

## Appendix 4D & Half Year Financial Statements

### Reporting Period

Six month period ended:	Six month period ended:
30 June 2016	30 June 2015

### Results for announcement to the market

Description	30 June 2016	30 June 2015	% change
Revenue from ordinary activities	170,723	101,536	68
Profit (loss) after tax from ordinary activities attributable to members	(3,519,412)	(1,970,432)	(78)
Net profit (loss) after tax from ordinary activities Attributable to members	(3,519,412)	(1,970,432)	(78)

### Commentary on results for the period

Updater Inc. (the “Company”) is pleased to report its strong financial position at 30 June 2016.

The Company is pleased to report that at 30 June 2016, the Company held US\$13,304,989 in total cash (equivalent to approximately AU\$17,872,392 at 30 June 2016), well within the Company’s planned budget. Please note that this amount, calculated in accordance with US GAAP accounting standards, does not include US\$716,000 currently held as security deposits in connection with the Company’s current lease agreements. The Company also continues to remain debt-free.

The Company held assets totaling US\$14,465,770 at 30 June 2016 (equivalent to approximately AU\$19,431,652 at 30 June 2016).

The Company’s 2016 half-year operating loss totalled US\$3,519,412, the majority of which related to personnel expenses. Over this period, the

**Updater Inc.**  
**Results for Announcement to the Market**  
**June 30, 2016 and 2015**

company's average monthly cash burn from normal operations (which excludes non-recurring expenditures related to the Company's ASX listing) was approximately US\$392,000.

Although 2016 half-year revenue of US\$170,723 increased significantly as compared to 2015 half-year revenue of US\$101,536, it is important to note that increased market share, not revenue, was the Company's sole business objective in the first half of 2016, and this continues to be the Company's primary objective through the remainder of 2016. All of the Company's 2016 revenue to date related to the sale of Real Estate Products, as the Company is not yet selling Business Products.

The Company 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 and developing and launching pilot programs that aim to prove the value of its platform for Businesses. Management believes that its current strategy, which does not focus on short-term revenue, will increase the probability of the Company emerging as an industry leader in 2017, potentially resulting in far greater revenue in the long-term, a more defensible industry position, and innovative integrations with Businesses that will deliver a superior experience for Movers.

Capitalized terms in this section have the meaning set forth in the Company's Annual Report dated March 31, 2016.

**Shares of stock**

"Shares" refer to shares of common stock of the Company. The Company has CHESS Depositary Interests ("CDIs") over shares that are publicly traded on the Australian Securities Exchange ("ASX").

25 CDIs are transferable for 1 share of common stock.

**Dividends**

The Company did not declare a dividend during the reporting period or the previous corresponding period.

**Net Tangible Asset per share**

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
<b>Net tangible asset per share (US\$ cents per share)</b>	<b>83.99</b>	<b>13.58</b>

**Details of Entities Where Control has been Gained or Lost during the Period**

N/A

**Associates and Joint Ventures**

The Company does not have any holdings in joint ventures or associates.

**Accounting Standards**

The audited consolidated financial statement has been prepared in accordance with accounting principles generally accepted in the United States (US GAAP)

**Modified Opinion of Audit Report**

N/A

**UPDATER INC.**

**Financial Statements**

**June 30, 2016 and 2015**

**With Independent Auditors' Review Report**

**Updater Inc.**  
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**June 30, 2016 and 2015**

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## Independent Auditors' Review Report

Board of Directors and Stockholders  
Updater, Inc.

We have reviewed the accompanying financial statements of Updater, Inc., which comprise the balance sheet as of June 30, 2016, and the related statements of operations, changes in stockholders' equity, and cash flows for the six months 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 the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial in accordance with accounting principles generally accepted in the United States of America.

### Auditors' Responsibility

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

### Conclusion

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

### Report on June 30, 2015 Financial Statements

The June 30, 2015 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated October 8, 2015. We have not performed any auditing procedures since that date.

*WithumSmith+Brown, PC*

August 25, 2016

**Updater Inc.**  
**Balance Sheets**  
**June 30, 2016 and 2015**

	(Reviewed) <u>June 30, 2016</u>	(Audited) <u>June 30, 2015</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 13,304,989	\$ 1,431,358
Restricted cash	100,426	100,075
Accounts receivable	31,595	24,543
Prepaid expenses	146,533	10,458
Total current assets	<u>13,583,543</u>	<u>1,566,434</u>
Property and equipment, net	69,812	30,684
Security deposit	712,415	50,881
	<u>\$ 14,365,770</u>	<u>\$ 1,647,999</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 90,924	\$ 121,598
Deferred revenue	37,291	34,771
Line of credit	-	1,500,000
Total current liabilities	<u>128,215</u>	<u>1,656,369</u>
Long term liabilities		
Warrant liability	-	5,111
Deferred rent	5,420	12,768
Total long term liabilities	<u>5,420</u>	<u>17,879</u>
Stockholders' equity (Deficit)		
Series A-1 convertible preferred stock, \$.001 par value	-	3,355
Series A convertible preferred stock, \$.001 par value	-	3,135
Common stock, \$.001 par value	17,106	5,657
Additional paid in capital	31,950,234	10,058,254
Accumulated deficit	(17,735,205)	(10,096,650)
Total stockholders' equity (deficit)	<u>14,232,135</u>	<u>(26,249)</u>
	<u>\$ 14,365,770</u>	<u>\$ 1,647,999</u>

See Independent Auditors' Review Report

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

Updater Inc.  
**Statements of Operations**  
**Six Months Ended June 30, 2016 and 2015**

	(Reviewed) <u>June 30, 2016</u>	(Audited) <u>June 30, 2015</u>
Revenue, net	\$ 170,723	\$ 101,536
Cost of revenue	<u>20,569</u>	<u>18,308</u>
Gross margin	150,154	83,228
Operating expenses		
Research and development expense	748,046	680,929
Sales and marketing expense	1,201,970	950,822
General and administrative expense	1,846,100	454,128
Tax expense	<u>12,300</u>	<u>3,116</u>
Total operating expenses	<u>3,808,416</u>	<u>2,088,995</u>
Loss from operations	(3,658,262)	(2,005,767)
Other income (expense)		
Interest expense	-	(23,208)
Interest income	23,664	87
Change in fair value of warrants	<u>115,186</u>	<u>58,456</u>
Total other income, net	<u>138,850</u>	<u>35,335</u>
Net loss	<u>\$ (3,519,412)</u>	<u>\$ (1,970,432)</u>

See Independent Auditors' Review Report  
The Notes to Financial Statements are an integral part of these statements.

Updater Inc.  
Statement of Changes in Stockholders' Equity (Deficit)  
Six Months Ended June 30, 2015

	Series A-1 Convertible Preferred Stock		Series A Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount			
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	-	-	-	-	12,500	12	3,363	-	3,375
Stock based compensation expense	-	-	-	-	-	-	50,146	-	50,146
Net loss	-	-	-	-	-	-	-	(1,970,432)	(1,970,432)
6/30/2015 (Audited)	3,354,799	\$ 3,355	3,135,451	\$ 3,135	5,657,412	\$ 5,657	\$ 10,058,254	\$ (10,096,650)	\$ (26,249)

Updater Inc.  
Statement of Changes in Stockholders' Equity (Deficit)  
Six Months Ended June 30, 2016

	Series A-1		Series A		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount			
December 31, 2015	-	\$ -	-	\$ -	17,079,487	\$ 17,080	\$ 29,885,371	\$ (14,215,793)	\$ 15,686,658
Issuance of common stock for cash	-	-	-	-	25,625	26	12,068	-	12,094
Stock based compensation expense	-	-	-	-	-	-	1,208,292	-	1,208,292
Reclassification of liability warrants	-	-	-	-	-	-	844,503	-	844,503
Net loss	-	-	-	-	-	-	-	(3,519,412)	(3,519,412)
6/30/2016 (Reviewed)	-	\$ -	-	\$ -	17,105,112	\$ 17,106	\$ 31,950,234	\$ (17,735,205)	\$ 14,232,135

Updater Inc.  
**Statements of Cash Flows**  
**Six Months Ended June 30, 2016 and 2015**

	<b>(Reviewed)</b> <b><u>June 30, 2016</u></b>	<b>(Audited)</b> <b><u>June 30, 2015</u></b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (3,519,412)	\$ (1,970,432)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	40,073	28,053
Change in fair value of warrants	(115,186)	(58,456)
Stock based compensation expense	1,208,292	50,146
Changes in operating assets and liabilities:		
Accounts receivable	(3,713)	(14,370)
Prepaid expenses	(30,544)	(10,458)
Deferred rent	(7,348)	1,779
Deferred revenue	2,520	(21,007)
Accounts payable and accrued expenses	<u>(150,168)</u>	<u>4,943</u>
Net cash used by operating activities	(2,575,486)	(1,989,802)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(75,275)	(2,215)
Increase in restricted cash	(201)	(75,062)
Increase in security deposit	<u>(661,534)</u>	<u>-</u>
Net cash used by investing activities	(737,010)	(77,277)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock	12,094	3,375
Proceeds from line of credit	<u>-</u>	<u>1,500,000</u>
Net cash provided by financing activities	<u>12,094</u>	<u>1,503,375</u>
 Net decrease in cash and cash equivalents	 (3,300,402)	 (563,704)
<b>Cash and cash equivalents</b>		
Beginning of period	<u>16,605,391</u>	<u>1,995,062</u>
End of period	<u>\$ 13,304,989</u>	<u>\$ 1,431,358</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 23,208</u>

**Non cash investing and financing activity**

During 2016, warrants valued at \$844,503 were converted to an equity classification from a liability classification.

**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 moving-related tasks. The Company partners with companies in the relocation services industry such as real estate agents and brokers, property managers, and moving 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.

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 June 30, 2016 and 2015.

**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.

**Updater Inc.**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**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
Leasehold improvements	*

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.

\* Shorter of lease term or useful life.

**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 \$700 for the six months ended June 30, 2016, and \$500 for the six months ended June 30, 2015.

**Cost of Revenue**

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

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.

**Sales and Marketing**

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

### **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 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.

**Updater Inc.**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

**2. Restricted Cash**

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:

	<b><u>June 30,</u></b> <b><u>2016</u></b>	<b><u>June 30,</u></b> <b><u>2015</u></b>
Leasehold improvements	\$ 54,434	\$ -
Computer equipment	97,237	74,230
Furniture	<u>23,913</u>	<u>22,153</u>
Subtotal	175,584	96,383
Accumulated depreciation	<u>(105,772)</u>	<u>(65,699)</u>
Property and equipment, net	<u><u>\$ 69,812</u></u>	<u><u>\$ 30,684</u></u>
Depreciation expense charged to operations	<u><u>\$ 40,073</u></u>	<u><u>\$ 28,053</u></u>

**4. Income Taxes**

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

	<b><u>June 30,</u></b> <b><u>2016</u></b>	<b><u>June 30,</u></b> <b><u>2015</u></b>
Net operating loss carryforwards	\$ 6,623,683	\$ 4,417,441
Other	<u>(13,492)</u>	<u>(1,141)</u>
Total deferred tax assets, net	6,610,191	4,416,300
Valuation allowance	<u>(6,610,191)</u>	<u>(4,416,300)</u>
Net deferred tax assets	<u><u>\$ -</u></u>	<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 June 30, 2016, the Company has approximately \$14 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.

**Updater Inc.**  
**Notes to Financial Statements**  
**June 30, 2016 and 2015**

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 June 30, 2016, all of the aforementioned warrants remained outstanding.

**6. Commitments**

The Company has office space in New York City under a non-cancellable lease which expires January 2017. In addition, in March of 2016, the Company entered into a 10-year lease for new office space in New York City. Based on the terms of the new lease agreement, the Company holds the right to assign the lease or sublet all or part of the premises with 30-day prior notice. Payment for this new lease initiates upon move-in, expected to occur in December 2016.

For the six months ended June 30, 2016 and six months ended June 30, 2015, rent expense amounted to \$61,719 and \$70,567, respectively.

Assuming that the company remains in leased premises, the future minimum rental payments due under the lease agreements are as follows:

12 months ending June 30:

2017	\$ 339,012
2018	553,980
2019	664,776
2020	609,378
2021	664,776
Thereafter	<u>3,739,365</u>
	<u>\$ 6,571,287</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.

As of June 30, 2016, the Company had an accounts receivable balance with one customer approximating 14% of total accounts receivable. As of the date of these financial statements, said customer represented less than 1% of the Company's total accounts receivable balance.

**8. Stockholders' Equity**

**2016 Equity Overview**

Authorized and Outstanding

At June 30, 2016, the authorized capital of the Company consists of 55,000,000 shares of common stock and 55,000,000 shares of common prime stock. Furthermore, 17,105,112 shares of common stock were issued and outstanding and there were no shares of common prime stock issued and outstanding.

Exercise of Stock Options

During the six months ended June 30, 2016, 25,625 shares of common stock were issued upon the exercise of stock options for cash totaling \$12,094.

## **2015 Equity Overview**

### Authorized and Outstanding

At June 30, 2015, the authorized capital of the Company consists of 18,000,000 common shares and 6,490,250 preferred shares. Of the preferred shares, 3,135,451 are designated Series A Preferred Stock and 3,354,799 are designated Series A1 Preferred Stock. All preferred stock was issued and outstanding and 5,657,412 shares of common stock were issued and outstanding.

### Sale of Stock

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.

### Exercising of Stock Options

During the six months ended June 30, 2015, 12,500 shares of common stock were issued upon the exercise of stock options for cash totaling \$3,375.

### 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.

## **Preferred Stock – None outstanding as of August 28, 2015**

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 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 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 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 90<sup>th</sup> 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. Under the Plan, the total number of shares that may be optioned as of June 30, 2016 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

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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.

**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 June 30, 2016, the Company recognized \$835,716 in stock based compensation expense related to these options. Subsequent to June 30, 2016, the Company announced that its Estimated Market Share of Monthly Moves Processed surpassed 5% and therefore all 575,000 share were vested upon that date.

On April 28<sup>th</sup>, 2016, the company issued certain employees of the Company an aggregate of 475,000 options at a strike price of \$3.50, which vest upon achievement of the following performance milestones:

- 25,000 vest upon the Company surpassing 5.00% Estimated Market Share in any month prior to December 31, 2016;
- 50,000 vest upon the Company surpassing 15% Estimated Market Share in any month prior to December 31, 2017;
- 200,000 vest upon the Company surpassing a defined performance milestone, to be determined by the Board of Directors, in any month prior to December 31, 2017;
- 200,000 vest upon the Company surpassing a defined performance milestone, to be determined by the Board of Directors, in any month prior to December 31, 2018;

As of June 30, 2016 the Company recognized \$98,301 in stock-based compensation expense related to these options. Subsequent to June 30, 2016, the Company announced that its Estimated Market Share of Monthly Moves Processed surpassed 5% and therefore 25,000 shares were vested upon that date.

**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 June 30, 2016, the Company recognized \$164,833 in stock based compensation expense related to these options. Subsequent to June 30, 2016, the Company announced that the 20 Day VWAP of the CDIs surpassed AU\$0.40 per and therefore all 575,000 share were vested upon that date.

Total stock-based compensation expense recognized during the six months ended June 30, 2016 and six months ended June 30, 2015 was \$1,208,292 and \$50,146, respectively. As of June 30, 2016, the total unrecognized stock-based compensation balance for unvested options was \$2,879,350, which is expected to be recognized ratably through December 2019.

The weighted average grant date fair value of options granted during the six months ended June 30, 2016 and six months ended June 30, 2015 was \$1.59 per share and \$0.39, respectively.

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

	<b>Six Months Ended <u>June 30, 2016</u></b>	<b>Six Months Ended <u>June 30, 2015</u></b>
Expected term (in years)	7.00	7.00
Volatility	65.65%	40.30%
Risk-free interest rate	1.50%	1.00%
Dividend yield	0.00%	0.00%

The following describes changes in the outstanding stock-based compensation for the six months ended June 30, 2016:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Balance at December 31, 2015	3,014,833	\$2.68
Options granted	1,166,000	\$3.88
Options forfeited	(163,959)	\$2.14
Options exercised	<u>(25,625)</u>	\$0.47
Balance at June 30, 2016	<u><u>3,991,249</u></u>	\$3.07
Exercisable at June 30, 2016	<u><u>1,159,398</u></u>	\$2.34

The aggregate intrinsic value of stock options outstanding at June 30, 2016 is \$3,960,599. The aggregate intrinsic value of stock options exercised during the six months ended June 30, 2016 was \$93,788. 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 8.7 years.

## **10. Warrants**

As of June 30, 2016 and 2015, 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 was classified as a liability on the accompanying balance sheets. The warrant liability was recorded at fair value, using the Black-Scholes Pricing Model, with the change in fair value being recorded in the statements of operations.

On June 24, 2016, the warrants were amended and the contingent put option was removed. Accordingly, the warrants were revalued as of the amendment date and then reclassified into equity.

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The following assumptions were used to determine the warrant liability:

	<b>Period Ended June 24, 2016</b>	<b>Six Months Ended June 30, 2015</b>
Expected term (in years)	6.7	8.0
Volatility	59.42%	35.00%
Risk-free interest rate	1.35%	2.35%
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):

	<b>Six Months Ended June 30, 2016</b>	<b>Six Months Ended June 30, 2015</b>
Liability:		
Warrants at fair value	<u>\$ -</u>	<u>\$ 5,111</u>
Fair value of warrants – beginning balance	\$ 959,689	\$ 63,567
Change in fair value included in results of operations	(115,186)	(58,456)
Reclassification of warrants as equity	<u>(844,503)</u>	<u>-</u>
Fair value of warrants – ending balance	<u>\$ -</u>	<u>\$ 5,111</u>

## **11. Subsequent Events**

The Company has evaluated subsequent events through August 25, 2016, which is the date these financial statements were available to be issue, and has determined that there are no events that require recognition or disclosure in these financial statements, beyond those disclosed in Note 9.