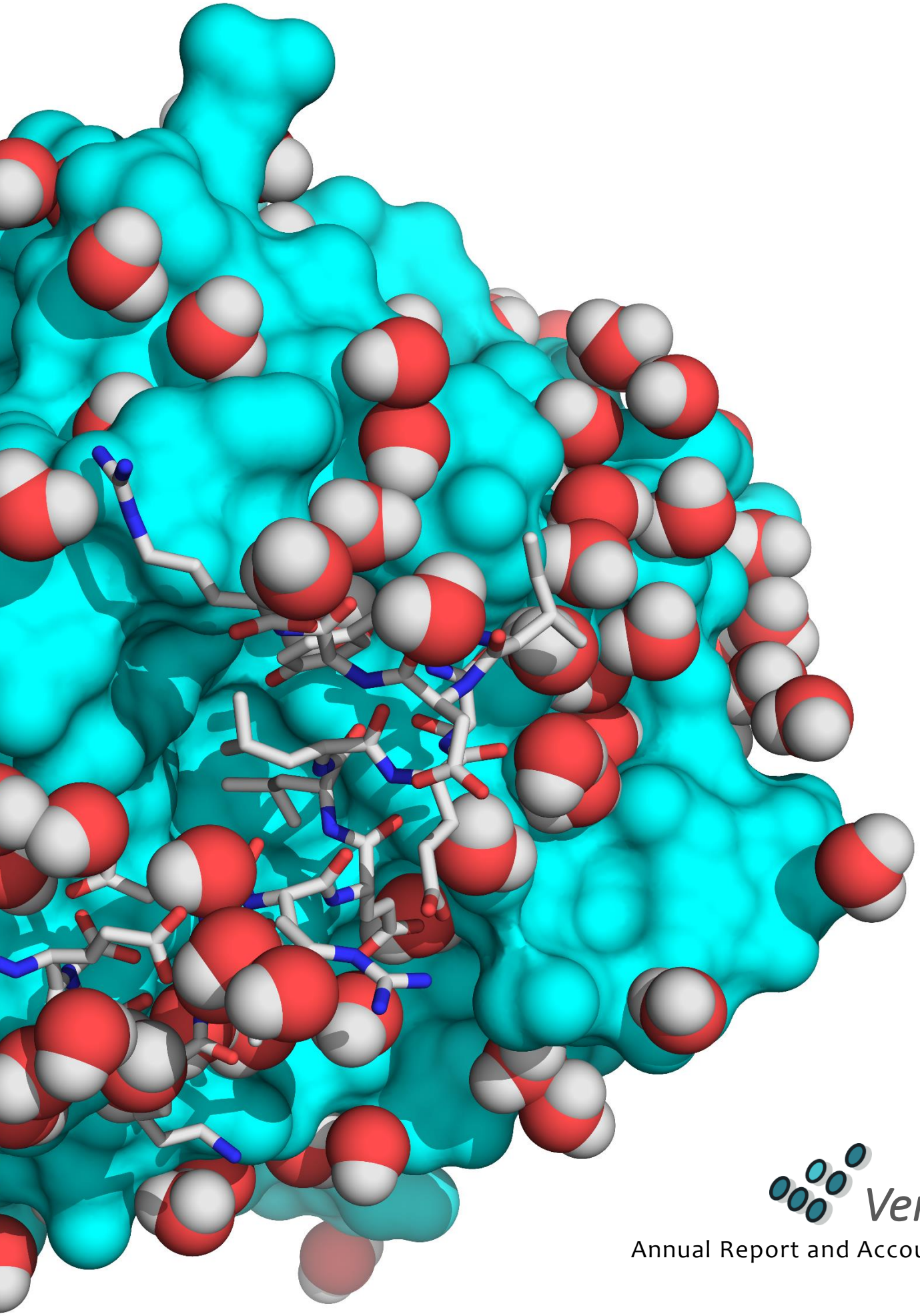


Verseon

Annual Report and Accounts 2015

Contents

Highlights

Strategic highlights

Anticoagulation
Verseon's new class of oral direct thrombin inhibitors show excellent results in preclinical efficacy studies while demonstrating reduced risk of bleeding relative to current novel oral anticoagulants (NOACs). The anticoagulation program is making steady progress toward investigational new drug (IND) filings.

Diabetic Macular Edema (DME)
Progress on the DME program has led to the design of many promising novel, selective candidates representing multiple chemotypes.

Angiogenesis
Our angiogenesis inhibitors, characterized by a novel mechanism of action and low cytotoxicity, continue to show excellent activity in key functional assays.

Team
Expanded the research team with numerous scientists with strong professional backgrounds and excellent academic credentials.

Infrastructure
Purchased and began the renovation and development of an 85,000 square foot facility that is integral to the Company's growth plans. It will contain advanced research laboratories and consolidate the Company's departments into one location increasing operational efficiency. It will support the acceleration of existing drug development programs and enable the launch of additional programs in the near future.

Financial highlights

Results for the year ended December 31, 2015

- Net loss was $7.7 million or $0.06 per basic share, compared to a net loss for 2014 of $8.1 million or $0.26 per basic share.
- Research and development expenses were $4.5 million, compared to $3.5 million in 2014.
- Costs include a stock based compensation expense of $1.4 million compared to $4.3 million in 2014 and currency exchange gains of $1.9 million, compared to $nil in 2014.
- Total assets on the balance sheet stood at $85.7 million compared to $0.1 million at the end of 2014.
- Cash, cash equivalents and short term investments stood at $74.7 million, compared to $17 thousand at the end of 2014.
- Property and equipment along with long term investments totaled $10.8 million, compared to $82 thousand at the end of 2014.

In August 2015, the Company purchased a property through its wholly owned subsidiary, VRH1 LLC, for $8.7 million.

Fundraising activities
In May 2015, the Company raised £65.8 million ($100 million), before expenses, by issuing 32,569,047 shares of common stock in the Company (Common Stock) at a price of 202p each in an initial public offering (IPO) on the Alternative Investment Market of the London Stock Exchange (AIM).

Chairman's statement

The executive team is well along in building a foundation for sustained growth

Verseon is actively continuing the development of all three pharmaceutical programs in its pipeline.

At mid-year I reported the Board's intent for the company to utilize the capital raised during its Initial Public Offering (IPO) to expedite and commercialize its drug programs. The Board has endorsed management's strategy to invest in building the infrastructure necessary to grow the company. Continuing progress in the development process is expected to create substantial growth in intrinsic stockholder value as Verseon's drug programs advance through preclinical stages and beyond.

The executive team is well along in building a foundation for sustained growth. In 2015, Verseon has:

- Significantly increased the throughput of new compounds tested for optimization of development candidates to be nominated for IND applications.
- Aggressively added new highly qualified personnel.
- Purchased a building that, after the completion of ongoing renovations, will become an advanced research facility that will bring all core company operations into one location in 2016.
- Began the process of expanding computational infrastructure to support future drug programs.

The Board recognizes the need to stay vigilant and carefully manage risks inherent in developing new drugs. We will continue to seek a balanced, focused blend of development projects to grow stockholder value.

We appreciate your continued support and confidence in Verseon.

Thomas A. Hecht, Ph.D.
Chairman of the Board

Chief Executive's statement

Our ambition is to transform drug discovery in order to address the global need for better medicines

Our ambition is to transform drug discovery in order to address the global need for better medicines. Over time we expect to build one of the world's most efficient drug pipelines. This bold effort not only requires the creation of new technologies but a fresh approach to the process of drug development and optimization. Our platform is a solid foundation, and our first three drug programs serve as an excellent start. Yet we have only begun to tap the potential of this new approach.

This has been an exciting year for Verseon. Because our story resonates so widely, we continue to attract the right talent to further the company's mission. We are expanding our operations to accelerate our drug programs. We have also designed a new facility with advanced laboratory space to meet our needs.

We are executing Verseon's expansion with deliberate care because we understand that the best path to success is to build the right team and provide them with an efficient and productive space to work and thrive. We also plan to ensure that the culture of innovation we value so highly at Verseon is preserved.

We continue to make progress on our three current drug programs. We are conducting the tests that will allow us to nominate our best anticoagulant compounds for progression to IND filing. We have expanded our collection of novel small-molecule kallikrein inhibitors for the treatment of Diabetic Macular Edema (DME). And our anti-angiogenesis program continues to advance through further biological validation and characterization.

We are putting together a strong foundation on which to build a world-class pharmaceutical company.

Adityo Prakash
Chief Executive Officer

Strategic overview

One of the fundamental advantages of our approach to drug discovery is our platform's ability to consistently and systematically produce multiple drug candidates for each of our drug programs. Since our platform is applicable to any therapeutic target protein with known structure, we plan to build a large and diverse pipeline of high-value drug programs.

Expanding our capabilities

The proceeds from our IPO in May 2015 are being allocated to develop the necessary operational capabilities for accelerating existing programs and starting additional drug discovery programs. Through the end of 2016, we will be investing in core infrastructure to scale up our discovery processes and improving overall operational efficiency. This buildout will focus on:

- Implementing the planned expansion of our biology and chemistry laboratories to support multiple simultaneous programs for our near term drug pipeline.
- Expanding our computational infrastructure to meet the demands of future discovery programs.
- Completing the buildout of our new facility to house advanced discovery and development operations and corporate offices. The facility will improve productivity by consolidating the Company's multiple core operations.
- Hiring highly qualified personnel.

We expect investment in infrastructure to largely taper off by the end of 2016. After the initial buildout, core infrastructure is expected to reach a level capable of supporting our near term drug pipeline. Commencement of drug development programs may dictate further increases in infrastructure development as necessary.

Driving our drug programs

We are continuing to make advancements in the three programs in our pipeline. Our anticoagulant program has met significant preclinical efficacy and safety milestones as it continues to make progress toward IND filings.

As we complete our current phase of infrastructure buildout, we anticipate starting a fourth drug development program in the second half of 2016.

Our long-term objective is to build value by developing a steadily growing clinical pipeline of high quality drug candidates. As our programs advance, we will also consider generating early revenues to support our growth by licensing candidates from appropriate programs.

Business review

A new kind of pharmaceutical company

At Verseon, we streamline the drug discovery process through the application of accurate, physics-based molecular modeling. Traditional drug discovery relies on laboratory processes that are applied after a drug compound is synthesized, an expensive and time-consuming proposition. Our technology selects compound designs before committing to synthesis, allowing for a more rapid, scalable and cost-effective drug discovery process.

Using our technology, we are currently advancing three drug discovery programs that target medical conditions with unmet medical needs and large market potential

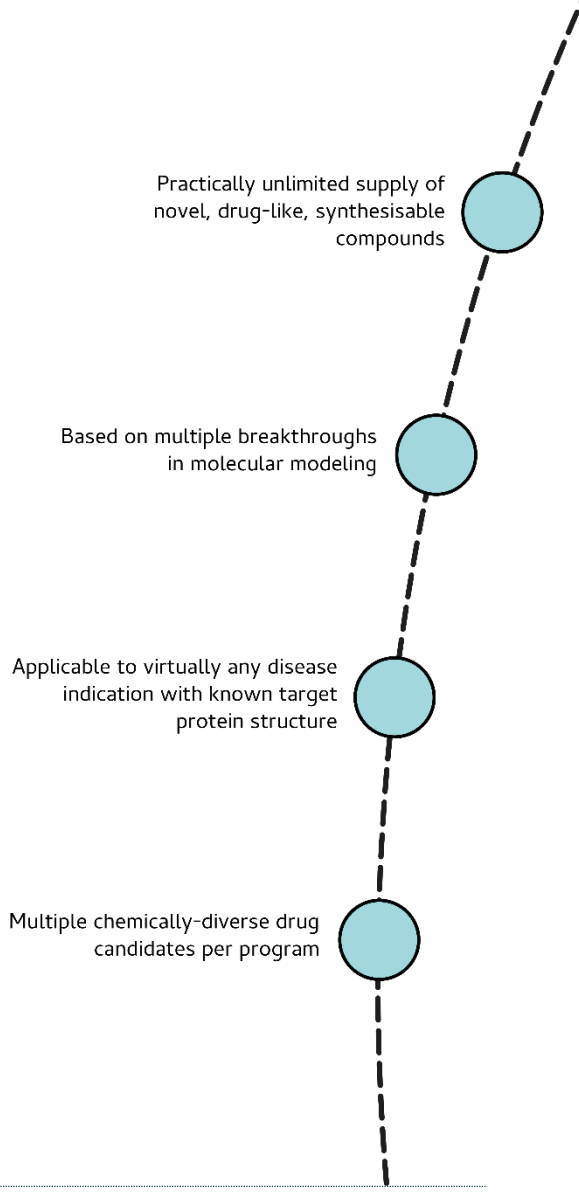
The Verseon discovery platform
Our proprietary, computational drug discovery platform can consistently design novel drugs that are unlikely to be found using conventional methods by exploring a vast chemical space of novel, drug-like synthesizable compounds for each program. It consists of a molecule creation engine that can generate a practically unlimited supply of novel compound designs, a molecule modeling engine that can accurately test those designs against a target protein, and integration with optimized laboratory processes.

Conventional computational efforts have been hampered for years, in large part due to their reliance on heuristics, training sets, and empirical models. Such approximations are typically made in order to reduce the complexity of the problem, but at the cost of sacrificing accuracy by over-simplifying the underlying physics involved.

Our approach is different. We rely on proprietary breakthroughs in molecular modeling, sophisticated optimization algorithms, and the efficient representation of synthetic and medicinal chemistry knowledge in the computer. We are committed to preserving our strategic advantage by continuing to improve our technology through continuing research.

Traditional techniques for finding drug candidates are based on trial and error and are prone to failure. We overcome this bottleneck by using our platform to design multiple, novel drug candidates for each of our drug programs. Having multiple candidates provides us with more options, resulting in more effective lead optimization, and providing more choices at each stage of the development process.

We believe that the success of our drug programs relies not only on the power of our drug discovery platform, but also on a commitment to the quality and integrity of our laboratory processes. This is the reason we have established our own biochemical laboratory staffed with highly-qualified scientists and equipped with advanced instruments. This is also the reason why we develop, as needed, advanced laboratory methods that include customized assays and preclinical models. Our current drug programs have benefited from these efforts.



Business review
(continued)

Anticoagulant program

Our most advanced drug program has produced multiple novel anticoagulant candidates for the treatment of cardiovascular disorders such as stroke prevention for non-valvular atrial fibrillation patients, venous thromboembolism, and acute coronary syndrome. Using our drug discovery platform we have generated a portfolio of anticoagulant candidates across different novel chemotypes, representing novel chemical matter. These candidates have demonstrated comparable preclinical efficacy to existing anticoagulants but with substantially lower bleeding liability. Furthermore, our candidates have pharmacokinetics profiles with half-lives, exposure, and bioavailability suitable for oral dosing.

Our anticoagulant candidates are potent and selective direct thrombin inhibitors (DTIs) that bind to thrombin through a unique mechanism of action via reversible, covalent inhibition. This mechanism is responsible for the novel pharmacology of our DTIs and distinguishes them from existing novel oral anticoagulants (NOACs). In particular, our anticoagulant candidates demonstrate significantly reduced bleeding in preclinical studies without sacrificing efficacy while maintaining rapid onset of action. As such, our DTIs represent a novel class of anticoagulants with the potential to significantly impact the standard of care of many important cardiovascular indications.

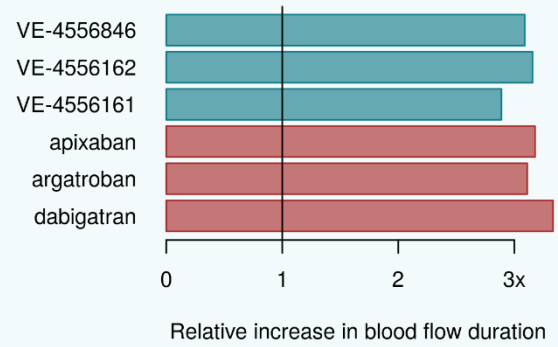
Market opportunity
The current anticoagulant global market is over $12.5 billion and is expected to grow to over $18.5 billion by 2018. Until recent years, the only treatment options were warfarin (Coumadin) and heparins. The latter is administered by infusion and is expensive to source or manufacture. Warfarin, while available as an oral generic medication, is plagued by a slow onset of action, a multitude of drug-drug and drug-food interactions, and significant bleeding risks.

Several novel oral anticoagulants have been developed in recent years with the goal of replacing warfarin and heparins. The NOACs include dabigatran (Pradaxa™), rivaroxaban (Xarelto™), apixaban (Eliquis™), and edoxaban (Savaysa™). The global market for NOACs was $5.8 billion in 2014 and is expected to surpass $12 billion by 2020, where much of the growth is predicted to be at the expense of declining market share for heparins. Whilst these NOACs offer several benefits over warfarin and heparins, their adoption has been negatively impacted by the risk of major bleeding associated with such therapies. This includes high frequency of gastric bleeding forcing termination of use and heightened risk of intracranial bleeding, as well as other side effects.

Development strategy
Our current focus in the anticoagulant program is the nomination of development candidates for completion of IND-enabling studies and subsequent IND filings. These development candidates will be nominated based on their potency, selectivity, efficacy, safety, and oral pharmacokinetic and other biochemical properties. As part of this process we are developing a package of preclinical efficacy and safety models to best position our anticoagulant program for IND filing.

Induced arterial thrombosis model

The iron-chloride induced arterial thrombosis model measures how fast an artery is occluded by a clot induced via chemical injury. Without treatment, such clots tend to form rapidly. With an anticoagulant, the occlusion time is expected to increase.

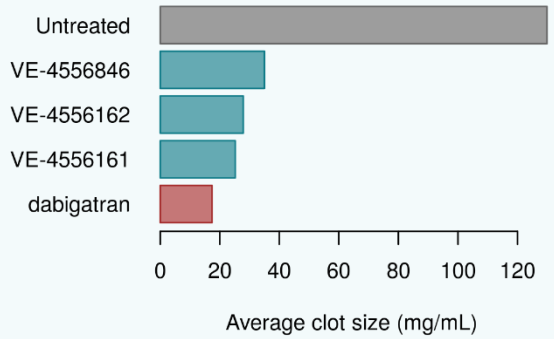


Results from this model are plotted above for three conventional anticoagulants (argatroban, dabigatran, and apixaban) and for three of our DTIs. Each bar depicts the ratio of the occlusion time with anticoagulant to the occlusion time with respect to formulation alone. Higher ratios indicate better efficacy. These results show that Verseon anticoagulant candidates are effective in preventing clot formation in this model.

Business review
(continued)

Arteriovenous shunt model

The arteriovenous shunt (AVS) model measures the size of clots produced by introducing foreign matter into a shunt connecting an artery and a vein. The foreign matter acts as a nucleation site for formation of an arterial-related thrombus. Without an anticoagulant, a sizeable clot will form. With an anticoagulant, the size of the clot is expected to decrease. The AVS model is considered a sophisticated measure of clotting risk associated with arterial-related thrombosis disorders.



Results from the AVS model are plotted in the above bar graph for no treatment, three of our DTIs and dabigatran. Each bar depicts the average size of a clot formed during the experiment. These results show that our anticoagulant candidates in this model are as effective as dabigatran.

Demonstrated efficacy

We have demonstrated strong efficacy in three different established preclinical models providing compelling evidence for the therapeutic potential of our anticoagulant candidates for cardiovascular conditions.

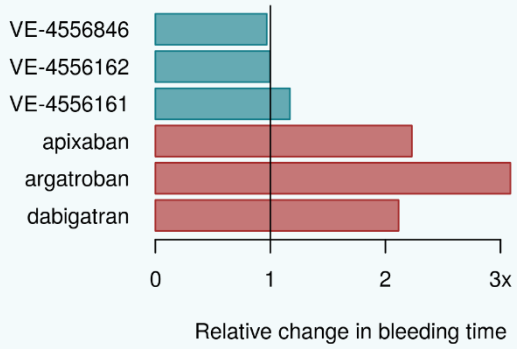
One such preclinical efficacy model is the iron chloride induced arterial thrombosis model. The results from the induced arterial thrombosis model show comparable efficacy to existing anticoagulants.

Another preclinical model to assess efficacy is the widely accepted and sophisticated arteriovenous shunt (AVS) model. Again our DTIs demonstrated comparable efficacy to dabigatran with thrombus sizes substantially lower than no treatment. Moreover, further testing shows a good concentration-dependent response for our anticoagulant candidates. These preclinical AVS results conclusively demonstrate the effectiveness of our DTIs as potential treatments for arterial-related thrombosis such as those encountered in stroke prevention in non-valvular atrial fibrillation and in acute coronary syndrome.

Business review
(continued)

Saphenous vein bleeding model

The saphenous vein bleeding (SB) model measures the rate of bleeding due small external injuries to a vein. Normally, blood flow from such injuries is quickly disrupted by a clot. With a conventional anticoagulants, the rate at which clot disruptions form is expected to be markedly higher, an indication of higher bleeding liability.



Results from the SB model are plotted in the above bar graph for three of our DTIs and three conventional anticoagulants (argatroban, dabigatran, and apixaban). Each bar depicts the relative change in bleeding time between the anticoagulant and formulation alone. The conventional anticoagulants tend to extend bleeding times by up to three-fold, whereas there is little or no change in bleeding times observed with our candidates.

Demonstrated safety
Our DTIs inhibit thrombin production in the Thrombin Generation Assay (TGA) without introducing the prolonged delay that characterizes existing anticoagulants, including NOACs. This was an early indication of the novel pharmacology of our DTIs and also provided indirect evidence of lower bleeding liability.

We have conducted multiple preclinical safety models that provide definitive evidence that our anticoagulant candidates have less bleeding than existing anticoagulants while maintaining efficacy in preclinical studies. One such model is a saphenous vein bleeding (SVB) model to comprehensively measure bleeding risk. The results show that saphenous vein bleeding is unaffected by our DTIs.

The path to clinical trials
Development candidates intended for clinical trials must first be proven safe and effective in preclinical studies. We intend to run IND-enabling studies on each development candidate in preparation for IND filing. We currently have multiple anticoagulant drug candidates which have demonstrated good efficacy and lower bleeding liability, and are suitable for oral dosing. Our candidates continue to look promising in in-vitro toxicity studies.

Since we will be administering our anticoagulants orally, we have begun the process of selecting an appropriate formulation to turn our development candidates into tablets or capsules. We are also making preparations for process chemistry required for full scale production of development candidates, in order to produce the quantity and quality of drug product needed for both IND-enabling and clinical trials.

Business review
(continued)

Diabetic Macular Edema program

Our second program is the development of novel therapeutics for the treatment of diabetic macular edema (DME), a degenerative disease of the eye.

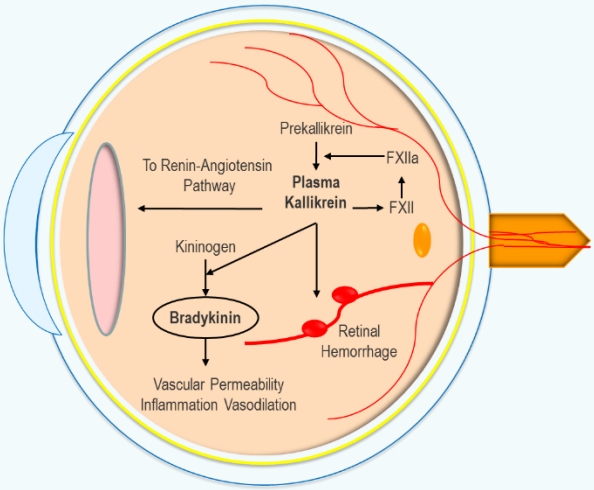
Unlike conventional therapies, we are targeting an alternative biological mechanism and are focusing on the development of potent inhibitors of plasma kallikrein (KLKB1) that could potentially be delivered via topical eye drops for the local ocular disruption of the kallikrein-kinin system (KKS).

Market opportunity
DME is a leading cause of vision loss for diabetics especially those that suffer from chronic diabetes. It is estimated that 21 million people around the world are afflicted by DME and this number is expected to grow as the prevalence of diabetes continues to escalate globally. The size of the 2009 global DME market was estimated at $3 billion, growing to as much as $7 billion by 2017.

Conventional therapies require injection directly into the eye on a regular basis including two therapeutic products that currently control the majority of the DME market. These two drugs are re-purposed anti-cancer agents, which treat downstream symptoms of DME through the suppression of undesired blood vessel growth. An eye drop treatment would have a competitive advantage over existing DME therapies. Eye drop delivery would also allow for accelerated clinical development due to reduced regulatory burden and simplified IND-enabling studies due to the lower risk of systemic toxicity.

Development strategy
Our current plans for the DME program are to further optimize our potent series of KLKB1 inhibitors to optimize their pharmacokinetic properties and to develop topical formulations for their delivery to the back of the eye. We also plan to test promising candidates in DME preclinical models for retinal vascular permeability and ocular inflammation.

Kallikrein-kinin system



The serine protease plasma kallikrein is a validated target associated with DME. The kallikrein-kinin system (KKS) is activated during vascular injury, where it mediates inflammation, blood circulation, blood pressure, and coagulation. Activated plasma kallikrein cleaves off a portion of high molecular weight kininogen resulting in the formation of the pro-inflammatory vasodilator, bradykinin.

Over-stimulation of the KKS in the eye, presumably as the result of excessive glucose levels in the retinal vasculature of a diabetic, leads to over-production of bradykinin, leading to ocular inflammation and retinal vascular permeability, and ultimately loss of central vision.

Recent progress
Our plasma kallikrein inhibitors demonstrate excellent potency in both enzyme inhibition and functional assays assessing plasma kallikrein generation (KGA). Our inhibitors have also demonstrated sufficient transcorneal permeability in ex vivo experiments and possess other biochemical properties that make them amenable to administration as eye drops.

Our inhibitors fall into two classes and encompass multiple chemotypes. The first class inhibits both KLKB1 and thrombin but is highly selective against other serine proteases. The second class inhibits KLKB1 alone. Both classes have potential therapeutic advantages for the treatment of DME, and we are planning to explore both of them.

Business review
(continued)

Anti-Angiogenesis program

Our third program involves the development of novel small-molecule angiogenesis inhibitors (AGIs) for the treatment of solid tumors.

Conventional AGIs target vascular endothelial growth factor (VEGF) or other growth-related kinases to disrupt blood flow into a solid tumor and thereby deprive it of nutrients. However, conventional AGIs have serious side effects, are toxic, and are susceptible to drug resistance.

We have developed several novel drug candidates that demonstrate strong inhibition of angiogenesis in cell based and ex vivo assays and are not cytotoxic at high doses. Our candidates represent a new class of AGIs as they do not inhibit VEGF or other growth-related kinases.

Market opportunity
Solid tumor cancers are involved in 85% of all cancers. Currently, AGIs are an important part of many cancer treatments and represent a significant share of the global oncology market, which is expected to reach over $100 billion per year by 2020. Revenues for Avastin™ alone (bevacizumab from Roche), the first AGI to market in 2004, were $6.5 billion in 2014.

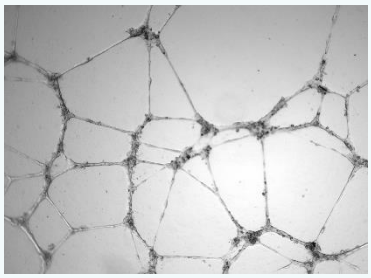
Recent progress
Our novel class of AGIs shows strong anti-angiogenic potential as confirmed by growth suppression in endothelial tube formation (ETF) assays. Almost as importantly, once blood vessels are allowed to form in the ETF assay in the absence of an AGI, even at high concentrations, our compounds do not disrupt the stability of the tubes and thus do not damage existing blood vessels.

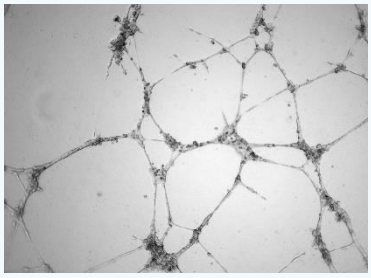
Our AGIs have also demonstrated potency in an ex vivo branching angiogenesis assay. Together with the ETF assay results, this is confirmation of the strong anti-angiogenic potential of our AGIs. At the same time we have confirmed that our AGIs do not kill viable cells even at high concentrations. Additional testing has confirmed the up-regulation of other proteins associated with anti-angiogenesis, while also providing further confirmation that our AGIs do not inhibit VEGF.

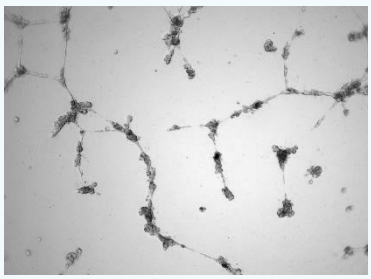
Development strategy
Our current plans are to further expand our family of novel potent AGIs and to optimize their pharmacokinetics properties. We then plan to transition our AGIs to preclinical tumor and safety models.

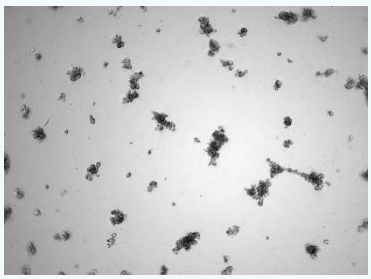
Endothelial tube formation assay

The endothelial tube formation assay is a widely used and highly sensitive cell-based functional assay to assess the potency of angiogenesis inhibitors (AGIs) by measuring the growth of endothelial cells into capillary-like tubular structures (the precursors to blood vessels). Shown below are microscopic images of cell colonies in the presence of ever increasing concentrations of VE-3387752, one of our AGIs. As concentration increases, tube growth is suppressed.


No inhibitor


0.15 µM


1.23 µM


11 µM

Business review
(continued)

Our next drug program

Since our drug discovery platform is applicable to virtually any therapeutic protein target with known structure, there are myriad possibilities for future drug programs. To grow our pipeline we plan to continue to focus our resources on targets with significant market potential and validated biological pathways. We will also ensure that preclinical and clinical endpoints are clearly defined.

We are currently in the process of evaluating several potential targets that satisfy this criteria for our next drug program.

Infrastructure growth

We are building infrastructure to take full advantage of our drug discovery platform in order to develop a large and diverse drug pipeline. Our plan is to reach a state where we can roll out a steady stream of drug candidates.

Laboratory expansion
Biology and chemistry infrastructure are being expanded in order to carry drug programs forward in an efficient and accelerated manner from discovery through preclinical and into human trials. We have expanded our utilization of managed overseas chemistry operations for synthesis of our compounds, resulting in an increased throughput of drug candidates coming into our biology lab for testing. As such we have increased the capacity of our biology lab by acquiring advanced bioanalytical equipment, while also continuing to develop and implement biochemical assays and preclinical studies. We have also established an internal synthetic chemistry team for quicker turnaround of more challenging syntheses. All of this has led to increased productivity and helped us to advance our programs. Laboratory operations will be further expanded once we move into our new facility.

Increased manpower
We continue to search for new talent to expand our drug development operations while preserving our culture of innovation. Our recent R&D hires include highly-qualified molecular biologists, medicinal and synthetic chemists, mathematicians, physicists, and computational scientists. People are joining us to work on complex and exciting problems. We are also hiring talented and experienced individuals to work in corporate administration, finance, operations, accounting, recruiting, and human resources. As such, our company has more than doubled in size in the last ten months.

Facilities development
We have acquired a property, currently under renovation, that will allow us to expand our computing and laboratory infrastructure and staff. The facility will support the infrastructure necessary to expand our pipeline and accelerate the progress of our existing drug programs. It will improve operational efficiency by consolidating the company's multiple core operations. This 85,000 square foot facility will house:

- An advanced discovery biology laboratory.
- A laboratory for advanced organic chemistry for in-house compound synthesis.
- A computational research laboratory featuring advanced computing infrastructure.
- Administrative offices for coordinating clinical trials, process chemistry, and all drug regulatory requirements.
- Support for recruiting, human resources, corporate development and other administrative functions.

Finance review

The Company successfully completed its initial public offering in May 2015. The Common Stock was listed on AIM under the symbol VSN. The Company continued funding its drug development activities by advancing the three existing drug development programs and investing in infrastructure that will help accelerate the pace of both existing and future drug programs.

Results for the year ended December 31, 2015

- Net loss was $7.7 million or $0.06 per basic share, compared to a net loss for 2014 of $8.1 million or $0.26 per basic share.
- Research and development expenses were $4.5 million, compared to $3.5 million in the previous year.
- Costs include a stock based compensation expense of $1.4 million compared to $4.3 million in 2014 and currency exchange gains of $1.9 million compared to $nil in 2014.
- Net loss was lower than originally forecast as some projected expenses have been deferred until the completion of build-out of our new research facility.
- Total assets on the balance sheet stood at $85.7 million, compared to $0.1 million at the end of 2014.
- Cash, cash equivalents and short term investments stood at $74.7 million, compared to $17 thousand at the end of 2014.
- Property and equipment along with long term assets totaled $10.8 million, compared to $82 thousand and the end of 2014.

Capital structure and IPO

In April 2015, before the IPO, the capital structure of the Company was simplified by converting all outstanding shares of Classes A, B, Y and Z into one class of Common Stocks.

In May 2015, the Company issued 32,569,047 shares of Common Stock for £2.02 per share and raised £65.8 million ($100 million) before expenses.

As of December 31, 2015, the Company had 150,878,815 shares of Common Stock outstanding and no shares of Preferred Stock outstanding.

Anticoagulant program subsidiary

The Company's interest in Nirog, the anticoagulant program subsidiary, increased to 72.6% at the end of 2015 from 32.2% at the beginning of the year.

Research and development facility ownership subsidiary

In August 2015, the Company purchased a property in Fremont, California under its wholly owned subsidiary, VRH1 LLC. The property, purchased for $8.7M, includes a building with approximately 85,000 square feet of usable space. The facility will house Verseon's advanced drug-discovery and development operations and corporate offices.

Risk and uncertainties

Research and development risks

Drug development projects are subject to numerous external influences including economic and regulatory environments that are outside the Company's control.

The Company cannot be certain that its current or future drug development efforts will result in drug candidates that progress into human trials and subsequently into the marketplace.

Risks related to the Company's operations

The Company may not be able to find, attract, and retain personnel.

Unfavorable global economic conditions and natural disasters and other factors outside the Company's control may adversely affect the Company.

We rely on third parties for a portion of our scientific work, and if this work does not meet sufficient quality standards, operations might be negatively impacted.

The Company's growth may require significant capital expenditures and can experience unexpected delays that could impact various aspects of operations.

Risk related to intellectual property

Competitors may infringe upon the Company's patents and other intellectual property and force it to defend its intellectual property by legal means.

Other companies could develop or market drug candidates with comparable treatment capabilities reducing the market potential of the Company's drugs.

Financial risks

Common Stock is settled in pounds sterling, but the Company's operations are in the United States, and to date, it uses US dollars to fund its operations. The Company holds funds in both currencies.

The Company has not yet generated revenues and cannot be certain of securing revenue generating agreements and profits in the future.

The Company holds funds in pounds sterling and possibly other currencies which might be susceptible to currency fluctuations.

Risk related to the Company's securities

Common Stock are not registered under the US Securities Act and, as such, restrict US purchasers from acquiring Common Stock.

Even though the Common Stocks are listed on AIM, a liquid market for the company's Common Stocks may not develop or be sustained.

Company operations are based in the United States, and the Company is incorporated under the laws of the State of Delaware, United States. Accordingly, some of the legislation in England and Wales regulating the operation of companies may not apply to the Company.

Board of Directors

Thomas A. Hecht, Ph.D.

Non-Executive Chairman

Dr. Hecht has forty years of experience in business development, strategic planning, process engineering, quality management, and environmental policy. During his more than thirty years at Chevron Corporation, he served in senior positions in the United States, Australia and South Korea. His final positions were Executive Vice President of Strategy for NWS Australia LNG and Vice President of LNG Procurement for GS Caltex in Korea. Dr. Hecht received his Ph.D. from the California Institute of Technology.

Alastair Cade

Non-Executive Director

Mr. Cade co-founded Daniel Stewart Securities PLC, a London based corporate finance house and broker and served as Managing Director. Subsequently, Mr. Cade set up a private investment vehicle concentrating on agriculture and renewable energy. He co-founded Mytrah Energy (UK) Limited where he served as Executive Director and as a director of Mytrah Energy India Limited. Mr. Cade received his M.Sc. in Economics from St. Andrews University.

Grover Wickersham

Non-Executive Director

Mr. Wickersham has over forty years of experience in corporate law and finance. He is a founder and the Vice Chairman of S&W Seed, a US publicly traded agricultural company. He is the Chairman of the Board of Trustees of the mutual funds of Fisher Investments and the general partner of Glenbrook Capital, a partnership that invests in emerging growth companies. He served with the US Securities & Exchange Commission as Staff Attorney in Washington, DC, and as an SEC Branch Chief in Los Angeles. He received his A.B. from University of California, Berkeley, his M.B.A. from Harvard Business School, and his J.D. from the University of California, Hasting College of the Law, and is a practicing member of the California State Bar.

Adityo Prakash

Chief Executive Officer

Prior to founding Verseon, Mr. Prakash was co-founder and CEO of Pulsent Corporation. He grew the company over five years and was instrumental in bringing Pulsent's video compression and signal processing technology to the marketplace. He is also an inventor on 35 patents. Mr. Prakash received his B.S. in Mathematics and Physics from the California Institute of Technology.

Eniko Fodor

Chief Operating Officer and Chief Financial Officer

Prior to founding Verseon, Ms. Fodor co-founded Pulsent Corporation where she was the Chief Operating Officer. She played a pivotal role in growing the company and developing highly effective operating, marketing, and intellectual property strategies. She is also an inventor on 17 patents. Ms. Fodor received her B.S. in Physics from Universitatea Bolyai in Romania.

Director's Report

The directors of the Company (Directors) present their report and audited financial statements for the year ended 31 December 2015.

Principal activity

Verseon is an emerging pharmaceutical company. Its proprietary platform is capable of modeling interactions between a protein and a drug molecule with precision sufficient for designing new drug candidates. Verseon has been leveraging its drug discovery technology to seed a growing portfolio of programs targeting diverse disease areas currently consisting of anti-coagulation, diabetic macular edema, and oncology.

Verseon plans to expand its pipeline of drug discovery programs to a multitude of disease areas.

Dividends

The Directors do not recommend the payment of a dividend.

Employee involvement

The Company's policy is to encourage employee involvement at all levels, as it believes that this is essential for the success of the business.

Directors and their Interests

The Directors as of the date of this report are as follows:

Executive

- Adityo Prakash
- Eniko Fodor

Non-executive

- Thomas Hecht, Ph.D.
- Grover Wickersham
- Alastair Cade

Directors' interests in shares are shown in the Compensation committee report.

Advisers

Nominated adviser and broker

- Cenkos Securities plc
  6.7.8 Tokenhouse Yard
  London EC2R 7AS

Auditor

- Deloitte LLP
  Mountbatten House
  1 Grosvenor Square
  Southampton SO15 2BZ

Deloitte LLP has expressed willingness to continue in office as auditor.

Registrars

- Computershare Investor Services (Jersey) Limited
  Queensway House
  Hilgrove Street
  St Helier JE1 1ES
  Jersey

This report was approved by the Board on March 7, 2016.

Eniko Fodor
Executive Director

Governance Report

Principles of good corporate governance

Verseon is committed to high standards of corporate governance. In anticipation of the IPO on 7 May 2015, the Company undertook a program early in 2015 to refine its procedures to institute good governance insofar as it is practical and appropriate for an organization of its size and nature. The Directors recognize the importance of good governance and will comply with the provisions of the Corporate Governance Code for Small to Mid-Sized Quoted Companies, published from time to time by the Quoted Companies Alliance, to the extent that they believe it is appropriate in light of the size, stage of development and resources of the Company.

As the Company grows, it will regularly review the extent of its corporate governance practices and procedures.

Application of principles

Board of Directors
Since immediately before the IPO, the Board consisted of a non-executive chairman, two executive directors and two non-executive directors.

The Board is responsible for overall Company strategy, acquisition and divestment policy, approval of the budget, approval of major commercial contracts and capital expenditure projects, and consideration of significant operational and financial matters. The Board monitors the exposure to key business risks and reviews the progress of the Company towards achievement of its budgets and forecasts. This is achieved by the close involvement of the executive directors in the day-to-day running of the business and by regular reports submitted to and considered at meetings of the Board and subcommittees. The Board also considers employee issues, key appointments, and compliance with relevant legislation.

The Board has both an Audit Committee and a Compensation Committee. The Board does not consider it necessary to constitute a separate Nominations Committee, and all members of the Board are consulted on the potential appointment of a new director or a company secretary.

All Directors are able to take independent professional advice in relation to their duties, if necessary, at the Company's expense.

The Board is divided into three classes, as nearly equal in number as possible, designated: Class I, Class II and Class III. Each Director initially appointed to Class I will serve for an initial term expiring on the Company's first annual meeting, each Director initially appointed to Class II will serve for an initial term expiring on the Company's second annual meeting. Each Director initially appointed to Class III will serve for an initial term expiring on the Company's third annual meeting. The Class I Directors are Thomas Hecht and Grover Wickersham, the Class II Director is Alastair Cade, and the Class III Directors are Adityo Prakash and Eniko Fodor.

Relationship with stockholders
The Board attaches high importance to maintaining good relationships with all stockholders. The Board intends to hold regular meetings with institutional stockholders to keep them updated on the Company's performance, strategy, management, and Board membership. The Executive Directors will give briefings to a number of analysts who cover the industry and actively encourage more analysts to follow the Company.

On behalf the Board

Thomas A. Hecht, Ph.D.
Chairman

March 7, 2016

Compensation report

Compensation committee

The Compensation Committee was formed immediately prior to the IPO. Along with the Board, the Compensation Committee is responsible for monitoring and providing advice on the framework and broad policy for compensation of executive management including any compensation benefits and payments, taking into account all factors it deems necessary; determining the compensation of executive directors including compensation benefits and payments; reviewing the design of all share incentive plans for approval by the Board and Stockholders; and ensuring that all provisions regarding disclosure of compensation are clear and transparent.

The Compensation Committee comprises Alastair Cade, who acts as the Chairman of the committee, and Thomas Hecht. The Compensation Committee meets as and when necessary.

Compensation policy

The Company's policy on executive compensation is intended to attract and retain high-quality executives by paying competitive compensation packages relevant to each executive's role, experience, and the external market. The packages include a basic salary, benefits and stock options.

Service agreements
Executive Directors are employed on an "at will" basis. Non-Executive Directors are appointed to one or two year contracts, with a one month notice period.

Directors' Compensation
Dr. Hecht and Messrs. Wickersham and Cade were all appointed immediately prior to the IPO as Non-Executive Directors. The Non-Executive Directors are compensated for their services as a director for $60 thousand per annum as approved by the Board. For the year ended December 31, 2015, Messrs. Wickersham and Cade each received $45 thousand. In addition, the Company engaged Chaka Investments UK Limited, where Mr. Cade is the director, to provide consulting service for an aggregated amount of $0.1 million in 2015.

Dr. Hecht received his Director's fees in the form of restricted stock units (RSU) totaling 17,921 shares of Common Stock which vest quarterly in equal proportions over a one year period. A total of 8,644 shares of RSU vested in 2015 representing $29 thousand.

The employment agreements with Mr. Prakash and Ms. Fodor provides each of them an annual salary of $0.3 million and, at the discretion of the Board, a performance bonus. The agreements contain provisions setting forth severance benefits upon termination depending on whether employment is terminated with or without cause, with or without good reason or upon death or disability. The agreements include a proprietary information and inventions agreement relating to confidentiality of the Company's proprietary information and the assignment of inventions and intellectual property. For the year ended December 31, 2015, total salary earned by Mr. Prakash and Ms. Fodor were $0.3 million each.

Directors' Interests

The Directors who held office at the date of this report had the following beneficial interests in the Common Stock of the Company at the date of this report:

Name	Number of Shares
Alastair Cade	260,553*
Eniko Fodor	31,002,486
Thomas Hecht	12,966**
Adityo Prakash	31,528,281
Grover Wickersham	–

*Beneficial ownership together with Chaka Investments UK Limited
**Included 4,322 shares of RSU vested and to be issued following the publication of this report

On behalf of the Compensation Committee

Alastair Cade
Chairman, Compensation Committee

March 7, 2016

Audit committee report

Role and responsibilities

The Audit Committee (the "Committee") is responsible for ensuring that the financial performance of the Company is properly monitored and reported. The Committee reviews the independence and objectivity of the external auditor each year. The Committee also reviews the adequacy of the Company's internal controls, accounting policies, and financial reporting and provides a forum through which the Company's external auditor reports to the Non-Executive Directors.

Membership and meetings

The Committee was formed immediately prior to the IPO and comprises Grover Wickersham, who acts as the committee chairman, Thomas Hecht, and Alastair Cade. The Committee has specific terms of reference that deal with its authority and duties. It meets at least three times a year, with the Executive Directors and the external auditor attending by invitation.

The Board has decided that the size of the Company does not justify a dedicated internal audit function. This position will be reviewed as the Company's activities increase.

Financial reporting

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, interim management statements, preliminary results announcements, and any other formal announcement relating to the Company's financial performance. It will review significant financial reporting issues and judgments they may contain. The Committee shall also review summary financial statements and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

The Committee shall review and challenge where necessary:

- The Company's accounting standards and the consistency of, and any changes to, accounting policies both on a year-to-year basis and across the Company.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- The appropriateness of any estimates and judgments in the Company's financial reporting, while taking into account the views of the independent auditor.
- The clarity of disclosure in the Company's financial reports and the context in which statements are made.
- All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as they relate to the audit and risk management).

Internal control and risk management

The Board has overall responsibility for ensuring that the Company has processes to identify, evaluate, and manage key risks. The system is designed to manage and minimize risk of failure to achieve the Company's strategic objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Directors consider that the present system of internal control is sufficient for the needs of the Company and adequately addresses the risks to which the Company is perceived to be exposed.

On behalf of the Audit Committee

Grover Wickersham
Chairman, Audit Committee

March 7, 2016

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The AIM Rules require the Directors to prepare financial statements for each financial year. Under those rules, the Directors have elected to prepare the financial statements in accordance with United States Generally Accepted Accounting Practice ("US GAAP").

The Directors believe that the accounts should not be approved unless the directors are satisfied that accounts give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in US GAAP are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Company's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with US GAAP and the AIM Rules. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge the financial statements, prepared in accordance with US GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

Independent auditor's report

Independent auditor's report

to the Directors of Verseon Corporation

We have audited the non-statutory financial statements of Verseon Corporation for the year ended 31 December 2015 which comprise the consolidated balance sheet, the consolidated statement of operations and comprehensive loss, the consolidated statement of cash flows, the consolidated statement of stockholders' equity (deficit), and the related notes A to F. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America (United States Generally Accepted Accounting Principles).

This report is made solely to the Company's Directors in accordance with the engagement letter dated 29 January 2016, and solely for the purpose of satisfying the filing requirements of the AIM Rules for Companies. Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as of 31 December 2015 and of its loss for the year then ended; and
- have been properly prepared in accordance with United States Generally Accepted Accounting Principles.

Deloitte LLP
Chartered Accountants
Southampton
United Kingdom
March 7, 2016

Consolidated statement of operations and comprehensive loss

For the years ended December 31, 2015 and 2014

	Note	2015 US $'000	2014 US $'000
Operating expenses			—
Research and development expenses		4,541	3,468
General and administrative expenses		5,213	4,401
Total Operating Expenses		9,754	7,869
Operating loss		(9,754)	(7,869)
Interest expense, net		(179)	(309)
Interest income		369	—
Currency exchange gains		1,871	—
Loss before income taxes		(7,693)	(8,178)
Income tax provision	7	—	—
Net loss		**(7,693)**	**(8,178)**
Net loss attributable to non-controlling interests		2	93
Net loss attributable to Verseon Corporation		**(7,691)**	**(8,085)**
Net loss		(7,693)	(8,178)
Unrealized losses on available-for-sale securities		(36)	—
Total comprehensive loss		(7,729)	(8,178)
Comprehensive loss attributable to non-controlling interests		2	93
Comprehensive loss attributable to Verseon Corporation		**(7,727)**	**(8,085)**
Net loss attributable to Verseon Corporation common stockholders per share—basic and diluted	8	(0.06)	(0.26)
Weighted-average shares of stock outstanding used in computing net loss per share—basic and diluted		136,092,491	30,738,451

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of December 31, 2015 and 2014

	Note	December 31, 2015 US $'000	December 31, 2014 US $'000
Assets			
Current assets			
Cash and cash equivalents	1	41,764	17
Short-term investments	1	32,911	—
Prepaid expenses and other current assets	2	168	29
Total current assets		74,843	46
Property and equipment, net	3	9,839	82
Long-term investments	1	998	—
Total assets		**85,680**	128
Liabilities and stockholder's equity (deficit)			
Current liabilities			
Accounts payable		678	327
Accrued liabilities	5	929	2,101
Short-term debts	6	219	25
Total current liabilities		**1,826**	**2,453**
Long-term debts	6	—	2,016
Total liabilities		**1,826**	**4,469**
Commitments and contingencies			

Consolidated balance sheets

As of December 31, 2015 and 2014 (continued)

	Note	December 31, 2015 US $'000	December 31, 2014 US $'000
Stockholders' equity (deficit)	13		
Preferred Stock Series A – $0.001 par value, 0 and 10,010,000 shares authorized as of December 31, 2015 and 2014, respectively, 0 and 6,830,102 shares issued and outstanding as of December 31, 2015 and 2014, respectively		—	6,477
Preferred Stock Series B – $0.001 par value, 0 and 2,800,000 shares authorized as of December 31, 2015 and 2014, respectively, 0 and 2,188,773 shares issued and outstanding as of December 31, 2015 and 2014, respectively		—	5,832
Preferred Stock Series C – $0.001 par value, 0 and 10,000,000 shares authorized as of December 31, 2015 and 2014, respectively, 0 share issued and outstanding as of December 31, 2015 and 2014y		—	—
Preferred Stock – $0.001 par value, 30,000,000 and 0 shares authorized as of December 31, 2015 and 2014, respectively, 0 share issued and outstanding as of December 31, 2015 and 2014y		—	—
Common Stock Class Y – $0.001 par value, 0 and 15,000,000 shares authorized, issued and outstanding as of December 31, 2015 and 2014, respectively		—	—
Common Stock Class Z – $0.001 par value, 0 and 141,000,000 shares authorized as of December 31, 2015 and 2014, respectively, 0 and 58,944,641 shares issued and outstanding as of December 31, 2015 and 2014, respectively		—	14,261
Common Stock – $0.001 par value, 300,000,000 and 0 shares authorized as of December 31, 2015 and 2014, respectively, 150,878,815 and 0 shares issued and outstanding as of December 31, 2015 and 2014, respectively		151	—
Additional paid-in capital		135,808	4,986
Stock subscription money		—	3,073
Loan receivable from stockholders		(14,541)	(14,133)
Accumulated deficit		(41,246)	(33,555)
Accumulated other comprehensive loss		(36)	—
Total Stockholders' equity (deficit)		**80,136**	**(13,059)**
Non-controlling interests in subsidiaries (NCI)	4	3,718	8,718
Total equity (deficit)		**83,854**	**(4,341)**
Total liabilities and stockholders' equity (deficit)		**85,680**	**128**

See accompanying notes to consolidated financial statements.

These financial statements were approved by the Board of Directors on March 7, 2016 and signed on its behalf by:

Adityo Prakash
Chief Executive Officer

Consolidated statements of cash flows

For the years ended December 31, 2015 and 2014

	For the Year Ended December 31, 2015 US $'000	For the Year Ended December 31, 2014 US $'000
Cash flows from operating activities		
Net loss	(7,693)	$ (8,178)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	42	24
Stock-based compensation expense	1,365	4,298
Interest earned from loan receivable from stockholders	(317)	—
Changes in asset / liabilities		
Increase in prepaid expenses and other current assets	(139)	(13)
Increase (decrease) in accounts payable	285	(183)
Increase (decrease) in accrued Liabilities	(1,324)	603
Net cash used in operating activities	(7,781)	(3,449)
Cash flows from investing activities		
Purchases of property and equipment	(9,628)	(20)
Purchases of available-for-sale securities	(34,913)	—
Maturities of available-for-sale securities	747	—
Sales of available-for-sale securities	221	—
Net cash used in investing activities	(43,573)	(20)
Cash flows from financing activities:		
Proceeds from issuance of Common Stock in initial public offering, net of issuance costs	92,494	—
Proceeds from exercise of stock options and warrants	462	3
Proceeds from issuance of preferred stocks	—	1
Proceeds from issuance of equity in Nirog	15	2,992
Proceeds from issuance of debts	1,500	451
Repayment of debts	(1,370)	—
Increase in short-term debts	—	25
Increase in loan receivables	—	1
Net cash provided by financing activities	93,101	3,473
Net increase in cash and cash equivalents	41,747	4
Cash and cash equivalents at the beginning of the period	17	13
Cash and cash equivalents at the end of the period	41,764	17

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2015 and 2014 (continued)

	Notes	For the Year Ended December 31, 2015 US $'000	For the Year Ended December 31, 2014 US $'000
Supplemental disclosure of non-cash investing and financing activities			
Conversion of Preferred Stock to Common Stock upon initial public offering	13	12,309	—
Conversion of debts to Common Stock upon initial public offering	13	1,952	—
Conversion of stock subscription money to Common Stock	13	3,073	—
Increased investment in Nirog upon initial public offering	13	5,018	—
Issuance of warrants for Common Stock in connection with initial public offering	13	1,186	—
Non-cash warrants exercise		1,007	—
Purchases of property and equipment under accounts payable and accrued liabilities	3	172	—
Accrued interest converted to Preferred Stock Series B	6	—	(2,649)
Issuance of Preferred Stock Series B for convertible note-1	6	—	(1,000)
Issuance of Preferred Stock Series B for convertible note-2	6	—	(1,952)
Conversion of convertible notes to Preferred Stock Series B	6	—	5,601
Issuance of Common Stock and Preferred Stock for loan receivable from stockholders	13	—	14,071
Loan receivable from stockholders for Common Stock and Preferred Stock	13	(91)	(14,071)
Conversion of Nirog Convertible Notes to Preferred Stock	6	—	517
Issuance of Nirog Preferred Stock Series C2 for convertible notes – 4	6	—	(517)

See accompanying notes to consolidated financial statements.

Consolidated statement of stockholders' equity (deficit)

For the years ended December 31, 2015 and 2014

	Preferred Stock	Class A Preferred Stock	Class B Preferred Stock	Class Y Common Stock	Class Z Common Stock	Common Stock at par value
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at December 31, 2013	—	6,457	115	—	265	—
Issuance of Preferred Stock	—	20	5,717	—	—	—
Issuance of Common Stock	—	—	—	—	13,996	—
Issuance of loans to stockholders	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Net loss attributable to non-controlling interests	—	—	—	—	—	—
Balance at December 31, 2014	—	6,477	5,832	—	14,261	—
Exercise of stock options and warrants—Class Z Common Stock	—	—	—	—	107	—
Conversion of stock subscription money	—	—	—	—	3,073	—
Conversion of existing stock into new common stock upon initial public offering	—	(6,477)	(5,832)	—	(17,441)	112
Conversion of debts into Common Stock upon initial public offering	—	—	—	—	—	1
Shares exchange with Nirog unit holders	—	—	—	—	—	5
Issuance of Common Stock in initial public offering, net of issuance costs	—	—	—	—	—	32
Exercise of stock options and warrants	—	—	—	—	—	1
Issuance of Restricted Stock Units	—	—	—	—	—	—
Issuance of loans to stockholders	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—
Net loss	—	—	—	—	—	—
Net loss attributable to non-controlling interests	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—
Balance at December 31, 2015	—	—	—	—	—	151

Consolidated statement of stockholders' equity (deficit)

For the years ended December 31, 2015 and 2014 (continued)

Additional Paid-in Capital	Non-controlling Interest	Stock Subscription Money	Loan Receivable From Stockholders	Accumulated Deficit	Other Comprehensive Loss	Total Stockholder's Equity (Deficit)
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
744	**5,302**	**3,073**	**(62)**	**(25,470)**	**—**	**(9,576)**
—	—	—	—	—	—	5,737
—	—	—	—	—	—	13,996
—	—	—	(14,071)	—	—	(14,071)
4,242	—	—	—	—	—	4,242
—	3,509	—	—	—	—	3,509
—	—	—	—	(8,178)	—	(8,178)
—	(93)	—	—	93	—	—
4,986	**8,718**	**3,073**	**(14,133)**	**(33,555)**	**—**	**(4,341)**
—	—	—	—	—	—	107
—	—	(3,073)	—	—	—	—
29,638	—	—	—	—	—	—
1,951	—	—	—	—	—	1,952
5,013	(5,018)	—	—	—	—	—
91,276	—	—	—	—	—	91,308
479	—	—	—	—	—	480
—	—	—	—	—	—	—
—	—	—	(408)	—	—	(408)
2,465	—	—	—	—	—	2,465
—	20	—	—	—	—	20
—	—	—	—	(7,693)	—	(7,693)
—	(2)	—	—	2	—	—
—	—	—	—	—	(36)	(36)
135,808	**3,718**	**—**	**(14,541)**	**(41,246)**	**(36)**	**83,854**

See accompanying notes to consolidated financial statements.

Consolidated statement of stockholders' equity (deficit)

For the years ended December 31, 2015 and 2014 (continued)

	Preferred Stock Shares	Class A Preferred Stock Shares	Class B Preferred Stock Shares	Class Y Common Stock Shares	Class Z Common Stock Shares	Common Stock Shares	Total Shares Outstanding
Balance at December 31, 2013	**—**	**6,809,050**	**45,274**	**15,000,000**	**2,417,643**	**—**	**24,271,967**
Issuance of Preferred Stock	—	21,052	2,143,499	—	—	—	2,164,551
Issuance of Common Stock	—	—	—	—	56,526,998	—	56,526,998
Balance at December 31, 2014	**—**	**6,830,102**	**2,188,773**	**15,000,000**	**58,944,641**	**—**	**82,963,516**
Exercise of stock options and warrants—Class Z Common Stock	—	—	—	—	1,369,421	—	1,369,421
Conversion of stock subscription money	—	—	—	—	3,157,894	—	3,157,894
Conversion of existing stock into new Common Stock upon initial public offering	—	(6,830,102)	(2,188,773)	(15,000,000)	(63,471,956)	111,509,706	24,018,875
Conversion of debts into Common Stock upon initial public offering	—	—	—	—	—	635,418	635,418
Shares exchange with Nirog unit holders	—	—	—	—	—	5,025,738	5,025,738
Issuance of Common Stock in initial public offering, net of issuance costs	—	—	—	—	—	32,569,047	32,569,047
Exercise of stock options and warrants	—	—	—	—	—	1,112,262	1,112,262
Issuance of Restricted Stock Units	—	—	—	—	—	26,644	26,644
Balance at December 31, 2015	—	—	—	—	—	150,878,815	150,878,815

See accompanying notes to consolidated financial statements.

Notes to consolidated financial information

A. Basis of presentation

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The financial information is presented in United States Dollars ("US$"). All intercompany accounts and transactions have been eliminated in consolidation.

The accounting policies applied are consistent with those that were applied to the consolidated financial statements for the year ended December 31, 2014.

B. History and organization of the Company

The Company was established as Verseon LLC on July 18, 2002 in the state of Delaware. In August 2007, the Company incorporated as a general corporation in the state of Delaware. The Company is headquartered in Fremont, California. It completed its initial public offering ("IPO") on May 7, 2015 on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Nirog Therapeutics LLC ("Nirog") was formed on September 23, 2009 as a Delaware Limited Liability Company. Nirog was established as a vehicle to fund the research and development of the Company's anti-coagulation program and the Company owned 72.6% and 32.2% of Nirog as of December 31, 2015 and 2014, respectively.

The Company has formed Verseon India Private Limited ("VIPL") together with a Mauritius based private equity investor. VIPL was incorporated in Andhra Pradesh, India in March 2006 to manage and maintain the Company's supercomputing cluster. The Company has since closed this operation in 2009 and is in the process of dissolving the legal entity.

In August 2015, the Company acquired a property in Fremont, California with approximately 85,000 square feet of office and laboratory space for $8.7 million through its newly established wholly-owned subsidiary, VRH1 LLC, in the state of California. The facility will house the Company's drug-discovery and development operations as well as the corporate headquarters.

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. The Company is financed substantially through equity funding, upon which the company is reliant to fund its operations until positive cash flow is generated from ongoing business operations. A successful public offering was made on May 7, 2015 and as such the Company has secured the financing it requires to continue in operational existence for the foreseeable future. As such, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of signing these consolidated financial statements. Thus, the directors continue to adopt the going concern basis of preparation.

These consolidated financial statements do not include any adjustments to the carrying value or classification of recorded asset amounts and carrying value or classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

C. Initial public offering

On May 7, 2015, the Company completed its initial public offering ("IPO") by issuing 32,569,047 shares of Common Stock at a price of $3.07 (202p) per share on the Alternative Investment Market ("AIM") of the London Stock Exchange and raised net cash proceeds of approximately $92.5 million, after deducting underwriting discounts, commissions and offering expenses. Immediately prior to the IPO, all classes of Preferred Stock and Common Stock were converted to one class of Common Stock. All outstanding warrants and options were amended to be exercisable for shares of Common Stock.

A total of $2.0 million of convertible notes were converted into 635,418 share of Common Stock upon the completion of the IPO. Pursuant to these convertible note agreements, the Company also issued warrants to the noteholders to acquire a total of 75,655 shares of Common Stock.

Notes to consolidated financial information
(continued)

In addition, upon the completion of the IPO and pursuant to the Placing agreements, the Company issued warrants to Cenkos Securities Plc ("Cenkos"), the Company's nominated adviser and broker, and Mr. Alastair Cade, one of the Company's directors who is also a director of Chaka Investments (UK) Limited. The warrants are exercisable for five years and entitle each of them to acquire 521,105 shares of Common Stock at an exercise price of $4.00 (263p) per share. The fair value of the warrants was calculated at the grant date using a Black-Scholes valuation model, the assumptions for which are set out in Note 15.

D. Description of business

Verseon is an emerging pharmaceutical company that uses a proprietary platform to design and develop new drug candidates. Verseon has created a proprietary computational platform that can model molecular interactions with sufficient accuracy to drive the drug-discovery process. For any disease program, the platform first generates vast numbers of novel drug-like, synthesizable compounds which are then computationally tested against a disease-causing protein to identify the best binders, i.e. drug candidates that could potentially treat the disease. These computationally designed candidates are synthesized and sent through a series of disease specific in vitro and in vivo tests to identify the best candidates for clinical testing in humans. The Verseon process is disease agnostic and can systematically yield drug candidates that cannot be found with other current methods.

E. Summary of significant accounting policies

a. **Basis of preparation and principles of consolidation:** The accompanying consolidated financial statements include the accounts of the Company, consolidated with the accounts of all of its subsidiaries and affiliates in which the Company holds a controlling financial interest as of the financial statement date. These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The financial information is presented in United States Dollars (US$). All intercompany amounts have been eliminated.

b. **Use of estimates:** The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reported period. Examples of such estimates include: project completion dates, time and cost required to complete projects for purposes of revenue recognition and future revenue, expense and cash flow estimates for purposes of impairment analysis and loss contract evaluation, and useful lives of premises and equipment (fixed assets). Actual results could differ materially from those estimates.

c. **Revenue recognition:** The Company has not earned revenue from the sale of its new drug candidates. Revenue will be recognized when persuasive evidence of an agreement existed, delivery of service had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

d. **Research and development expenses:** The Company's research and development expenses include, but not limited to, wages and related benefits, including stock-based compensation, facilities, supplies, external services and other expenses that are directly related to its research and development activities. Research and development costs are expensed as they occur. When payments for research and development services are made prior to the services being rendered, those amounts are recorded as prepaid assets on the consolidated balance sheet and are expensed as the services are provided. For the years ended December 31, 2015 and 2014, research and development expenses were $4.5 million and $3.5 million, respectively.

e. **Foreign currency:** The Company records foreign currency transaction gains and losses, realized and unrealized and foreign exchange gains and losses due to remeasurement of monetary assets and liabilities denominated in foreign currency as currency exchange gains or losses in the consolidated statements of operations and comprehensive loss. The Company recorded $1.9 million and $nil gain in 2015 and 2014, respectively.

Notes to consolidated financial information
(continued)

f. **Cash equivalents and investments:** The Company considers investments in highly liquid instruments that are purchased with original maturities, of three months or less to be cash equivalents. The Company limits its concentration of risk by diversifying its investments among a variety of issuers. All investments are classified as available for sale and are recorded at fair value based on quoted prices in active markets or based upon other observable inputs, with unrealized gains and losses excluded from earnings and reported in other comprehensive loss. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Realized gains and losses and declines in fair value that are deemed to be other than temporary are reflected in the consolidated statement of operations. The cost of securities sold is based on the specific-identification method.

g. **Fair value of financial instruments:** The carrying amounts of certain of the Company's financial instruments, including cash equivalents and short-term investments, approximate their fair value. Fair value is considered to be the price at which an asset could be exchanged or a liability transferred in an orderly transaction between knowledgeable, willing parties in the principal or most advantageous market for the asset or liability. Where available, fair value is based on or derived from observable market prices or other observable inputs. Where observable prices or inputs are not available, valuation models are applied. The valuation techniques involve estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

h. **Concentration of credit risk:** The Company invests in a variety of financial instruments and, by its policy, limits the amount of credit exposure with any one issuer, industry or geographic area.

i. **Property and equipment, net:** Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives. The estimated useful lives of assets are as follows:

	Estimated Useful Life
Computer and peripherals	2 years
Lab equipment	5 years
Office equipment	5 years
Furniture and Fittings	5 years
Building	20 years
Leasehold improvements	Shorter of Lease period or estimated useful life

j. **Impairment of long-lived assets:** The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its respective fair value. To date, the Company has not recorded any impairment losses.

k. **Income taxes:** Income taxes are accounted for under the asset and liability method.

(i) **Current income taxes:** The Company assesses its current income tax expense based upon the taxes due in each of its operating tax jurisdictions, which are comprised of the U.S. and India. The Company has its Indian subsidiary, VIPL, which is dormant and not incurring any taxes. The Company is located in the United States with all of its operating expenses occurring within this tax jurisdiction. Payments of advance taxes and income taxes payable in the same tax jurisdictions are offset.

(ii) **Deferred income taxes:** Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial information carrying amounts of assets and

Notes to consolidated financial information
(continued)

liabilities and their respective tax basis, operating loss carry forwards and tax credits. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period of change.

Uncertain tax positions are recognized using the more likely-than-not threshold determined solely based on technical merits that the tax positions will be sustained upon examination by a taxing authority that has full knowledge of all relevant information. Tax positions that meet the recognition threshold are measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

l. **Net loss per share:** In accordance with the provisions of ASC Topic 260, "Earnings per Share", basic loss per share is computed by dividing net loss attributable to stockholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings per share are computed on the basis of the weighted average number of common and dilutive common equivalent shares outstanding during the period. Potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce diluted losses per share. The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	Year Ended December 31,	
	2015	**2014**
Options to purchase Common Stock	1,517,375	948,728
Warrants to purchase Common Stock	2,808,081	2,758,543
Restricted Stock Units	78,647	—
	4,404,103	3,707,271

m. **Stock-based compensation:** The Company accounts for the cost of employee services rendered in exchange for stock-based compensation based upon the grant date fair value. The cost is recognized over the employee's requisite service period (generally relating to the vesting period of the equity grant and the lifetime of the option). Total stock-based compensation expense recognized associated with stock options, warrants and restricted stock units was as follows (in $ thousands).

	Year Ended December 31,	
	2015	**2014**
Research and development	116	1,405
General and administrative	1,249	2,893
Total	**1,365**	**4,298**

n. **Recently issued accounting standards:** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606). The standard's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB decided to postpone the effective date of the new standard by one year. The standard will be effective for the Company in the first quarter of 2018. Early

Notes to consolidated financial information
(continued)

adoption is permitted in 2017. Entities will have the option of using either a full retrospective or a modified retrospective approach to adopt this new guidance. The Company does not expect that the adoption of this standard will have an impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". The standard will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related disclosures in certain circumstances. The new standard incorporates and expands upon certain principles that are currently in the auditing standards. Specifically, the new standard defines substantial doubt, requires assessments each annual and interim period, provides an assessment period of one year from the issuance date, and requires disclosures both when substantial doubt is alleviated by management's plans and when substantial doubt remains unalleviated. ASU 2014-15 will be effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect the adoption of this ASU will have an impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02 "Consolidation (Topic 810): Amendments to the Consolidation Analysis" to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The new standard simplifies and improves current GAAP by:

1) placing more emphasis on risk of loss when determining a controlling financial interest;

2) reducing the frequency of the application of related-party guidance when determining a controlling financial interest in a variable interest entity ("VIE", see below); and

3) changing consolidation conclusions for companies in several industries that typically make use of limited partnerships or VIEs.

The ASU was effective for periods beginning after December 15, 2015. The adoption of this guidance does not have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes", which requires that deferred tax liabilities and assets be classified as non-current in the balance sheet. This standard is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those annual periods. The Company does not expect the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", which eliminates the requirement for public companies to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Additionally, the standard requires public entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Furthermore, the standard requires presentation of financial assets and liabilities by measurement category and form of financial asset on the balance sheet or accompanying notes to the financial statements. The standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of adoption on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. It requires lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The new standard will be

Notes to consolidated financial information
(continued)

effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of adoption on the consolidated financial statements.

F. Notes to financial information

1. Cash, cash equivalents and investments

The amortized cost and fair value of cash equivalents and investments at December 31, 2015 were as follows (in $ thousands):

	December 31, 2015		
	Amortized Cost	Gross Unrealized Losses	Fair Value
Money market fund	672	—	672
Certificate of deposits	9,720	(5)	9,715
Municipal securities	4,865	(7)	4,858
U.S. agencies securities	4,427	(5)	4,422
Commercial paper	6,174	—	6,174
Corporate securities	14,191	(19)	14,172
Total available-for-sale securities	**40,049**	**(36)**	**40,013**
Classified as			
Cash equivalents*			6,104
Short-term investments			32,911
Long-term investments			998
Total available-for-sale securities			**40,013**

*Cash and cash equivalents at December 31,2015 of $41,764 thousand comprises cash of $35,660 thousand and cash equivalents of $6,104 thousand, as compared to cash and cash equivalents of $17 thousand at December 31,2014 which comprises only cash

The Company invested the fund raised from the IPO in May 2015 with liquidity that is sufficient to meet its operating and investment cash requirements as well as to preserve principal. All available-for-sale securities held as of December 31, 2015, had contractual maturities of less than two years and high quality investment grade ratings. Realized gains on available-for-sale securities for the year ended December 31, 2015 was $48 thousand.

As of December 31, 2015, the Company considers the declines in market value of its investment portfolio to be temporary in nature and does not consider any of its investments other-than-temporarily impaired. The Company believes that it is more-likely-than-not that investments in an unrealized loss position will be held until maturity or the recovery of the cost basis of the investment. To date, the Company has not recorded any impairment charges on marketable securities related to other-than temporary declines in market value.

In accordance with the guidance of Accounting Standards Codification ("ASC") Top 820, "Fair Value Measurement", fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Notes to consolidated financial information
(continued)

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements are as follows as of December 31, 2015 (in $ thousands):

	December 31, 2015			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market fund	672	—	—	672
Certificate of deposits	—	9,715	—	9,715
Municipal bonds	—	4,858	—	4,858
Government-sponsored agencies	—	4,422	—	4,422
Commercial paper	—	6,174	—	6,174
Corporate debt securities	—	14,172	—	14,172
Total	**672**	**39,341**	—	**40,013**

2. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of:

	2015 US$'000	2014 US$'000
Prepaid expenses and other current assets:		
Operating lease(s) related deposits	46	26
Insurance premium	52	—
Other	70	3
Prepaid expenses and other current assets	**168**	**29**

3. Property and equipment, net

	2015 US$'000	2014 US$'000
Land and Building	9,169	—
Lab Equipment	745	125
Office Equipment	4	4
Furniture and Fittings	126	126
Total	10,044	255
Less: Accumulated Depreciation	(205)	(173)
Property and equipment, net	**9,839**	**82**

Depreciation expense included within General and Administrative expenses aggregated to $42 thousand and $24 thousand for the year ended December 31, 2015 and 2014 respectively.

4. Nirog

The consolidated financial statements presented include financial position and performance of Nirog Therapeutics LLC ("Nirog"), a Delaware limited liability company. Nirog was established in September 2009 as a vehicle to fund the research and development of the Company's anti-coagulation program. The Company owned

Notes to consolidated financial information
(continued)

32.2% of Nirog prior to the IPO in May 2015. Pursuant to share exchange agreements the Company had entered into during March and April 2015 with certain unitholders of Nirog, the Company issued, upon IPO, 5,025,738 shares of common stock to Nirog unitholders in exchange for 12,859,188 shares of Nirog units held by such Nirog unitholders. As a result of the transactions, the Company increased its ownership of Nirog to 70.9% of the outstanding equity of Nirog. After the IPO, the Company invested additional interest to Nirog and owned 72.6% of the outstanding equity of Nirog as of December 31, 2015. Proceeds raised in 2015 were immaterial.

As of December 31, 2014, the Company owned 32.2% of Nirog and raised proceeds of $3.5 million in 2014 from sales of Nirog shares. Nirog was controlled at the board and management levels by the Company, which resulted in the Company being the primary beneficiary due to its ownership interest and power to direct the activities that most significantly impact Nirog's economic performance. As such, the Company had consolidated Nirog into the Company's financial statements since Nirog's incorporation in 2009 under the variable interest entity model within ASC Topic 810,"Consolidation".

5. Accrued liabilities

	2015 US$'000	2014 US$'000
Accrued property and equipment	106	—
Interest payable	80	495
Deferred compensation	12	466
Legal services	144	293
Professional services - audit	124	200
Vacation accrual	334	168
Professional services - Chemistry	—	149
Various operating accruals	129	330
Total accrued liabilities	**929**	**2,101**

6. Debts

In September 2007, the Company completed the issuance of a $1.0 million in unsecured convertible note to Godrej Industries, a stockholder of the Company (referred to as "**Convertible Note – 1**"), which carried a 13% interest rate. The original due date of the Convertible Note-1 was September 14, 2012, which was mutually extended by both parties to September 14, 2015 for both the payment of the principal amount and any accrued interest. Prepayments were allowed under the terms of the convertible note and interest would accrue on a monthly basis for both the payment of the principal amount and any accrued interest. As part of the convertible note agreement, Godrej was issued 85,587 preferred class B warrants at a strike price of the fair market value at the date of exercise (estimated at $2.54 per share on the date of grant) and an expiration date of March 31, 2016. The total amount of the Convertible Note-1 (principal and interest) was converted on March 31, 2014 into 715,668 shares of preferred Class B stock at a price per share of $2.92. In April 2015, 85,587 preferred Class B warrants were exercised and all shares of preferred Class B were converted to shares of common stock.

In 2008, the Company established a 12% unsecured convertible note with several lenders. By the end of 2008, the Company had borrowed the principal amount of $1.0 million under the unsecured convertible note (referred to as "**Convertible Notes – 2**"). The original due date of the Convertible Notes-2 was one year from the issuance date. The Company continued to receive funds under similar terms and conditions over the ensuing years. The due date on the Convertible Notes-2 has since their inception been mutually extended several times and the most recent due date was established as of September 30, 2015. Prepayments were allowed under the terms of the note and interest accrued and was compounded annually. The conversion option allowed a holder to convert the principal and interest into Class B Preferred Stock at the rate of 100% of the Company's most recent sale of Class B Preferred Stock. Under the terms of the Convertible Notes- 2, the various holders were

Notes to consolidated financial information
(continued)

issued a total of 332,761 Class B Preferred warrants at a strike price of $2.54 per share and were issued 48,030 common Class Z warrants at a strike price of $0.15 per share with an expiration date of March 31, 2016. The total amount of the convertible note (principal and interest) was converted on March 31, 2014 into 1,382,069 shares of Class B Preferred Stock at a share price of $2.54. In April 2015, all shares of preferred Class B were converted to shares of common stock. A total of 416,620 shares of Common Stock were issued in May and June 2015 as a result of the exercise of 229,636 warrants in connection with these Convertible Notes - 2. The remaining 100,471 shares under the warrants were cancelled as a result of cashless exercise.

In December 2008, the Company issued promissory notes to certain individuals. The promissory notes carry an 8% interest rate and do not have a conversion option and are listed on in the table below as "**Loans – 3**". The promissory notes were due upon completion of the sale of the Company, an initial public offering or private equity funding of at least $8.0 million. In March and April 2015, the Company entered into modifications of certain agreements under Loans – 3 to adjust repayment terms and extend the repayment date to March 2016. The Company settled $1.3 million of the debt during the year ended December 31, 2015 and the remaining $0.2 million in February 2016.

In 2011, a Board member with Nirog Therapeutics, Mr. Sabeer Bhatia, agreed to provide funds to Nirog in the form of unsecured convertible notes (referred to as "**Convertible Notes – 4**"), which carried a 6% interest rate. Mr Sabeer Bhatia subsequently made additional loans to the Company on the same terms as the original note. Prepayments were allowed under the terms of the convertible note and interest accrued on a monthly basis, compounding annually. The total amount of the convertible note (principal and interest) was converted on October 12, 2014 into 437,633 preferred Class C2 shares in Nirog at a per share price of $1.00.

In November 2014, the Company established a 6% unsecured promissory note with several lenders. The total principal borrowed by the Company during 2014 is $0.5 million under the unsecured convertible note (referred to as "**Convertible Notes – 5**"). In January 2015, the company issued additional convertible promissory notes totaling to $1.5 million with a few additional lenders under the same terms. The due date of the unsecured convertible note is five years from the issuance date. As part of the convertible note, the lenders were issued 75,645 Common warrants exercisable at $0.25 per warrant share. Convertible Notes -5 were converted into shares of Common Stock concurrently with the IPO in May 2015. Pursuant to conversion of said convertible promissory notes 635,418 shares of Common Stock were issued upon IPO.

The following table summarizes the principal and interest information pertaining to the Company's convertible notes:

	Dec 31, 2015 US$'000	Dec 31, 2014 US$'000
Principal amount of Convertible Note – 1	—	—
Principal amount of Convertible Notes – 2	—	—
Principal amount of Loans – 3	219	1,565
Principal amount of Convertible Notes – 4	—	—
Principal amount of Convertible Notes – 5	—	451
Total principal amount of debts	219	2,016
Total debt	219	2,016
Interest amount outstanding	80	593
Total principal and interest outstanding	299	2,609

Notes to consolidated financial information
(continued)

7. Income taxes

The Company did not record a federal or state current or deferred income tax provision or benefit for the year ended December 31, 2015 and 2014 due to the losses incurred in the corresponding periods, as well as the Company's continued maintenance of full valuation allowance against its net deferred tax assets. The Company's income tax provision of $nil in said periods represents an effective tax rate of 0%.

At December 31, 2015, the Company had federal and state Net Operating Loss ("NOL") carry forwards of approximately $15.3 million and $15.7 million, respectively, which expire at various dates through 2035 if not utilized. At December 31, 2015 the Company had federal and state research credit carryforwards that totaled $0.8 million and $0.4 million, respectively, which expire at various dates through 2035 if not utilized.

During the year ended December 31, 2015, the only change in the balance of gross uncertain tax benefits was an increase of $0.2 million related to current year and prior year tax positions. At December 31, 2015, the balance of gross uncertain tax benefits was $0.4 million. All of the unrecognized tax benefits would, if recognized, reduce the Company's annual effective tax rate. The Company currently has a full valuation allowance against its net deferred tax assets which would impact the timing of effective tax benefit should any of the uncertain tax positions be favorably settled in the future.

The components of the Deferred Tax Assets were calculated using the federal statutory income tax rate of 34% and the state statutory income tax rate of 6%. The Company's deferred tax assets differ from deferred income tax assets computed by applying the federal statutory income tax rate of 34% to the loss before income taxes principally due to the effect of (i) stock based compensation expenses of $1.4 million (2014: $4.3 million) for which there is no associated income tax deduction; (ii) losses in Nirog not attributable to the Company; and (iii) the effect of losses incurred by the Company for which the potential deferred tax asset has a full valuation allowance.

The components of the deferred tax assets are as follows:

	2015 US$'000	2014 US$'000
Deferred tax assets:		
Net operating loss carry forwards	6,134	2,013
R&D credit carry forward	780	333
Depreciation and amortization	(1)	5
Accruals and reserves	172	255
Total deferred tax assets	7,085	2,606
Less valuation allowance	(7,085)	(2,606)
Total	—	—-

Based on available objective evidence, management believes it is likely that the deferred tax assets will not be realized. Accordingly, the Company has provided a full valuation allowance against its net deferred tax assets at December 31, 2015 and 2014.

The Tax Reform Act of 1986 limits the use of net operating loss carry forwards in certain situations where changes occur in the stock ownership of the Company. In the event that the Company has had a change in ownership, utilization of net operating loss carry forwards would be limited.

The tax years 2007 to 2015 remain open to regular examination of their income tax returns and other related tax-fillings by the Internal Revenue Service and state tax authorities. There are no prior or current year tax returns under audit by tax authorities, and management is not aware of any impending audits.

Notes to consolidated financial information
(continued)

8. Net loss per share

Basic net loss per share is computed by dividing net loss by the average number of shares outstanding each period. The Company calculates the dilutive effects of both the warrants and stock options utilizing the treasury stock method. All warrants and options were anti-dilutive in all the periods presented. The weighted average shares for basic earnings per share calculation consists of the following:

	2015	2014
Weighted average shares – basic	136,092,491	30,738,451

The components of basic and diluted earnings per share were as follows:

	2015	2014
Net loss attributable to stockholders (US$'000)	(7,691)	(8,085)
Average outstanding shares		
Basic	136,092,491	30,738,451
Diluted *	136,092,491	30,738,451
Net loss per share		
Basic (US$)	(0.06)	(0.26)
Diluted (US$) *	(0.06)	(0.26)

** Diluted earnings per share is the same as basic earnings per share since the impact of the dilutive instruments on earnings per share is antidilutive.*

9. Segment reporting

ASC Topic 280 "Segment reporting" establishes standards for the way that public business enterprises report information about business segments and related disclosures about products and services, geographical areas and major customers.

The Chief Executive Officer ("CEO") of the Company has been identified as the Chief Operating Decision Maker as defined by ASC Topic 280. The CEO of the Company allocates resources based upon information related to its one operating segment, pharmaceutical research. Accordingly, the Company has concluded they have one reportable segment.

10. Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash, cash equivalents, short-term and long-term investments.

All cash, cash equivalents and marketable securities investments are held in the United States and United Kingdom as of December 31, 2015 and 2014. All marketable securities investments as of December 31, 2015 had high quality investment grade ratings. At times, cash balances may exceed federally insured amounts and potentially subject the Company to a concentration of credit risk. To limit the credit risk, the Company invests its excess cash primarily in high quality securities such as money market funds. Management believes that no significant concentration of credit risk exists with respect to these cash and marketable securities investment balances because of its assessment of the credit worthiness and financial viability of the respective financial institutions.

11. Related-party transactions (see Note 6)

The Company had a convertible note agreement (described in Note 6 as Convertible Note – 1) with Godrej Industries, a stockholder in the Company, in the principal amount of $1.0 million. The loan was converted into

Notes to consolidated financial information
(continued)

Class B Preferred Stock on March 31, 2014, which was then converted into shares of Common Stock at IPO in May 2015. The preferred class B warrants associated with the convertible notes were all exercised in April 2015 to acquire 171,174 shares of Common Stock. As such, there was no outstanding warrant at December 31, 2015 as compared to 85,587 warrants outstanding at December 31, 2014.

One of Nirog Therapeutics Board members, Mr. Sabeer Bhatia, had provided funds to the Company in the form of convertible notes, through a Trust. The convertible notes were part of the Convertible Notes – 2 (described in Note 6) and converted into Class B Preferred Stock on March 31, 2014, which was then converted into shares of Common Stock at IPO in May 2015. A majority portion of the preferred class B and C warrants associated with the convertible notes were exercised in June 2015 to acquire 252,443 shares of Common Stock. As a result, warrants to acquire 42,104 shares of Common Stock were outstanding at December 31, 2015 as compared to 210,130 warrants outstanding to acquired shares of Class B Preferred Stock at December 31, 2014. The second set of convertible notes are the loans described in Note 6 as Convertible Notes – 4 and were converted on October 12, 2014 into shares of Nirog.

The three founders and officers of the Company, Adityo Prakash, Eniko Fodor and David Kita, had provided funds to the Company in the form of convertible notes to help support its operations. These convertible notes were part of the Convertible Notes – 2 (described in Note 6) and converted into shares of Class B Preferred Stock on March 31, 2014, which was then converted into shares of Common Stock at IPO in May 2015. There were warrants associated with the aforementioned financial transactions. In January 2015 and December 2014 the founders exercised 4,921 shares and 45,270 shares of the warrants associated with said transactions, respectively.

In December 2014, the founders of the Company exercised options for a combined total of 47,000,000 shares of Class Z Common Stock at $0.25 per share for a total value of $11.8 million, exercised 45,270 of Class B warrants and 21,052 of Class A warrants for $0.1 million and $20 thousand, respectively. The purchases were financed through secured promissory notes issued by the Company in an amount totaling $11. 8 million. In January 2015, two of the founders exercised additional warrants to acquire a total of 1,324,921 shares of Common Stock for $0.1 million, which were also financed through secured promissory notes issued by the Company and recorded in the "Loan receivable from stockholders" in the Stockholders' Equity section of the Balance Sheet. "Loan receivable from stockholders" refers to employees and consultants of the Company who purchased their shares through the issuance of promissory notes by the Company. Total loan receivable from stockholders at December 31, 2015 and 2014 were $14.5 million and $14.1 million, respectively.

In January 2015, the Company issued $0.3 million of convertible promissory notes to Mr. Alastair Cade, one of the Company's directors, and $0.2 million of convertible promissory notes to Chaka Investments (UK) Limited ("Chaka"), where Mr. Cade is the director. In connection with the IPO, the notes were converted into 162,845 shares of Common Stock and warrants to acquire 16,283 shares of Common Stock. In addition, Mr. Cade received additional warrants to acquire shares of Common Stock as further described in Note C Initial Public Offering herein. The Company also engaged Chaka to provide consulting service for an aggregated amount of $0.1 million in 2015.

In April 2015, immediately prior to the IPO, a Board of Directors comprising of two executive and three non-executive members was established. The remuneration of the Directors are stated at the Compensation Committee Report herein.

Notes to consolidated financial information
(continued)

The following table provides the number of warrants outstanding associated with each of the related parties:

	2015	2014
Godrej Industries	—	85,587
Sabeer Bhatia Trust	42,104	210,130
Alastair Cade*	537,388	—
Founders	—	4,921

*Including warrants issued to Charka

12. Commitments and contingencies

Operating leases
Rental expense for operating leases amounted to $0.3 million and $0.1 million for the year ended December 31, 2015 and 2014, respectively. The operating lease for the biology laboratory is cancellable with a three-month advance notice while the chemistry laboratory is cancellable with a one-month advance notice. The headquarters lease is cancellable at the end of the renewal period annually and runs from August 1 through July 31.

The table sets out the Company's non-cancellable operating lease commitments at each of the balance sheet dates stated:

	2015 US$'000	2014 US$'000
Lease for headquarters	70	27
Lease for the laboratories	49	30
Total obligation	119	57

Legal proceedings
The Company has no ongoing legal proceedings nor is it aware of any potential legal proceedings.

13. Stockholder's equity

Common Stock and Preferred Stock
In November 2014, the stockholders approved an "Amended and Restated Certificate of Incorporation" ("Certificate"). The Certificate authorized the increase of the Company's Common Stock from 50,000,000 to 156,000,000 shares. The increase in the authorized shares specifically increased the number of authorized Class Z Common Stock from 35,000,000 to 141,000,000 shares. As of January 1, 2015, the Common Stock was divided into two classes: Class Y common with 15,000,000 authorized shares and Class Z common with 141,000,000 authorized shares. The conversion right of Class Y common was adjusted such that each of Class Y shares convert to two shares of Class Z Common or its equivalent. Both Class Y common and Class Z common had a par value of $0.001 per share.

The Certificate authorized the increase of the Company's Preferred Stock from 22,000,000 authorized shares to 22,810,000. The increase was used to restructure the share allocation and to form a new class of Preferred Stock, Class C. The Preferred Stock was divided in three classes: Class A, B and C preferred. The authorized number of Class A preferred has been increased from 10,000,000 to 10,010,000, that of Class B preferred was reduced from 12,000,000 to 2,800,000 and Class C was formed with 10,000,000 authorized shares. All Classes of preferred have a par value of $0.001 per share. The conversion rights of all Preferred Classes were adjusted such that shares of these classes convert to two shares of Class Z common or its equivalent.

Notes to consolidated financial information
(continued)

As of December 31, 2014, the Company had 15,000,000 of Class Y common outstanding, 58,944,641 of Class Z common outstanding, 6,830,102 of Class A preferred outstanding, 2,188,773 of Class B preferred outstanding and no shares of Class C preferred outstanding.

Class Y common stock value: The Company founders contributed intellectual property in exchange for the Class Y common stock. For purposes of establishing capital accounts for tax filings, such contributions were valued at $750 thousand. These assets have been recorded in the accompanying consolidated financial information at their historical basis of zero for financial reporting purposes.

In April 2015, the Company's stockholders approved changes to the Company's share capitalization. The following is a list of the key changes to the Company's authorized share capital:

1) All outstanding shares of Classes A, B, Y and Z were converted into 111,509,706 shares of one class of the Company's Common Stock and all outstanding warrants and options were amended to be exercisable for 2,902,401 shares of the Company's Common Stock.

2) The Company's share capitalization has been changed such that the Company is authorized to issue one class of stock to be designated Common Stock and one class of stock to be designated Preferred Stock. The total number of shares of Common Stock that the Company is authorized to issue is 300,000,000 shares at a par value of $0.001 per share, and the total number of shares of Preferred Stock that is authorized to issue is 30,000,000 shares at a par value of $0.001 per share.

As of December 31, 2015, the Company had 150,878,815 shares of Common Stock outstanding and no shares of Preferred Stock outstanding.

2015 Equity incentive plan
In April 2015, the Company adopted the Verseon Corporation 2015 Equity Incentive Plan (the "2015 Plan"). The 2015 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, cash-based awards and other stock-based awards to non-employee directors, officers, employees, advisors, consultants and independent contractors. An aggregate of 15,000,000 shares of Common Stock is available for grant pursuant to awards under the 2015 Plan. The 2015 Plan contains a provision that provides annual increases in the number of Common Stock available for delivery pursuant to awards on each January 1st beginning January 1, 2016, and ending on (and including) January 1, 2025. Such annual increase equals to 2% of the total shares of Common Stock outstanding on December 31st of the preceding calendar year; provided that the Board decides, prior to the first day of any calendar year, that there will be no increase or a lesser increase for such calendar year. In September 2015, the plan was amended to limit the annual increase of ISO shares available for grant to a maximum of 3,000,000 shares. As of December 31, 2015, a total of 13,927,334 shares were available for grant under the 2015 Plan.

Loan receivable from stockholders
The Company issued promissory notes to employees and consultants to purchase shares of the Company's stock and recorded them as "Loan receivable from stockholders." In December 2014, the founders of the Company exercised options for a combined total of 47,000,000 shares of Class Z Common Stock at $0.25 per share for a total value of $11.8 million, exercised 45,270 of Class B warrants and 21,052 of Class A warrants for $0.1 million and $20 thousand, respectively. The purchases were financed through secured promissory notes issued by the Company in an amount totaling $11. 8 million. In January and February 2015, the Company accepted promissory notes in an aggregate principal amount of $0.1 million from certain of its employees, officers and directors in exchange for a loan, each of which was full recourse and secured by a pledge of shares of Class Z Common Stock purchased by the promissory note issuer with the proceeds of the loan under a pledge and security agreement. Each promissory note was issued in the same form, the principal sum of which is payable by the issuer at a rate of 2.1% per annum, compounded annually, on the unpaid balance of the principal sum. Principal and interest are due on the earlier of the (i) nine year anniversary of the date of issuance and (ii) the sale, transfer or assignment of the pledged collateral. The residual 44,500 shares of Class Z Common Stock related to the

Notes to consolidated financial information
(continued)

exercise of previously granted options were issued for an aggregate cash consideration of $7 thousand. Total loan receivable from stockholders at December 31, 2015 and 2014 were $14.5 million and $14.1 million, respectively.

Stock subscription money
In 2006, VIPL issued 1,578,947 shares to investors ("VIPL Investors") who purchased non-cumulative convertible Preference Shares in the subsidiary. VIPL Investors had an Exchange agreement with the Company to swap VIPL shares for Company shares; the Exchange agreement has since expired. VIPL has been dormant since 2009 and the cash paid by VIPL Investors is recorded as a stock subscription in the accompanying consolidated financial statements. Subsequently, in April 2015, the Company entered into an agreement with the VIPL investors in which the Company issued 3,157,894 shares of Class Z Common Stock to the investor in exchange for the termination of certain past obligations of the Company and the waiver of certain rights held by such investor. All shares of the Class Z Common Stock were converted into shares of Common Stock in April 2015.

14. Restricted Stock Units (RSUs)

In 2015, the Company began issuing RSUs to certain employees and consultants under the 2015 Plan. The RSUs are valued at the closing price of the Company's Common Stock on the date of grant. The restricted stock unit activity for the year ended December 31, 2015 is summarized as follows:

	Shares	Weighted Average Grant Date Fair Value Per Share ($)
Awarded and unvested at December 31, 2014	—	—
Granted	105,291	3.43
Vested	(26,644)	(3.47)
Awarded and unvested at December 31, 2015	78,647	3.41

As of December 31, 2015, there was $0.2 million of unrecognized compensation expense associated with unvested RSUs, which is expected to be recognized over a weighted-average period of 3.49 years.

15. Warrants

In April 2015, all outstanding warrants were amended to be exercisable for shares of the Company's Common Stock from Class A and Class B Preferred Stock as well as Class Z Common Stock. There was no Class C Preferred Stock outstanding. The Company issued common warrants to purchase a total of 1,908,969 shares of Common Stock for $6.8 million in 2015. The common warrants have a weighted average exercise price of $3.59 per share and the majority of the warrants expire in 2020. The weighted average fair value of each share under the common warrants was $1.30 at the date of the grants.

In 2014, the Company did not issue any preferred A or C warrants to purchase either Preferred Class A or C shares of the Company. The Company issued common Z warrants to purchase 256,900 common Z shares for $64 thousand and issued preferred B warrants to purchase 170,174 preferred Class B shares for $0.4 million. The common Class Z warrants had a weighted average exercise price of $0.25 and the majority of the warrants expire in 2019. The preferred B warrants had a weighted average exercise price of $2.54 and the majority expire during the calendar year 2019.

The fair value of each share under the common Z warrants was $0.25 at the date of the grants and the fair value of each share under Preferred B warrants was $2.54 at the date of the grants. An amount of $0.1 million was recorded as of December 31, 2014 as stock based compensation expense that was determined using the Black-Scholes option pricing model.

Notes to consolidated financial information
(continued)

In December 2014, 45,762 Class B Preferred Stock warrants were exercised via promissory notes in the amount of $0.1 million and cash consideration of $1 thousand. In addition, 21,052 Class A Preferred Stock warrants were exercised via promissory notes in the amount of $20 thousand.

For details of the variables used by the Company in the Black-Scholes warrant pricing model for the period ended December 31, 2015 and 2014, see the following table:

	December 31, 2015	December 31, 2014
Expected volatility (%)	50–75%	75%
Expected dividend yields (%)	0%	0%
Expected risk free interest rate (%)	0.9–1.7%	1.65%
Expected life of warrants (years)	3-5	5

The following is a summary of the status of all of the Company's stock warrants issued related to debt (Note 6) and third party contractors as of December 31, 2015 and December 31, 2014 and changes that occurred during each time period:

	Number of Common Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2014	—	—	—
Granted	1,908,969	3.59	4.92
Exercised	(3,256)	0.25	—
Cancelled	(15,000)	3.36	—
Outstanding at December 31, 2015	**1,890,713**	**3.59**	**4.30**
Exercisable at December 31, 2015	**1,590,713**	**3.64**	**4.27**

	Number of Common Z Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**1,879,051**	**0.08**	**6.21**
Granted	256,900	0.25	4.95
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**2,135,951**	**0.10**	**3.78**
Granted	—	—	—
Exercised	(1,401,708)	0.08	—
Cancelled	(1,583)	0.04	—
Exercisable at December 31, 2015	**732,660**	**0.14**	**2.28**

Notes to consolidated financial information
(continued)

	Number of Preferred A Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**42,104**	**0.95**	**8.10**
Granted	—	—	—
Exercised	(21,052)	0.95	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**21,052**	**0.95**	**7.21**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**21,052**	**0.95**	**6.21**

	Number of Preferred B Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**477,128**	**2.54**	**0.46**
Granted	170,174	2.54	4.53
Exercised	(45,762)	2.54	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**601,540**	**2.54**	**2.55**
Granted	—	—	—
Exercised	(383,671)	2.54	—
Cancelled	(146,567)	2.54	—
Exercisable at December 31, 2015	**71,302**	**2.54**	**2.37**

Nirog

For the year ended December 31, 2015, Nirog did not issue any warrants. For the year ended December 31, 2014, Nirog did not issue common Z warrants, preferred A warrants, preferred B1 warrants or preferred B2 warrants. However, in 2014, Nirog issued preferred C1 warrants to purchase 81,664 units of Nirog's preferred Class C1 unit for $73 thousand and issued preferred C2 warrants to purchase 5,250 shares of Nirog's preferred Class C2 unit for $5 thousand. The preferred C1 warrants had a weighted average exercise price of $0.90 and the majority expire during the year 2019. The preferred C2 warrants had a weighted average exercise price of $1.00 and expire during the year 2019.

The fair value of each share under the Preferred C1 warrants and Preferred C2 warrants were $0.90 and $1.00, respectively, at the date of the grants in 2014. An amount of $25 thousand was recorded in 2014 as stock based compensation expense that was determined using the Black-Scholes option pricing model.

Notes to consolidated financial information
(continued)

For details of the variables used by Nirog in the Black-Scholes warrant pricing model for the years December 31, 2015 and 2014, see the following table:

	December 31, 2015	December 31, 2014
Expected Volatility (%)	*	75%
Expected Dividend Yields (%)	*	0%
Expected Risk Free Interest Rate (%)	*	1.65%
Expected Life of Warrants (Years)	*	5

*no warrant was granted in 2015

The following is a summary of the status of all of Nirog's unit warrants issued related to debt (Note 6) and third party contractors as of December 31, 2015 and December 31, 2014 and changes that occurred during each time period:

	Number of common Z Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2013	**750**	**0.07**	**1.47**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**750**	**0.07**	**0.47**
Granted	—	—	—
Exercised	(750)	0.07	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**—**	**—**	**—**

Notes to consolidated financial information
(continued)

	Number of Preferred A Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**45,044**	**0.33**	**1.58**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**45,044**	**0.33**	**1.58**
Granted	—	—	—
Exercised	(45,044)	0.33	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**—**	**—**	**—**

	Number of Preferred B1 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**97,500**	**0.50**	**4.24**
Granted	—	—	—
Exercised	(97,500)	0.50	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**—**	**—**	**—**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**—**	**—**	**—**

Notes to consolidated financial information
(continued)

	Number of Preferred B2 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**91,539**	**0.80**	**3.52**
Granted	—	—	—
Exercised	(27,562)	0.80	—
Cancelled	(6,250)	0.80	—
Outstanding at December 31, 2014	**57,727**	**0.80**	2.55
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**57,727**	0.80	1.55

	Number of Preferred C1 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**27,714**	**0.90**	**4.90**
Granted	81,664	0.90	4.41
Exercised	(7,250)	0.90	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**102,128**	**0.90**	**4.12**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**102,128**	**0.90**	**3.12**

Notes to consolidated financial information
(continued)

	Number of Preferred C2 Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2013	—	—	—
Granted	5,250	1.00	4.60
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2014	**5,250**	**1.00**	**4.35**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2015	**5,250**	**1.00**	**3.35**

16. Stock options and stock grants

Verseon

In April 2015, all outstanding class Z stock options were amended to be exercisable for shares of the Company's Common Stock from Class Z Common Stock. The Company granted Common Stock options to purchase a total of 1,516,375 shares of Common Stock under the 2005 Plan for $5.2 million in 2015 and all of these stock options expire in 2025. The weighted average grant date fair value of Common Stock options was $1.68 per share.

In November 2014, the Board of Directors increased the shares available for issuance under the Company's 2007 Stock Option Plan, including any granted but unexercised options, to 20,652,573 shares of Class Z stock. In addition, the Board allocated 40,400,000 shares for grant outside the Stock Option Plan to individuals and entities that qualify under securities exemptions afforded by US SEC Regulation D.

Notes to consolidated financial information
(continued)

The activity in the Company's option grants during the years 2014 and 2015, are set out in the table below.

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2013	**3,310,313**	**0.15**	**6.52**
Granted	55,289,612	0.25	9.66
Exercised	(56,126,998)	0.25	—
Cancelled	(1,524,199)	0.19	—
Outstanding at December 31, 2014	**948,728**	**0.09**	**5.78**
Granted	1,516,375	3.44	10.00
Exercised	(309,380)	0.15	—
Cancelled	(638,348)	2.96	—
Outstanding at December 31, 2015	**1,517,375**	**2.29**	**9.37**
Exercisable at December 31, 2015	**220,792**	**0.35**	**8.56**

An amount of $1.4millon and $4.2 million, respectively, was recorded in 2015 and 2014 as stock based compensation expense that was determined using the Black-Scholes option pricing model with appropriate expected life for employees and consultants.

For details of the variables used by the Company in the Black-Scholes option pricing model for the years December 31, 2015, and 2014, see the following table:

	December 31 2015	December 31. 2014
Expected Volatility (%)	50–75%	75%
Expected Dividend Yields (%)	0%	0%
Expected Risk Free Interest Rate (%)	1.4–1.9%	1.1–2.0%
Expected Life of Options (Years)	5-6	3-6

Nirog
In December 2014, the Board of Directors increased the shares available for issuance under the Nirog Unit Option Plan, to allow for the grant of up to 4,900,000 Class Z units to its employees, consultants and directors of which 4,869,333 have been granted and exercised. As of December 31, 2015, there were 30,667 unit options available for grant. The Nirog Unit Option Plan provides for both incentive and non-qualified unit options. Unit option grants generally vest over a two-year period from the unit option grant date. The activity in Nirog's unit option plan during the years 2014 and 2015 are set out in the table below.

Notes to consolidated financial information
(continued)

	Number of Options	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2013	**245,000**	**0.08**	**9.22**
Granted	2,655,000	0.10	9.66
Exercised	(945,000)	0.10	—
Cancelled	(30,000)	0.05	—
Outstanding at December 31, 2014	**1,925,000**	**0.10**	**9.91**
Granted	—	—	—
Exercised	(1,925,000)	0.10	—
Cancelled	—	—	—
Outstanding at December 31, 2015	**—**	**—**	**—**

Nirog did not grant any stock option in 2015. In the year ended December 31 2014, Nirog granted 2,655,000 options to Directors of Nirog and to other individuals with various vesting terms with a weighted average exercise price of $0.10 per share with term of ten years. An amount of $0.1 million was recorded in 2014 as a unit based compensation expense that was determined using the Black-Scholes option pricing model with appropriate expected life for employees and consultants. For details of the variables used by Nirog in the Black-Scholes option pricing model for the he years December 31, 2015 and 2014, see the following table:

	December 31, 2015	December 31, 2014
Expected volatility (%)	*	75%
Expected dividend yields (%)	*	0%
Expected risk free interest rate (%)	*	1.65–2.0%
Expected life of options (years)	*	5-6

*no warrant was granted in 2015

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