then in effect for such series of preferred stock immediately upon the earlier of (i) a Qualifying IPO, or (ii) the date specified by written consent or agreement of the holders of at least 66 2/3% of the then outstanding shares of Series A-1 preferred stock.

After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

Redemption

In the event of a liquidation event (as defined in the articles of incorporation), if the Company does not effect a dissolution of this corporation under the General Corporation Law within ninety (90) days after such liquidation event, then (i) the Company shall send a written notice to each holder of preferred stock no later than the 90th day after the liquidation event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of preferred stock, and (iii) if the holders of at least a majority of the then outstanding shares of preferred stock so request in a written instrument delivered to this corporation not later than 120 days after such Liquidation Event, the Company shall use the consideration received by the Company for such Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of this corporation), together with any other assets of this corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the "Available Proceeds"), on the 150th day after such Liquidation Event, to redeem all outstanding shares of preferred stock at a price per share equal to, with respect to the Series A preferred stock, the Series A Liquidation Amount and, with respect to the Series A-1 preferred stock, the Series A-1 Liquidation Amount. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of preferred stock, the Company shall redeem a pro rata portion of each holder's shares of preferred stock to the fullest extent of such Available Proceeds, and shall redeem the remaining shares to have been redeemed as soon as practicable after this corporation has funds legally available. Prior to the distribution or redemption, the Company shall not expend or dissipate the consideration received for such Liquidation Event, except to discharge expenses

incurred in connection with such Liquidation Event or in the ordinary course of business. After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

The common stock and common stock prime is not redeemable.

Protective Provisions

So long as at least 649,000 shares of preferred stock remain outstanding (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like), the Company shall not take any of the following actions without the vote or written consent of the holders of a majority of the then outstanding shares of preferred stock: (i) consummate a liquidation event, (ii) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Company in a manner that adversely affects the powers, preferences or rights of the preferred stock, (iii) authorize or issue, or obligate itself to issue, any equity security (including any other security convertible into or exercisable for any such equity security) having a preference over, or being on a parity with, the Series A preferred stock or Series A-1 preferred stock with respect to dividends, liquidation or redemption, other than the issuance of any authorized but unissued shares of preferred stock designated in the Certificate of Incorporation (including any security convertible into or exercisable for such shares of preferred stock), (iv) redeem, purchase or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any share or shares of preferred stock or common stock; provided, however, that this restriction shall not apply to the repurchase by the Company of shares of common stock at cost from employees, officers, directors, consultants or other persons performing services for this corporation or any subsidiary pursuant to agreements under which the Company has the option to repurchase such shares upon the occurrence of certain events, such as the termination of employment or service, or pursuant to a right of first refusal, (v) declare or pay any dividends on or declare or make any other distribution on account of any class of stock prior to the Series A preferred stock or the Series A-1 preferred stock other than dividends or other distributions payable on the common stock solely in the form of additional shares of common stock, (vi) change the authorized number of directors of the Company, or (vii) create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the Company.

So long as at least 313,545 shares of Series A preferred stock (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to the Series A preferred stock) remains outstanding, this corporation shall not (by amendment, merger, consolidation or otherwise), without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least a majority of the then outstanding shares of Series A preferred stock, amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of this corporation in a manner that adversely affects the powers, preferences or rights of the Series A preferred stock.

So long as at least 335,480 shares of Series A-1 preferred stock (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to the Series A-1 preferred stock) remains outstanding, this corporation shall not (by amendment, merger, consolidation or otherwise), without first obtaining the approval (by vote or written consent, as provided by law) of the holders of at least 66 2/3% of the then outstanding shares of Series A-1 preferred stock, amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of this corporation in a manner that adversely affects the powers, preferences or rights of the Series A-1 preferred stock.

After August 28, 2015 and the recapitalization of the stock of the Company, there was no preferred stock outstanding.

9. Stock-Based Compensation Plan

The Company has a stock-based compensation plan for certain employees, Board members and consultants (as amended and restated, the "Plan"). The Plan provides for the granting of options and restricted stock at the discretion of the Board to employees, Board members and consultants. The Board determines the strike price of options at the date of grant based on the fair market value of the stock.

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Under the Plan, the total number of shares that may be optioned as of December 31, 2015 is 11,500,000 shares of common stock. Options with performance related vesting conditions generally become exercisable after achieving certain predetermined conditions that relate to company specific objectives. Options with service conditions become exercisable over terms ranging from two to four years. Options with market based conditions vest after the achieving of certain predetermined conditions related to the Company's share price on the ASX exchange. Option terms are generally 10 years. The fair value of market based awards is estimated using a Monte Carlo simulation designed to calculate the probability of achieving the vesting condition. The fair value of options with performance or service conditions is estimated on the date of the grant using the Black-Scholes option valuation model based on the assumptions noted in the following table. The expected term of options represents the period that the Company's stock-based awards are expected to be outstanding. The risk-free interest rate for periods related to the expected life of the options is based on the U.S. Treasury yield curve in effect at the time of the grant. The expected volatility is based on historical volatilities noted within the Company's industry. The expected dividend yield is zero, as the Company does not anticipate paying dividends in the near future.

Restricted stock is valued at its grant date fair value. The Company has recognized \$392,995 in stock based compensation expense related to the restricted shares.

Performance Based Options

In connection with the Company's ASX listing, the Company issued certain Directors and Officers of the Company an aggregate of 575,000 options at a strike price of \$3.61, which vest upon achievement of certain performance milestones. These options vest upon the Company surpassing 5% Estimated Market Share, as defined in the Company's Prospectus dated November 17, 2015, in any month in calendar year 2016. As of December 31, 2015, the Company recognized \$75,974 in stock based compensation expense related to these options.

Market Based Options

In connection with the Company's ASX listing, the Company issued certain Directors and Officers of the Company an aggregate of 575,000 shares of options at a strike price of \$3.61, which vest upon achievement of certain market based milestones. These options vest when the 20 day volume weighted average price of the Company's CDIs quoted on the ASX equaling to or exceeding an amount that is two times the IPO offer price (AU\$0.20) at any time within 18 months of the date of the Company's listing on the ASX. As of December 31, 2015, the Company recognized \$27,472 in stock based compensation expense related to these options.

Total stock-based compensation expense recognized during the years ended December 31, 2015 and 2014, was \$461,605 and \$80,169, respectively. As of December 31, 2015, the total unrecognized stock-based compensation balance for unvested options was \$2,352,105, which is expected to be recognized ratably through December 2019.

The weighted average grant date fair value of options granted during the year ended December 31, 2015 and 2014 was \$1.41 per share and \$0.47, respectively.

The following assumptions were used to determine stock-based compensation:

	Year Ended December 31, <u>2015</u>	Year Ended December 31, <u>2014</u>
Expected term (in years)	7.00	6.92
Volatility	35.54%	40.30%

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Risk-free interest rate	2.09%	1.00%
Dividend yield	0.00%	0.00%

The following describes changes in the outstanding stock-based compensation for the year ended December 31, 2015:

	Options Outstanding	Weighted Average Exercise Price
Balance at December 31, 2014	1,301,500	\$0.67
Options granted	2,192,500	\$3.53
Options forfeited	(439,161)	\$0.98
Options exercised	<u>(40,000)</u>	\$2.37
Balance at December 31, 2015	<u>3,014,833</u>	\$2.68
Exercisable at December 31, 2015	<u>640,703</u>	\$0.93

The following table summarizes the information about options outstanding at December 31, 2015:

<u>Options Outstanding</u>			<u>Options Exercisable</u>
<u>Number Outstanding</u>	<u>Average Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable at Dec 31, 2015</u>
2,500	5.05 Years	\$0.0100	2,500
65,000	7.26 Years	\$0.2700	51,353
794,833	8.52 Years	\$0.4700	292,715
45,000	6.21 Years	\$1.4908	43,452
<u>2,107,500</u>	9.87 Years	\$3.6100	<u>250,683</u>
<u>3,014,833</u>			<u>640,703</u>

The aggregate intrinsic value of stock options outstanding at December 31, 2015 is \$6,216,598. The aggregate intrinsic value of stock options exercised during the year ended December 31, 2015 was \$41,430. A stock option has intrinsic value, at any given time, if and to the extent that the exercise price of such stock option is less than the market price of the underlying common stock at such time. The weighted-average remaining contractual life of options vested or expected to vest is 9.4 years.

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10. Warrants

As of December 31, 2015 and 2014, the Company has an outstanding warrant for 212,750 shares of common stock with an exercise price of \$0.27 per share in exchange for participation in a mentorship and marketing program (the NAR REach program). On the date of issuance, the warrants were fully vested, exercisable at the option of the holder, in whole or in part, and expire 10 years from the date of issuance. The warrant contains a contingent put provision that could allow the holder to require the Company to settle the warrant in cash. The Company determined that the warrant qualified as a derivative instrument. Accordingly, this instrument has been classified as a liability on the accompanying balance sheets. The warrant liability is recorded at fair value, using the Black-Scholes Pricing Model, at each balance sheet date, with the change in fair value being recorded in the statements of operations.

The following assumptions were used to determine the warrant liability:

	Year Ended December 31, 2015	Year Ended December 31, 2014
Expected term (in years)	7	9
Volatility	35.54%	40.30%
Risk-free interest rate	2.27%	2.17%
Dividend yield	0.00%	0.00%

The following table presents the Company's liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy (all Level 3) at December 31, 2015.

	Year Ended December 31, 2015	Year Ended December 31, 2014
Liability:		
Warrants at fair value	<u>\$ 959,689</u>	<u>\$ 63,567</u>
Fair value of warrants – beginning balance	\$ 63,567	\$ 32,858
Change in fair value included in results of operations	<u>896,122</u>	<u>30,709</u>
Fair value of warrants – ending balance	<u>\$ 959,689</u>	<u>\$ 63,567</u>

11. Subsequent Events

The Company has evaluated subsequent events through March 14, 2016, which is the date these financial statements were available to be issued, and has determined that there are no events that require recognition or disclosure in these financial statements.



Additional Information

Additional ASX Information

SHAREHOLDER INFORMATION

Overview

The Company's securities are listed for quotation in the form of CHESS Depositary Interests ("CDIs") on the Australian Securities Exchange ("ASX") and trade under the symbol "UPD". Each Share of common stock is equivalent to 25 CDIs.

The Company has the following securities on issue:

Category	Number	CDI equivalent*
Shares	17,079,487	426,987,175
Options	2,979,000	74,475,000
Warrants	234,750	5,868,750

Options (not listed on ASX)

There are 2,979,000 options on issue to purchase Shares of common stock under the Company's 2010 Stock Incentive Plan.

Warrants (not listed on ASX)

There are 234,750 warrants on issue to purchase Shares of common stock.

Substantial Shareholders

Name of holders	Number and class of equity securities in which holder, together with associates, has relevant interest	Percentage of total voting shares
David Greenberg	4,860,000 shares of common stock (equivalent to 121,500,000 CDIs)	28.5%
Ryan Hubbard	1,736,098 shares of common stock (equivalent to 43,402,450 CDIs)	10.2%
Grant Schaffer	1,242,072 shares of common stock (equivalent to 31,051,800 CDIs)	7.3%

Distribution of Holdings

Category	Total Shareholders	Units (in common stock)
1 – 1,000	194	102,088
1,001 – 5,000	258	702,022
5,001 – 10,000	86	658,294
10,001 – 100,000	75	2,216,743
100,001 and over	23	13,400,340
Total	636	17,079,487

Note: 25 CDIs equate to 1 Share of Common Stock

Holding of Company securities

The Company has issued a total of 17,079,487 Shares of common stock, which equates to 426,987,175 CDIs. There are 614 Shareholders that hold their securities in the form of CDIs; and they hold, in the aggregate, 200,376,625 CDIs. The remaining 22 Shareholders hold Shares of common stock (i.e., such holders have not elected to hold Company securities in the form of CDIs).

Unmarketable parcels

Based on the market price on 24 March 2016, there were 14 Shareholders holding less than a marketable parcel (a parcel of securities of less than A\$500).

Top 20 Holders

Name of Holder	No. of Shares	CDI Equivalent	% of Issued Capital
DAVID GREENBERG	4,860,000	121,500,000	28.46
RYAN HUBBARD	1,736,098	43,402,450	10.17
J P MORGAN NOMINEES AUSTRALIA LIMITED	748,638	18,715,940	4.38
SECOND CENTURY VENTURES	631,334	15,783,350	3.70
SCE SUPERANNUATION PTY LTD	605,000	15,125,000	3.54
UBS NOMINEES PTY LTD	571,252	14,281,294	3.35
GRANT SCHAFFER	552,764	13,819,100	3.24
SOFTBANK CAPITAL FUND 10 LP	552,417	13,810,425	3.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	468,496	11,712,409	2.74
IA VENTURE STRATEGIES FUND II LP	419,129	10,478,225	2.45

NATIONAL NOMINEES LIMITED	331,541	8,288,537	1.94
HOPERIDGE ENTERPRISES PTY LTD <JONES FAMILY A/C>	283,324	7,083,100	1.66
CITICORP NOMINEES PTY LIMITED	213,409	5,335,232	1.25
IA VENTURE STRATEGIES FUND I LP	203,063	5,076,575	1.19
HOPERIDGE ENTERPRISES PTY LTD <JONES FAMILY A/C>	168,926	4,223,150	0.99
COMMERCE VENTURES	167,740	4,193,500	0.98
SCHAFER NOMINEES PTY LTD	134,156	3,353,900	0.79
APZ NOMINEES PTY LTD	134,156	3,353,900	0.79
KIMIK NOMINEES PTY LTD	134,156	3,353,900	0.79
FERNLAND HOLDINGS PTY LTD <THE CELATO A/C>	134,156	3,353,900	0.79
Total held by top 20 holders	13,049,755	326,243,887	76.40
Total held by other holders	4,029,732	100,743,288	23.60

ASX Restrictions

ASX Restricted Shares

There are 8,109,586 Shares of common stock restricted until 7 December 2017.

ASX Restricted Options

There are the following options over Shares of common stock restricted until 7 December 2017:

- 25,000 exercisable at US\$1.4908 each expiring on 26 December 2021
- 330,000 exercisable at US\$0.47 each expiring on 4 February 2024
- 285,000 exercisable at US\$3.6098 each expiring on 4 February 2024
- 1,215,000 exercisable at US\$3.6098 each expiring on 10 November 2025

Voluntary Restrictions

Voluntary Restricted Shares

There are 1,820,420 Shares of common stock voluntarily restricted until 7 December 2017; and 167,740 Shares of common stock voluntarily restricted until 7 December 2016.

Voluntary Restricted Options

There are the following options over Shares of common stock voluntarily restricted until 7 December 2017:

- 212,750 exercisable at US\$0.27 each expiring on 11 March 2023
- 10,000 exercisable at US\$0.27 each expiring on 15 August 2023
- 10,000 exercisable at US\$0.47 each expiring on 1 August 2024
- 20,000 exercisable at US\$0.47 each expiring on 7 August 2024
- 10,000 exercisable at US\$0.47 each expiring on 27 August 2024

Voluntary Restricted Warrants

There are 212,750 warrants over Shares of common stock, exercisable at US\$0.27, each expiring on 11 March 2023, voluntarily restricted until 7 December 2017.

Voting Rights

At a meeting of the Company, every holder of common stock present in person or by proxy, is entitled to one vote for each Share of common stock held on the record date for the meeting on all matters submitted to a vote of the Shareholders. Holders of Shares do not have cumulative voting rights. Holders of common prime stock do not have voting rights.

Voting Rights for CDI Holders

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant U.S. law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

- Instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or
- Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- Converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. Please contact the Share Registry for information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents 1/25 of a Share, a CDI Holder will be entitled to one vote for every 25 CDIs that they hold.

Holders of issued but unexercised options and warrants are not entitled to vote.

Required Statements

- a) There is no current on-market buy-back of the Company's securities.
- b) The Company is incorporated in the state of Delaware in the United States of America.
- c) The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth), dealing with the acquisition of shares (i.e., substantial holdings and takeovers).
- d) The Company's securities are not quoted on any exchange other than the ASX.
- e) Under the Delaware General Corporation Law ("DGCL"), Shares are generally freely transferable subject to restrictions imposed by US federal or state securities laws, by the Company's Certificate of Incorporation or Bylaws, or by an agreement signed with the holders of the Shares. The Company's Amended and Restated Certificate of Incorporation and Bylaws do not impose any specific restrictions on transfer.
- f) The name of the Australian Secretary is Scott Mison.
- g) The address and telephone number of the Company's principal registered office in Australia is:
Ground Floor
10 Outram Street
West Perth, WA 6060
+61 8 9481 1444
- h) The Share Registry is:
Computershare Investor Services Pty Ltd
Level 2, 45 St. George's Terrace
Perth WA 6000
Phone 1300 557 010 (AUS)
 +61 8 9323 2000 (Int'l)
Fax +61 8 9323 2033
Website computershare.com