

**ASX Announcement | 27 August 2024
Visioneering Technologies (ASX:VTI)**

Visioneering 2024 Half Year Results Announcement

US-based medical device company and producer of the NaturalVue® (etafilcon A) Multifocal 1 Day Contact Lenses **Visioneering Technologies, Inc. (ASX: VTI)** (**‘Visioneering’** or **‘the Company’**) today released its Appendix 4D Half Year Final Results for the half year ended 30 June 2024.

The Half Yearly Report does not include all of the commentary, notes and information that are typically found in an annual financial report. Accordingly, this Half Yearly Report should be read in conjunction with Visioneering Technologies’ annual report for the year ended December 31, 2023 and any public announcements made by the Company during the subsequent interim period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Ends.

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

For more information, please contact:

Company	Investor and media relations
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About VTI:

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

Foreign ownership restrictions:

VTI’s CHESSE Depository Interests (**CDIs**) are issued in reliance on the exemption from registration contained in Regulation S of the US Securities Act of 1933 (**Securities Act**) for offers which are made outside the US. Accordingly, the CDIs have not been, and will not be, registered under the Securities Act or the laws of any state or other jurisdiction in the US. As a result of relying on the Regulation S exemption, the CDIs are ‘restricted securities’ under Rule 144 of the Securities Act. This means that you are unable to sell the CDIs into the US or to a US person for the foreseeable future except in very limited circumstances after the expiration of a restricted period, unless the re-sale of the CDIs is registered under the Securities Act or an exemption is available. To enforce the

above transfer restrictions, all CDIs issued bear a 'FOR US' designation on the Australian Securities Exchange (**ASX**). This designation restricts any CDIs from being sold on ASX to US persons. However, you are still able to freely transfer your CDIs on ASX to any person other than a US person. In addition, hedging transactions with regard to the CDIs may only be conducted in accordance with the Securities Act.

Forward-Looking Statements

This announcement contains or may contain forward-looking statements that are based on management's beliefs, assumptions and expectations and on information currently available to management.

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

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

VTI-IR-ASX98

APPENDIX 4D (RULE 4.2A)

HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 June 2024

(previous corresponding period 30 JUNE 2023)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(US\$ in 000's, except per share data)	2024	2023	up/down	% movement
Revenue from ordinary activities	\$4,640	\$4,671	down	-1%
Net cash (used in) operating activities	(\$1,274)	(\$1,688)	down	-25%
Loss after tax from ordinary activities attributable to members	(\$1,819)	(\$1,795)	up	-1%
Net loss for the period attributable to members	(\$1,819)	(\$1,795)	up	-1%
Dividend per security	Nil	Nil		
Franked amount of dividends per security	Nil	Nil		
Net tangible asset backing per CHES Depository Interest / Share of Class A common stock	\$0.07	\$0.13		

- **Independent Review:** This report is based on the accompanying unaudited 2024 Half Year Financial Statements which have been reviewed by Grant Thornton LLP with the Report of Independent Certified Public Accountants (the "Report") provided.
- **Changes in control over entities:** There are no entities over which control has been gained or lost during 2023.
- **Details of dividends and dividend reinvestment plans:** No dividends have been declared or proposed.
- **Details of associates or joint ventures:** N/A
- **Set of accounting standards used in compiling the report:** The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (US GAAP) and are denominated in U.S. dollars.
- **Details of audit disputes or audit qualification:** There were no audit disputes.
- **A commentary on the results for the period (US\$ in 000's except per share data):** The net loss for the half year increased to \$1,819 compared to \$1,795 for the previous corresponding period. Operating loss improved to a loss of \$1,869 in 2024 from a loss of \$1,922 in 2023. Basic and Diluted net loss per share was (\$0.03) and (\$0.06) for the six months ended 30 June 2024 and 2023, respectively.
 - Net revenue decreased to \$4,640 in 2024 from \$4,671 in 2023, a decrease of 1%.
 - Cost of Sales decreased to \$2,017, or 43.5% of net revenue in 2024 from \$2,190, or 46.9% of net revenue in 2023. The percentage decrease primarily resulted from higher per unit prices charged for product and lower costs for inventory sold. Gross margin improved to 56.5% in 2024 from 53.1% in 2023.

- Total Operating Expenses increased 2% to \$4,492 in 2024 from \$4,403 in 2023:
 - o Sales and marketing decreased 15% due primarily to lower trial lens costs in the current period;
 - o Clinical and manufacturing expenses increased 4% due primarily to higher regulatory costs; and
 - o General and administrative expenses increased 25% due primarily to the costs associated with the hiring of a new CEO in October 2023.
- Operating loss improved to a loss of \$1,869 in 2024 from a loss of \$1,922 in 2023 due to improved gross margins that more than offset the slightly higher operating expenses, all as detailed above.
- Interest income and other, net increased to \$54 from \$78 due to lower cash and investments earning interest in the 2024 period.
- Interest expense decreased to \$0 in 2024 from \$48 in 2023 due to the remaining Convertible Notes issued in July 2019 being converted to shares in November 2023.
- Gain on fair value of derivative liability was \$0 in 2024 compared to \$54 in the previous period due to the conversion of the remaining Convertible Notes.
- Gain on fair value of freestanding options was \$0 in 2024 compared to \$47 in the previous period due to the fair value of the derivative liability associated with the freestanding options issued in June 2020 and March 2021 being decreased to \$0 as of December 31, 2023 and the options expiring in February 2024.
- The Company had cash and cash equivalents of \$1,825 at June 30, 2024.
- The Company operated in two reportable segments during the period, including North America and Europe/Asia-Pacific.
- There were no returns to shareholders or share buybacks.

VISIONEERING TECHNOLOGIES, INC.

CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2024 and 2023

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VISIONEERING TECHNOLOGIES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Visioneering Technologies, Inc.

Results of review of interim financial information

We have reviewed the accompanying condensed interim financial information of Visioneering Technologies, Inc. (a Delaware corporation) (the “Company”), which comprise the condensed balance sheet, and the related condensed statements of operations, changes in shareholders’ equity, and cash flows, as of June 30, 2024 and for the six-month period ended June 30, 2024 and 2023, and the related notes (collectively referred to as the “interim financial information”).

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

Basis for review results

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

Responsibilities of management for the interim financial information

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

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Report on condensed balance sheet as of December 31, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of the Company as of December 31, 2023, and the related statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2024. In our opinion, the accompanying condensed balance sheet of the Company as of December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Atlanta, Georgia
August 26, 2024

VISIONEERING TECHNOLOGIES, INC.

CONDENSED BALANCE SHEETS
As of June 30, 2024 and December 31, 2023
(Unaudited)

	June 2024	December 2023
	(in US\$000, except share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,825	\$ 2,999
Accounts receivable, net	1,122	966
Inventory, net	1,583	2,161
Prepaid expenses and other current assets	1,154	1,041
TOTAL CURRENT ASSETS	5,684	7,167
NON-CURRENT ASSETS		
Right of use assets, net	148	182
Intangible assets, net	276	289
Other non-current assets	8	8
TOTAL ASSETS	\$ 6,116	\$ 7,646
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 301	\$ 493
Accrued payroll	451	610
Other accrued liabilities	930	653
TOTAL CURRENT LIABILITIES	1,682	1,756
LONG-TERM LIABILITIES		
Other non-current liabilities	87	132
TOTAL LIABILITIES	1,769	1,888
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Class A common stock, par value \$0.001 per share; 100,000,000 shares authorized, 55,036,467 shares issued and outstanding at June 30, 2024 and 52,378,773 shares issued and outstanding at December 31, 2023	55	52
Preferred stock, par value \$0.001 per share; 5,000,000 shares authorized, no shares issued and outstanding at June 30, 2024 and December 31, 2023	-	-
Additional paid-in capital	98,573	98,168
Accumulated deficit	(94,281)	(92,462)
TOTAL SHAREHOLDERS' EQUITY	4,347	5,758
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 6,116	\$ 7,646

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF OPERATIONS
For the Six Months Ended June 30, 2024 and 2023
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
	(in US\$000, except share and per share data)	
Net revenue	\$ 4,640	\$ 4,671
Cost of sales	<u>2,017</u>	<u>2,190</u>
Gross profit	2,623	2,481
Operating expenses:		
Sales and marketing	1,696	1,990
Clinical and manufacturing	1,086	1,040
General and administrative	<u>1,710</u>	<u>1,373</u>
Total operating expenses	<u>4,492</u>	<u>4,403</u>
Operating loss	(1,869)	(1,922)
Other income and (expenses):		
Interest income and other, net	54	78
Interest expense	-	(48)
Gain (loss) on fair value of derivative liability	-	54
Gain on fair value of freestanding options	<u>-</u>	<u>47</u>
Loss before income taxes	(1,815)	(1,791)
Income tax expense	<u>4</u>	<u>4</u>
Net loss	<u>\$ (1,819)</u>	<u>\$ (1,795)</u>
Net loss per share – Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding – Basic and Diluted	<u>54,027,393</u>	<u>31,530,666</u>

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2024
(Unaudited)

	Common Stock		Additional Paid-In Capital US\$000	Accumulated Deficit US\$000	Total US\$000
	Number of Shares	Amount US\$000			
Balance at December 31, 2023	52,378,773	\$ 52	\$ 98,168	\$ (92,462)	\$ 5,758
Shortfall facility for November 2023 rights offering	704,226	1	99	-	100
Restricted share awards Share awards for 2023 compensation	81,635	-	243	-	245
Stock-based Compensation	1,871,833	2	63	-	63
	-	-	-	-	63
Net loss	-	-	-	(1,819)	(1,819)
Balance at June 30, 2024	<u>55,036,467</u>	<u>\$ 55</u>	<u>\$ 98,573</u>	<u>\$ (94,281)</u>	<u>\$ 4,347</u>

See accompanying notes to condensed financial statements

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VISIONEERING TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2024 and 2023
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
	(in US\$000)	
Cash flows from operating activities:		
Net loss	\$ (1,819)	\$ (1,795)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13	7
Gain on fair value of derivative liability	-	(54)
Change in fair value of freestanding options	-	(47)
Amortization of right-of-use asset	34	40
Amortization of debt discount	-	3
Stock-based compensation	63	49
Changes in assets and liabilities:		
Accounts receivable	(156)	(601)
Inventory	578	(152)
Prepaid expenses and other assets	(113)	(18)
Accounts payable	(192)	820
Accrued payroll	85	292
Other accrued liabilities	233	(232)
Net cash used in operating activities	(1,274)	(1,688)
Cash flows from investing activities:		
Purchases of marketable securities	-	(293)
Sale of marketable securities	-	2,131
Net cash provided by (used in) investing activities	-	1,838
Cash flows from financing activities:		
Issuance of common stock	100	-
Net cash used in financing activities	100	-
Net increase (decrease) in cash and cash equivalents	(1,174)	150
Cash and cash equivalents, beginning of period	2,999	3,117
Cash and cash equivalents, end of period	\$ 1,825	\$ 3,267
Supplemental disclosure:		
Cash paid for interest	\$ -	\$ 77
Cash paid for taxes	\$ 4	\$ 4
Share awards for compensation	\$ 243	\$ 53

See accompanying notes to condensed financial statements

VISIONEERING TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2024 and 2023

In US\$ (Unaudited)

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

Visioneering Technologies, Inc. (“VTI”, “we”, “us”, “our” or the “Company”) was incorporated as a Delaware corporation on October 23, 2008. Headquartered in Alpharetta, Georgia, VTI is a medical device company that designs, manufactures, sells and distributes contact lenses. Our flagship product is the NaturalVue® (etafilcon A) Enhanced Multifocal 1 Day Contact Lens for children with Myopia (nearsightedness) and adults with Presbyopia (the progressive loss of the ability to see near that occurs in middle age). Within the United States (“US”), medical devices are regulated by the U.S. Food and Drug Administration (“FDA”), under the Federal Food, Drug, and Cosmetic Act of 1938. We obtained FDA clearance for our NaturalVue contact lenses in late 2014 and received the CE Mark, as well as Australian Therapeutic Goods Administration (“TGA”) approval in early 2018, enabling us to sell our contact lenses in the United States (“US”), Europe, Australia and New Zealand. We received approval to sell our contact lenses in Hong Kong and Singapore in 2019, in Canada in 2020, and in Malaysia in 2023.

In March 2017, we completed our Initial Public Offering (“IPO”) and associated listing on the Australian Stock Exchange (“ASX”). The ASX uses an electronic system called the Clearing House Electronic Sub register System (“CHES”) for the clearance and settlement of trades on the ASX. The State of Delaware does not recognize the CHES system of holding securities or electronic transfers of legal title to shares. To enable companies such as VTI to have their securities cleared and settled electronically through CHES, depository instruments called CHES Depository Interest (“CDIs”) are issued. CDIs are units of beneficial ownership in shares and are traded in a manner similar to shares of Australian companies listed on the ASX. The legal title to the shares is held by a depository, CHES Depository Nominees Pty Ltd. (“CDN”), which is a wholly-owned subsidiary of the ASX and is an approved general participant of ASX Settlement.

We currently manage warehousing and distribution of our products through a contract with a Third-Party Logistics provider (the “3PL”). The 3PL stores our inventory and ships it to our customers, which include major contact lens distributors (“Customers”). These Customers generally have non-exclusive rights to market, promote, sell and distribute our products (“Products”) within specified territories, provided that products shall be sold only to permitted eye care professionals (“ECPs”) and shipped only to ECPs or directly to a patient if specifically directed by the ECPs. As of June 30, 2024, VTI had entered into agreements with Customers in the US, Europe, Australia, New Zealand, Hong Kong, Singapore, Canada, Malaysia, Vietnam, and the Middle East.

Liquidity

The accompanying condensed financial statements have been prepared on a going concern basis, in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. To date, the Company has incurred recurring losses, negative cash flows from operations and has accumulated a deficit of \$94.3 million from the Company’s inception through June 30, 2024. The Company’s ability to achieve profitability and positive cash flow is dependent upon its ability to increase revenue, maintain or increase profit margins, and contain its expenses.

To meet its working capital needs through the next twelve months, the Company has received a commitment from its largest shareholder confirming its intent and ability to provide financial support to the Company in the form of additional capital or debt financing to support the necessary liquidity for a year and a day from the date of the financial statements. In addition, the Company is focused on successfully implementing measures to increase revenue and contain costs, to raise additional capital from new and existing investors, or to complete an accretive partnering transaction to ensure that it can meet its working capital needs for a full year from the date of issuance of these condensed interim financial statements.

VISIONEERING TECHNOLOGIES, INC.

Basis of Presentation

The Company has prepared the accompanying unaudited condensed interim financial statements and notes in conformity with US GAAP for interim financial information. Accordingly, they do not include all of the information and disclosures required by US GAAP for complete financial statements. The accompanying condensed interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary to present fairly the Company's interim financial information. Any reference in these notes to applicable guidance is meant to refer to the authoritative US GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASUs") of the Financial Accounting Standards Board ("FASB"). Unless otherwise noted, all amounts are presented in US dollars and balances presented within tables are in thousands.

The accompanying condensed interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023 and related notes included in the Company's Annual Report in Appendix 4E, which was filed with the ASX on February 27, 2024. The financial results for any interim period are not necessarily indicative of the expected financial results for the full year.

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents and current assets and current liabilities approximate their fair value because of their short maturities. The Company converted its remaining Convertible Notes (Note 6) in November 2023 and the Company's Listed Options (Note 8) expired in February 2024.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of 90 days or less when purchased. Cash and cash equivalents were \$1.8 million as of June 30, 2024 and \$3.0 million as of December 31, 2023. At times, cash balances may exceed the Federal Deposit Insurance Corporation insurance limit.

Accounts Receivable

The carrying value of accounts receivable is reduced by an allowance for credit losses that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its allowance, including historical and future data, experience, customer types, credit worthiness, and economic trends. We extend credit based on evaluation of a customer's financial condition and do not require collateral. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability. We charge provisions for doubtful accounts to operations at the time we determine these amounts may become uncollectible. Based on our review, including the implementation of ASU No. 2016-13,

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Financial Instruments – Credit Losses (Topic 326), we have not recorded an allowance for credit losses as of June 30, 2024 or December 31, 2023.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost determined under the first in, first out (FIFO) method. We regularly review our inventory quantities on hand and related cost and record a provision for any excess or obsolete inventory based on our estimated forecast of product demand and other factors. We also review our inventory value to determine if it reflects the lower of cost or net realizable value. Based on these reviews, we did not record any increases to inventory reserves in the six months ended June 30, 2024 or 2023. The inventory reserve was \$41,000 as of June 30, 2024 and December 31, 2023. All inventory held at June 30, 2024 and December 31, 2023 consisted of finished goods.

Prepaid Expenses and Other Current Assets

Included in prepaid expenses and other current assets are approximately \$488,000 of refunds due to the Company relating to the Employee Retention Tax Credit program established under the CARES Act in the US. The Company received notices from the Internal Revenue Service indicating that the credits were approved and that the Company should receive the refunds. While the timing of receipt of the refunds is uncertain, we anticipate receiving the funds within the next twelve months.

Intangible Assets

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

Property and Equipment

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

We compute depreciation expense using the straight-line method over the following useful lives:

<u>Asset Classification</u>	<u>Estimate Useful Life</u>
Computer equipment and software	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 5 years or life of the lease

Impairment of Long-lived Assets

We test long-lived assets for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that we consider in deciding when to perform an impairment review include, but are not limited to, significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If we perform an impairment review to evaluate a long-lived asset for recoverability, we compare forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. We would recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. We would base the impairment loss on the excess carrying value of the impaired asset over its fair

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value. No impairment charges were necessary based on our assessments for the six months ended June 30, 2024 or 2023.

Revenue Recognition

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

Advertising Costs

We recognize advertising costs as an expense in the period in which we incur them. We incurred advertising expense of approximately \$116,000 and \$84,000 in the six months ended June 30, 2024 and 2023, respectively, and included these expenses in Sales and marketing in the Condensed Statements of Operations.

Research and Development Costs

We expense research and development costs in the period in which we incur them. Research and development expenses consist of wages, benefits, and other operational costs related to our engineering, regulatory, and quality departments, clinical and nonclinical studies, materials and supplies, and third-party costs for contracted services. We incurred research and development costs of approximately \$279,000 and \$344,000 in the six months ended June 30, 2024 and 2023, respectively, and included them in Clinical and manufacturing in the Condensed Statements of Operations.

Stock-Based Compensation

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

Income Taxes

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

We consider income tax positions for uncertainty in accordance with ASC 740-10. We believe that our income tax filing position and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position; therefore, we have not recorded any ASC 740-10 liabilities for uncertain tax positions. We will recognize accrued interest and penalties related to unrecognized tax benefits, if any, as interest expense and income tax expense, respectively, in the Condensed Statements of Operations. We do not believe that the amount of unrecognized tax benefits will significantly increase or decrease within 12 months of June 30, 2024. Given the Company's net operating losses, all years since inception are subject to review.

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

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or we adjust these estimates in future periods, a change in the valuation allowance may be needed, which could materially impact our financial position and results of operations.

Earnings Per Share (EPS)

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

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The standard requires entities to provide expanded disclosures about the terms and features of convertible instruments and amends certain guidance in ASC 260 on the computation of EPS for convertible instruments and contracts on an entity's own equity. The standard becomes effective for the Company on January 1, 2024. The adoption of this ASU did not have a material impact on the Company's financial statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. Among other new disclosure requirements, ASU 2023-07 requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker. ASU 2023-07 will be effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. ASU 2023-07 must be applied retrospectively to all prior periods presented in the financial statements. We are currently evaluating the disclosure impact of ASU 2023-07.

In December 2023, the FASB issued ASU No. 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 will be effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. We are currently evaluating the disclosure impact of ASU 2023-09.

(2)

REVENUE RECOGNITION

We sell our products to our Customers, primarily including major contact lens manufacturers and distributors. In addition to distribution agreements with Customers, we enter into arrangements with ECPs that provide for privately negotiated discounts with respect to their purchase of our products from our Customers. We then reimburse the Customers for discounts they provided on our behalf to the ECPs. Each of our current contracts consists of a master service agreement combined with specific purchase orders and each product is a performance obligation, as the promise to transfer the individual goods is separately identifiable from other promises in the contracts and therefore is distinct.

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

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

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

(3) INTANGIBLE ASSETS

Intangible assets consist of the following as of June 30, 2024 and December 31, 2023:

	2024 US\$000	2023 US\$000
Patents	\$ 451	\$ 451
Less accumulated amortization	(175)	(162)
Intangible assets, net	\$ 276	\$ 289

Amortization expense was approximately \$13,000 and \$7,000 in the six months ended June 30, 2024 and 2023, respectively. The weighted average remaining useful life of our patents as of June 30, 2024 was 9.0 years.

We capitalize patent costs and amortize them over their estimated economic lives and perform impairment testing when qualitative factors indicate that the assets may be impaired. We identified no indications of impairment for capitalized patent costs during 2024 and 2023 and did not record impairment charges in the six months ended June 30, 2024 and 2023.

Amortization expense for the next five years is as follows:

	US\$000
For the six months ended December 31,	
2024 (remaining six months)	\$ 13
2024	26
2025	26
2026	26
2027	26
Thereafter	159
Total	\$ 276

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(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024 and December 31, 2023:

	2024 US\$000	2023 US\$000
Computer equipment and software	\$ 116	\$ 116
Office equipment	9	9
Furniture and fixtures	52	52
Leasehold improvements	-	-
Total costs	177	177
Less accumulated depreciation	(177)	(177)
Property and equipment, net	\$ -	\$ -

Depreciation expense was \$0 in each of the six months ended June 30, 2024 and 2023.

(5) CONVERTIBLE NOTES PAYABLE

There were no convertible notes outstanding at June 30, 2024 or December 31, 2023. The convertible notes outstanding at January 1, 2023 were converted to CDIs in November 2023. Interest expense related to the convertible notes was approximately \$0 and \$48,000 in the six months ended June 30, 2024 and 2023, respectively, which includes amortization of deferred financing costs. We adjusted the conversion option liability to market at each reporting period based on many factors, including changes in the share price. The liability was \$99,000 as of January 1, 2023. We decreased the liability to \$45,000 as of June 30, 2023 and recorded a gain on the fair value of the derivative liability of \$54,000 in the six months ended June 30, 2023.

(6) SHAREHOLDERS' EQUITY

Common Stock

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

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

In April 2021, the Company completed a capital raise and issued one freestanding option for every two CDIs subscribed for, with each freestanding option having an exercise price of \$3.00 AUD and an expiration date of February 28, 2024. These options were listed on the ASX (the "Listed Options"). The Listed Options were call options that are not considered clearly and closely related to the Company's shares and must be accounted for separate from equity. The fair value of all Listed Options as of December 31, 2023 was \$0. We recorded a gain on fair value of freestanding options relating to the Listed Options in the Statements of Operations of \$0 and \$47,000 in the six months ended June 2024 and 2023, respectively.

In December 2023, the Company raised \$1,643,000, net of \$141,000 of issuance costs, in a placement to its Directors and a rights offering and shortfall facility under which it issued 12,710,009 CDIs (representing the same number of shares). In February 2024, in conjunction with the shortfall facility from the December 2023 rights offering, the Company raised \$100,000 and issued 704,226 CDIs (representing the same number of shares).

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(7) LEASES

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

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

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

Rent expense was approximately \$45,000 and \$87,000 in the six months ended June 30, 2024 and 2023, respectively, and is included in General and administrative expenses in the Condensed Statements of Operations. These amounts include variable lease costs of \$2,000 and \$46,000 in the six months ended June 30, 2024 and 2023, respectively.

Supplemental balance sheet information as of June 30, 2024 for the Company's operating lease is as follows:

	US\$000
NON-CURRENT ASSETS	
Right of use assets, net	\$ 148
Total lease assets	\$ 148
 CURRENT LIABILITIES	
Other accrued liabilities	\$ 86
NON-CURRENT LIABILITIES	
Other non-current liabilities	87
Total lease liabilities	\$ 173

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As of June 30, 2024, a schedule of maturity of lease liabilities under all operating leases is as follows:

	US\$000
For the year ended December 31,	
2024 (remaining six months)	48
2025	98
2026	42
Total	188
Less amount representing interest	(15)
Present value of minimum lease payments	173
Less current portion	(86)
Non-current portion	\$ 87

Cash paid for operating leases was approximately \$47,000 and \$43,000 during the six months ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, the remaining lease term of the Company's operating lease was 1.9 years. The discount rate used to determine the lease liabilities was 8%. When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, the Company's lease does not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment.

(8) CONCENTRATIONS AND CREDIT RISK

For the six months ended June 30, 2024, three Customers accounted for approximately 80.8% of our total sales. The three same Customers accounted for 78.3% of our accounts receivable as of June 30, 2024.

For the six months ended June 30, 2023, three Customers accounted for approximately 88.3% of our total sales. The same Customers accounted for 81.4% of our accounts receivable as of December 31, 2023.

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

(9) SEGMENT INFORMATION

The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). While the CEO is apprised of a variety of financial metrics and information, the business is principally managed and organized based upon geography. We present our operations through two reportable segments:

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

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

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

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Six Months Ended June 30, 2024 (US\$000)	North America	Europe/Asia- Pacific	Corporate Support	Total
Net revenue	\$ 4,030	\$ 610	\$ -	\$ 4,640
Cost of sales	1,601	416	-	2,017
Gross profit	2,429	194	-	2,623
Sales and marketing	1,647	49	-	1,696
Clinical and manufacturing	-	-	1,086	1,086
General and administrative	-	-	1,710	1,710
Total expenses	1,647	49	2,796	4,492
Operating income (loss)	\$ 782	\$ 145	\$ (2,796)	(1,869)
Interest income and other, net				54
Loss before income taxes				\$ (1,815)

Six Months Ended June 30, 2023 (US\$000)	North America	Europe/Asia- Pacific	Corporate Support	Total
Net revenue	\$ 4,355	\$ 316	\$ -	\$ 4,671
Cost of sales	1,977	213	-	2,190
Gross profit	2,378	103	-	2,481
Sales and marketing	1,921	69	-	1,990
Clinical and manufacturing	-	20	1,020	1,040
General and administrative	-	-	1,373	1,373
Total expenses	1,921	89	2,393	4,403
Operating loss	\$ 457	\$ 14	\$ (2,393)	(1,922)
Interest income and other, net				131
Loss before income taxes				\$ (1,791)

(10) STOCK COMPENSATION PLANS

Stock-based compensation expense was approximately \$63,000 and \$49,000 for the six months ended June 30, 2024 and 2023, respectively.

The Board adopted the 2008 Stock Incentive Plan (“Incentive Plan”), with an effective date of July 1, 2008. The Incentive Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock Awards, Restricted Stock Units, and Stock Appreciation Rights. Under the Incentive Plan, 12,160,873 shares of common stock were authorized for share-based awards. The total number of options issued and outstanding was 5,360 as of June 30, 2024 and 5,610 as of December 31, 2023. The Incentive Plan is the predecessor to the 2017 Plan described below. On January 18, 2017, the Board determined that no additional stock incentives would be awarded under the 2008 Incentive Plan, but stock incentives previously granted would continue to be governed by the terms of the Incentive Plan.

The Board adopted the 2017 Equity Incentive Plan (the “2017 Plan”), with an effective date of January 18, 2017. The 2017 Plan permits the granting and issuance of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Stock Units, Performance Awards and Stock Appreciation Rights. The total number of shares reserved for issuance under the 2017 Plan was 3,610,500 as of December 31, 2022, and was increased to 5,996,609 as of June 30, 2024. The increases included 180,525 by a vote of the Board of Directors in February 2023, 1,500,000 by a vote of the shareholders in November 2023, and 705,584 by a vote of the shareholders in May 2024. The share reserve may be increased each year in accordance with the 2017 Plan documents. The total number of options issued and outstanding as of June 30, 2024 and December 31, 2023 was 961,982 and 964,493, respectively. In addition, a total of 5,002,148 stock awards have been granted under the 2017 Plan through June 30, 2024. As of June 30, 2024, there were 32,479 awards available for grant under the 2017 Plan.

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

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

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

There were no option grants in the six months ended June 30, 2023. Assumptions for grants in the six months ended June 30, 2024 are as follows:

	2024
Risk-free interest rate	4.15%
Expected volatility	71%
Expected term (years)	6.25
Dividend rate	0.0%

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

	Total Options Outstanding			Nonvested Options	
	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Term in Years	Number of Options	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2023	970,103	\$0.75	7.94	565,703	\$0.32
Grants	25,000	0.16		25,000	0.11
Cancellation / forfeitures	(27,761)	1.28		(12,500)	0.39
Vested	-	-		(99,815)	0.50
Exercised	-	-		-	-
Outstanding at June 30, 2024	967,342	\$0.72	7.50	478,388	\$0.27
Exercisable at June 30, 2024	488,954	\$1.02	6.65		

The intrinsic value of options unexercised was approximately \$0 as of June 30, 2024 and \$5,000 as of December 31, 2023 was approximately \$0. The total fair value of options vested during the six months ending June 30, 2024 was approximately \$54,000.

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As of June 30, 2024 and December 31, 2023, there was approximately \$84,000 and \$135,000, respectively, of total unrecognized compensation expense related to stock option awards under the combined plans. We expect to recognize that cost over a weighted average period of 1.12 years.

In the six months ended June 30, 2024, the Company granted 1,871,833 shares that were fully vested on the date of grant and issued to current employees under the 2017 Plan in lieu of earned but unpaid short-term cash incentives for 2023. The grant date fair value of the shares issued was \$243,000.

(11) EMPLOYEE BENEFIT PLAN

The Company has a 401(k) retirement plan ("401(k) Plan") for the benefit of eligible employees, as defined. Each participant may elect to contribute to the 401(k) Plan each year up to the maximum amount allowed by law, subject to certain Internal Revenue Service limitations. The Company makes matching contributions up to 100% of the participant's election not to exceed 4% of the participant's compensation. The Company contributed approximately \$68,000 and \$57,000 in the six months ended June 30, 2024 and 2023, respectively.

(12) COMMITMENTS AND CONTINGENCIES

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

In addition, the Company warrants to customers that its products operate substantially in accordance with the product's specifications. Historically, we have not incurred any significant costs related to product warranties and expect none in the future, and as such have not recorded any accruals for product warranty costs as of June 30, 2024.

(13) FAIR VALUE

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

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

There have been no changes in the methodologies used as of June 30, 2024 and December 31, 2023.

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The Company's assets and liabilities measured at fair value on a recurring basis include the fair value of the conversion feature of the Convertible Notes and the fair value of freestanding options. We consider the factors used in determining the fair value of the conversion feature and Freestanding Options to be Level 3 inputs.

For Level 3 instruments carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents a reconciliation of the beginning and ending balances for the six months ended June 30, 2024 and 2023:

	2024 US\$000	2023 US\$000
Convertible notes conversion feature		
Balance at January 1,	\$ -	\$ 99
Total gains – realized/unrealized	-	(54)
Balance at June 30,	\$ -	\$ 45
Freestanding options		
Balance at January 1,	\$ -	\$ 56
Total gains – realized/unrealized	-	(47)
Balance at June 30,	\$ -	\$ 9

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs.

(14) INCOME TAXES

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

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

The Company's income tax expense (benefit) and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effects of items required to be treated as discrete to the period, including changes in tax laws, changes in estimated exposures for uncertain tax positions and other items. The Company's effective tax rate for the six months ended June 30, 2024 properly excluded tax benefits associated with year-to-date pre-tax losses. Income tax positions are considered for uncertainty in accordance with ASC 740-10. Tax years remain subject to examination at the U.S. federal level between 2010 and 2018, and subject to examinations at various state levels between 2008 and 2018.

(15) SUBSEQUENT EVENTS

The Company evaluated the accounting and disclosures requirements for subsequent events through August 26, 2024, the issuance date of the condensed interim financial statements and determined that no events have occurred that would require adjustments to our disclosures in the condensed interim financial statements.

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