Verseon

Annual Report and Accounts 2014

Contents

Highlights

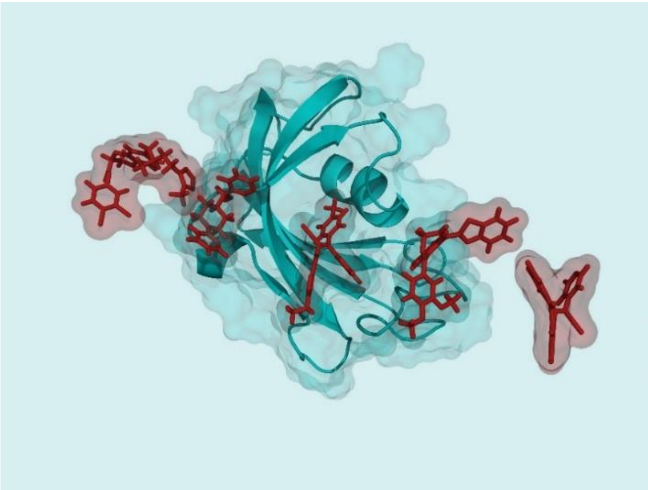
Strategic highlights

Verseon completed a £65.8 million ($100 million) Initial Public Offering (IPO) through a Placing of its common shares on the Alternative Investment Market (AIM) of the London Stock Exchange.

Net proceeds from the Placing are intended for advancing current drug programs, expanding the Company's drug development pipeline into additional disease indications, and continuing the development of the Company's drug discovery platform.

The Company's drug discovery programs continue to advance:

- Anticoagulation: Potential first-in-class oral anticoagulants for various cardiovascular indications with novel pharmacology.
- Diabetic macular edema: Potent kallikrein inhibitors for the treatment of diabetic macular edema that could potentially be delivered via topical eye drops.
- Oncology: Novel angiogenesis inhibitors for the treatment of solid organ tumors.



Financial highlights

Fundraising activities

- Post period, in May 2015, the Company raised £65.8 million ($100 million), before expenses, by issuing 32,569,047 Placing Shares at a price of 202p in an IPO on AIM.

Equity structure

- As of December 31, 2014, the Company had two classes of common stock and three classes of preferred stock.
- Immediately prior to the IPO, all classes of preferred and common stock converted to one class of common stock.
- The total number of common shares outstanding is 150,668,383 as of the date of this report.
- As of December 31, 2014, the Company held 32.2% in the Company's anticoagulation program subsidiary, Nirog Therapeutics LLC. The Company currently holds 70.89% of Nirog.

Results

- Research and development expenses for FY 2014 were $3.468 million, an increase of $2.163 million from the previous period.
- Costs for 2014 include a share based payments charge of $4.242 million compared to $145,000 in 2013.
- Capital expenditures for FY 2014 were $255,000, an increase of $19,000 from previous period.
- Net loss for FY 2014 was $8.085 million or $0.26 per basic share, compared to a net loss for 2013 of $2.802 million or $0.12 per basic share.

Chairman's statement

We believe that our drug discovery process could change the pharmaceutical industry

The pharmaceutical industry spends over $100 billion per year on research and development, yet the number of small molecule drugs coming to market continues to decline. Limited innovation and me-too drugs are a sign that conventional approaches are failing. Traditional drug discovery involves inefficient trial-and-error testing of a disease-causing protein against a library of pre-made chemicals stored in the laboratory. This process is characterized by high costs and high failure rates.

Thanks to improvements in integrated circuit technology, commonly referred to as Moore's Law, computers have become essential in driving product design in various industries. Today, most projects are simulated and refined in a virtual environment before major development and investment in physical construction and manufacturing is ever made.

For example, decades ago, early airplane prototypes were exhaustively tested in enormous wind tunnels. Today, computer simulations have sufficient accuracy to replace costly wind tunnel testing and even first flights to the last stages of design. Millions of people each day entrust their lives to airplanes that were conceived, engineered, and tested inside a computer. We believe drug discovery is next.

At Verseon, computers drive the drug discovery process. Using our unique molecular modeling technology, we can design hundreds of millions of novel, drug-like compounds and test them against protein targets on the computer. We believe that our innovative approach to drug design represents the future of the pharmaceutical industry.

Thomas A. Hecht, PhD
Chairman of the Board

Chief Executive's statement

From its inception, Verseon has taken a different approach to drug discovery

From its inception, Verseon has taken a different approach to drug discovery. We gathered a world-class team of scientists and focused on fundamental science. We used computers, not as support, but to drive and improve the design process. We encouraged risk-taking and bold ideas. And we worked hard.

Our work resulted in a proprietary platform that allows us to systematically design, synthesize, and physically test multiple, high-quality drug candidates per program, reducing the high failure rate that plagues the rest of the pharmaceutical industry. Using our platform, we have already built a pipeline of novel drug candidates in three high-value therapeutic areas.

On May 7, 2015, we had our Initial Public Offering and admission to the Alternative Investment Market (AIM) of the London Stock Exchange. The AIM market allowed us to attract long-term investors whose outlook fits with our vision of growth. We are using the net proceeds of our IPO to advance our current drug programs, continue to develop our drug discovery platform, and push our drug development pipeline into additional disease indications. We intend to expand our diverse portfolio of drug programs, each with multiple drug candidates, to further diffuse risk.

We want to thank and welcome our new investors and are grateful to our early investors who have supported us for many years. We also want to thank our Scientific Advisory Board and our Board of Directors. Their broad and relevant experience and dedication are invaluable.

We all rely on modern medicine to keep us living healthier, longer lives. At Verseon, the opportunity to make a difference in people's lives through new and innovative medicines is what drives us to succeed.

Adityo Prakash
Chief Executive Officer

Business review

What we do

We are a pharmaceutical company using our proprietary computational platform to build a growing drug pipeline.

How our platform works

Our computational platform, developed entirely in-house, is capable of modeling drug-protein binding at the level of accuracy necessary for effective drug discovery. Using our platform, we systematically design and evaluate novel drug molecule families that are unlikely to be found using conventional methods. The most promising molecules are subjected to a series of *in vitro* and *in vivo* tests in our laboratory. The most suitable candidates can then be selected for clinical testing.

Exploring a vast chemical space of molecules
We explore a large virtual chemical space of novel, chemically diverse, and synthesizable molecules for each of our drug programs. Whereas the physical small molecule libraries of traditional pharmaceutical companies are no larger in total than four to six million distinct compounds, our algorithms are capable of generating hundreds of millions of novel molecule designs on demand.

Choosing the best molecules from this chemical space
The vast molecule libraries we generate are computationally screened for binding affinity against a set of target proteins selected specifically for each drug program. Drug molecules typically treat an illness by attaching to a specific protein, changing its function and thereby affecting a medical condition. To predict how well a molecule binds to a target protein, our platform achieves unparalleled accuracy and speed by leveraging numerous proprietary advancements in physics-based modeling of protein-drug interactions.

When a molecule design shows the potential to favorably bind with the selected protein target, we use our platform to generate and evaluate numerous similar molecule designs. In this process, we obtain hundreds of high-quality, custom-designed prospective drug compounds. In addition to drug-protein binding, the molecules we design are further fine-tuned to provide additional properties or features we desire for each program. The resulting compounds are highly valuable and represent novel chemical matter.

Testing these molecules in our laboratory
The best candidates selected by our molecule modeling process are then synthesized and tested in our laboratory using a series of *in vitro* and *in vivo* tests. Because we start each program with hundreds of drug candidates, we can apply strict criteria at this phase in order to retain only the highest quality drug candidates for further refinement.

Our process also investigates variations of our best drug candidates with computational screening and subsequent laboratory verification. After passing several optimization cycles, multiple candidates for each program are prepared for entry into pre-clinical studies and further clinical development.

Sending multiple drug candidates to the clinic
We expect to substantially reduce risk for each of our drug programs by sending multiple, high-quality drug candidates into clinical development.

Business review
(continued)

Drug programs

Our current drug development efforts include

- Anticoagulation
- Diabetic macular edema
- Oncology

Anticoagulation
Our most advanced program involves the development of novel oral anticoagulants for the prophylactic treatment of cardiovascular disorders such as stroke prevention for atrial fibrillation, venous thromboembolism (including deep vein thrombosis and pulmonary embolism) and acute coronary syndrome.

In recent years, a number of novel oral anticoagulants (NOACs) such as Pradaxa™, Xarelto™ and Eliquis™ have been developed with the goal of replacing warfarin, which had dominated the market for decades. The global market for NOACs was $3.89 billion in 2013 and is expected to increase steadily with the total global anticoagulant market forecast to pass $24 billion by 2019. However, existing NOACs suffer from serious side effects due, in large part, to associated risks of major bleeding.

Our anticoagulant candidates have demonstrated successful proof-of-concept in preclinical efficacy studies and demonstrate a reduced risk of major bleeding relative to existing anticoagulants. Our candidates also have good pharmacokinetics profiles with suitable half-life and bioavailability for oral dosing.

Diabetic macular edema (DME)
Our second program involves the development of novel therapeutics for the treatment of diabetic macular edema, a major cause of blindness in diabetics.

Conventional therapies are re-purposed cancer drugs that treat downstream symptoms of DME via anti-angiogenesis (suppression of undesired blood vessel growth), but require regular injection directly into the eye. Despite this, two such therapies currently dominate the majority of the global market for DME, which was approximately $3 billion in 2009 and is expected to grow to $6.9 billion by 2017.

Unlike conventional therapies, our approach is to develop small molecule inhibitors of plasma kallikrein, a target protein that is believed to play an important role in the DME disease pathway. In addition, our focus is on compounds that that can be topically administered as eye drops. Several other companies are also pursuing plasma kallikrein inhibitors for DME treatment but, unlike Verseon's drug candidates, must be injected into the eye.

Verseon's DME candidates are potent in both *in vitro* and functional assays and possess sufficient transcorneal permeability and other chemical properties that indicate substantial progress towards our goals. We expect that an eye drop treatment for DME will be desirable because it will be simpler, less toxic, and less invasive.

Oncology
Our third program involves the development of novel angiogenesis inhibitors (AGIs) for the treatment of solid organ tumors.

Currently, AGIs are an important part of a variety of cancer treatments and represent a significant share of the global oncology market, which is expected to reach over $100 billion per year by 2020.

Conventional AGIs target vascular endothelial growth factor (VEGF) or other growth-related kinases to restrict blood flow into a solid tumor and reduce its supply of nutrients. These drugs are often combined with other anticancer agents in a treatment protocol. However, experience has shown that conventional AGIs have serious side effects and frequently fail to prevent cancer progression once cancer cells develop resistance to these agents.

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 effective doses. Laboratory testing also shows that our AGIs do not inhibit VEGF or other growth-related kinases typically involved in angiogenesis, distinguishing them from conventional AGIs.

Future programs
We are evaluating additional areas of drug development in order to expand our drug pipeline. Future discovery programs are evaluated based on:

- Large unmet medical need
- Available target protein structure
- Advantageous preclinical and clinical endpoints
- Significant market opportunity

Finance Review

Initial public offering

In May 2015, the Company issued 32,569,047 Placing Shares for £2.02 and raised £65.8 million ($100 million) before expenses.

The shares are now traded on the AIM market of the London Stock Exchange, under the symbol VSN.

The proceeds will be used to support and expand the Company's drug design and development operations.

Capital structure

In March 2014, Long-Term Convertible notes were converted into Class B preferred shares.

In May 2015, before the IPO, the capital structure of the Company was simplified. All outstanding shares of Classes A, B, Y and Z were converted into one class of Common Shares.

In May and June 2015, certain options and warrants issued prior to the IPO were exercised by their holders.

The total number of Common Shares currently outstanding is 150,668,383.

Anticoagulant program subsidiary

At the end of FY2014, the Company owned 32% of the anticoagulant program subsidiary, Nirog.

As a result of share exchange agreements executed in March and April 2015, the Company's interest in the subsidiary increased to 70.89%.

Net result

In 2014 and 2015, the Company continued funding its drug development activities and advancing its three drug development programs.

Research and development expenses for FY 2014 were $3.468 million, an increase of $2.163 million from FY2013.

Administrative expenses for FY 2014 were $4.401 million, an increase of $3.463 million from the previous period.

Capital expenditures for FY 2014 were $255,000, an increase of $19,000 from FY2013.

In Q4 2014, the company incurred a non-cash charge of $4.242 million for the grant and exercise of incentive options and warrants.

The net US GAAP outcome of operations was a net loss for FY 2014 of $8.085 million or $0.26 per basic share. Without the non-cash expense, FY2014 net loss would have been $3.843 million or $0.13 per basic share.

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 and could act to delay projects.

The Company is relying on its ability to find, attract, and retain employees.

Despite its intense efforts, the Company cannot be certain that its current or future drug development efforts will result in drug candidates that secure revenue agreements with prospective business partners or progress through human trials.

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.

Risks related to currency fluctuations

Common Shares are 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.

Risk related to the company's securities

Common Shares are not registered under the US Securities Act and, as such, restrict US purchasers of Common Shares.

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.

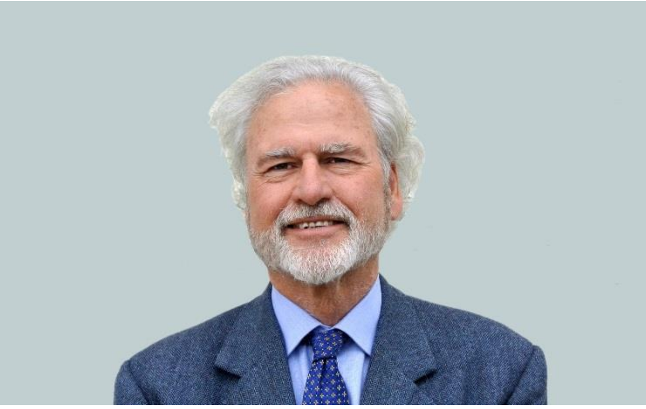
Board of Directors

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.

Board of Directors
(continued)

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.

Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2014.

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

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

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

This report was approved by the Board on June 29, 2015.

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. Notwithstanding the fact that companies that have securities traded on AIM are not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council, the directors recognize the importance of good governance and will comply with the provisions of the Corporate Governance Guidelines for Smaller 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 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 shareholders

The Board attaches high importance to maintaining good relationships with all shareholders. The Board intends to hold regular meetings with institutional shareholders 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 of the Board

Thomas A. Hecht
Chairman

June 29, 2015

Compensation committee report

Compensation committee

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

The Compensation Committee comprises Alastair Cade, who will act as the Chairman, and Thomas Hecht. The Compensation Committee will meet as and when necessary.

The compensation of Non-Executive Directors is fixed by the Board as a whole.

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, pension contributions, and share 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
The Directors serving during the year ended 31 December 2014 were Adityo Prakash, Eniko Fodor, and Pratap Kondamoori. During this period the company was a private company and as such further disclosure of the compensation of directors has not been provided. Dr. Hecht and Messrs. Wickersham and Cade were all appointed subsequent to 31 December 2014, immediately prior to the IPO. Details of the compensation of directors subsequent to the IPO have been provided in the AIM Admission Document.

Directors' Interests

The Directors who held office at the date of this report had the following beneficial interests in the common share capital of the Company at the date of this report:

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

*Beneficial ownership together with Chaka Investments UK Limited

On behalf of the Compensation Committee

Alastair Cade
Chairman, Compensation Committee

June 29, 2015

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 will review the independence and objectivity of the external auditor each year. The Committee will review the adequacy of the Company's internal controls, accounting policies, and financial reporting and provide a forum through which the Company's external auditor reports to the Non-Executive Directors.

Membership and meetings

The Audit Committee was formed immediately prior to the IPO and comprises Grover Wickersham, who will act as chairman, Thomas Hecht, and Alastair Cade. The Committee has specific terms of reference that deal with its authority and duties. It will meet 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

June 29, 2015

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 2014 which comprise the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of cash flows, the consolidated statement of changes in stockholders' deficit, and the related notes A to E. 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 engagement letter dated 9 June 2015 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 independent auditors' 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 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 on page 14, 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 Company's affairs as of 31 December 2014 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
June 29, 2015

Consolidated balance sheets

	Note	December 31, 2104 US $'000	December 31, 2013 US $'000
Assets			
Current assets			
Cash and cash equivalents		17	13
Prepaid expenses and other current assets	1	29	16
Total current assets		**46**	**29**
Property and equipment, net	2	82	86
Total assets		**128**	**115**
Liabilities and stockholder's deficit			
Current liabilities:			
Accounts payable		327	510
Accrued liabilities	4	2,101	4,147
Short Term Portion of Long Term Debt		25	—
Total current liabilities		**2,453**	**4,657**
Long-term debt	5	2,016	5,034
Total liabilities		**4,469**	**9,691**
Commitments and contingencies	11		
Stockholders' deficit			
Preferred Stock Series A, par value of $0.001, 10,010,000 shares authorized, 6,830,102 and 6,809,050, shares issued and outstanding as of December 31, 2014, and 2013, respectively		6,477	6,457
Preferred Stock Series B, par value of $0.001, 2,800,000 shares authorized, 2,188,773, and 45,274 shares issued and outstanding as of December 31, 2014, and 2013 respectively		5,832	115
Preferred Stock Series C, par value of $0.001, 10,000,000 shares authorized, 0, and 0 shares issued and outstanding as of December 31, 2014 and 2013, respectively		—	—
Common Stock Class Y, par value of $0.001, 15,000,000 shares authorized, 15,000,000 shares issued and outstanding as of December 31, 2014, and 2013, respectively		—	—
Common Stock Class Z, par value of $0.001, 141,000,000 shares authorized, 58,944,641, and 2,417,643, shares issued and outstanding as of December 31, 2014 and 2013, respectively		14,261	265
Stock subscription money	12	3,073	3,073
Additional paid-in-capital		4,986	744
Loan receivable from shareholders	10	(14,133)	(62)
Accumulated deficit		(33,555)	(25,470)
Total Stockholders' Deficit		**(13,059)**	**(14,878)**
Non-controlling interest in subsidiaries (NCI)	3	8,718	5,302
Total deficit		**(4,341)**	**(9,576)**
Total liabilities and stockholders' deficit		**128**	**115**

See accompanying notes to consolidated financial statements.

These financial statements were approved by the Board of Directors on June 29, 2015 and signed on its behalf by:

Adityo Prakash
Chief Executive Officer

Consolidated statement of operations

For the years ended December 31, 2014 and December 31, 2013

	Note	2014 US $'000	2013 US $'000
Revenues			
Revenue		—	158
Operating expenses			—
Research & Development		3,468	1,305
General and Administrative Expenses		4,401	938
Total Operating Expenses		7,869	2,243
Operating loss		**(7,869)**	**(2,085)**
Interest Expense, net		309	797
Loss from continuing operations, before income taxes		**(8,178)**	**(2,882)**
Income tax provision	6	—	—
Net Loss		**(8,178)**	**(2,882)**
Net loss attributable to non-controlling interests (NCI) in subsidiaries		93	80
Net loss attributable to Verseon Corporation		**(8,085)**	**(2,802)**
Net loss per share	7	—	—
Basic		(0.26)	(0.12)
Diluted		(0.26)	(0.12)
Weighted average number of shares outstanding			
Basic		30,738,451	24,271,967
Diluted		30,738,451	24,271,967

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2014 and December 31, 2013

	2014 US $'000	2013 US $'000
Cash flows from Operating Activities:		
Net Loss	(8,178)	(2,882)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	24	13
Stock-Based Compensation Expense	4,298	145
Changes in Asset / Liabilities		
Increase in Prepaid & Other Current Assets	(13)	(6)
Decrease in Accounts Payable	(183)	(132)
Increase in Accrued Liabilities	603	886
Net Cash used in Operating Activities	**(3,449)**	**(1,976)**
Cash flows from Investing Activities:		
Purchase of property and equipment	(20)	(91)
Net Cash used in Investing Activities	**(20)**	**(91)**
Cash flows from Financing Activities:		
Proceeds from Sale of Common Shares	3	9
Proceeds from Sale of Preferred Shares	1	—
Proceeds from Sale of Equity in Nirog	2,992	1,866
Increase in Short-Term Notes	25	—
Increase in Loan receivables	1	—
Proceeds from Issuance of Debt	451	188
Net Cash provided by Financing Activities	**3,473**	**2,063**
Change in cash and cash equivalents during the period	**4**	**(4)**
Cash and cash equivalents at the beginning of the period	**13**	**17**
Cash and cash equivalents at the end of the period	**17**	**13**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2014 and December 31, 2013 (continued)

	Notes	For the Year Ended December 31, 2014 US $'000	For the Year Ended December 31, 2013 US $'000
Supplemental Disclosure of Non-Cash Investing and Financing Activity			
Accrued interest converted to Preferred Stock Series B	5	(2,649)	—
Issuance of Preferred Shares Series B for long term convertible note-1	5	(1,000)	—
Issuance of Preferred Shares Series B for long term convertible note-2	5	(1,952)	—
Conversion of convertible notes to Preferred Stock Series B	5	5,601	—
Issuance of Common and Preferred Stock for loan receivable from shareholder	10,12	14,071	—
Loan receivable form shareholder(s) for Company Stock	10,12	(14,071)	—
Conversion of Nirog Long Term Convertible Notes to Preferred Stock	5	517	—
Issuance of Nirog Preferred Stock Series C2 for long-term convertible notes – 4	5	(517)	—

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in stockholders' deficit

For the years ended December 31, 2014 and December 31, 2013

	Class A Preferred Stock		Class B Preferred Stock		Class Y Common Stock		Class Z Common Stock	
	Shares	US$'000	Shares	US$'000	Shares	US$'000	Shares	US$'000
January 1, 2013	**6,809,050**	**6,457**	**45,274**	**115**	**15,000,000**	**0**	**2,361,143**	**256**
Issuance of stock	—	—	—	—	—	—	56,500	9
Issuance of Loans to Shareholder(s)	—	—	—	—	—	—	—	—
Stock-Based Compensation Expense	—	—	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Other comprehensive income attributable to NCI	—	—	—	—	—	—	—	—
December 31, 2013	**6,809,050**	**6,457**	**45,274**	**115**	**15,000,000**	**0**	**2,417,643**	**265**
Preferred Stock issuance	21,052	20	2,143,499	5,717	—	—	—	—
Common stock issuance	—	—	—	—	—	—	56,526,998	13,996
	—	—	—	—	—	—	—	—
Stock-Based Compensation Expense	—	—	—	—	—	—	—	—
Investment in Nirog	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Other comprehensive income attributable to NCI	—	—	—	—	—	—	—	—
December 31, 2014	**6,830,102**	**6,477**	**2,188,733**	**5,832**	**15,000,000**	**0**	**58,944,641**	**14,261**

Consolidated statement of changes in stockholders' deficit

For the years ended December 31, 2014 and December 31, 2013 (continued)

Non-controlling Interest	Stock Subscription Money	Additional Paid-in Capital	Receivable From Shareholder(s)	Accumulated deficit	Total Stockholders' Deficit	Total Stock Outstanding
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	
3,516	3,073	599	(52)	(22,668)	(8,704)	24,215,467
—	—	—	—	—	9	56,500
—	—	—	(10)	—	(10)	—
—	—	145	—	—	145	—
1,866	—	—	—	—	1,866	—
—	—	—	—	(2,882)	(2,882)	—
(80)	—	—	—	80	-—	—
5,302	3,073	744	(62)	(25,470)	(9,576)	24,271,967
—	—	—	—	—	5,737	—
—	—	—	—	—	13,996	—
—	—	—	(14,071)	—	(14,071)	58,691,549
—	—	4,242	—	—	4,242	—
3,509	—	—	—	—	3,509	—
—	—	—	—	(8,178)	(8,178)	—
(93)	—	—	—	93	—	—
8,718	3,073	4,986	(14,133)	(33,555)	(4,341)	82,963,516

See accompanying notes to consolidated financial statements.

Notes to consolidated financial information

A. Basis of presentation

The financial information included herein, is presented in accordance with generally accepted accounting principles in the United States of America and stated in U.S. dollars, and has been prepared by Verseon Corporation (the "Company" or "Verseon").

B. History and organization of the Company

The Company was incorporated as Verseon LLC on July 18, 2002, in the state of Delaware. In August 2007 the Company reincorporated as a general corporation in the state of Delaware. The Company is headquartered in Fremont, California.

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.

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 & development of the Company's anti-coagulation program and the Company owned 32.2% of Nirog, as of December 31, 2014.

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 and debt 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 7 May 2015 and as such the Company has secured the financing it requires to continue in operational existence for the foreseeable future (see note 15). 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. 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.

D. Summary of significant accounting policies

a. **Basis of preparation and principles of consolidation:** 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 amounts have been eliminated.

Notes to consolidated financial information

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. **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. Normally, a controlling financial interest reflects ownership of a majority of the voting interests. Other factors considered in determining whether a controlling financial interest is held include whether the Company has the power to direct the activities that are most significant to the Company's performance and whether the Company has an obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. Intercompany accounts and transactions have been eliminated.

d. **Revenue Recognition:** The Company has not earned revenue from the sale of its new drug candidates. During 2013, the Company earned revenue from drug testing for an unrelated biotech company. Related to this testing, revenue was 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.

e. **Research and development expenses:** Verseon's research and development expenses include wages, benefits, facilities, supplies, external services and other expenses that are directly related to its research and development operations. Research and development costs are expensed as they occur. When we make payments for research and development services prior to the services being rendered, we record those amounts as prepaid assets on our consolidated balance sheet and we expense them as the services are provided. For the years ended December 31, 2014 and 2013, research and development expenses were $3.5 million and $1.3 million, respectively.

f. **Cash and cash equivalents:** The Company considers investments in highly liquid instruments that are purchased with original maturities, of three months or less to be cash equivalents.

g. **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 & Peripherals	2 years
Communication Equipment	2 years
Lab Equipment	5 years
Office Equipment	5 years
Motor Vehicle	5 years
Test Equipment	5 years
Furniture and Fittings	5 years
Leasehold improvements	Shorter of Lease period or estimated useful life

Notes to consolidated financial information

h. **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 United States is where the Company's main operational unit is located with all of the Company's revenue and 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 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.

i. **Net Loss per share:** In accordance with the provisions of Accounting Standards Codification ("ASC") Topic 260, "Earnings per Share", basic loss per share is computed by dividing net loss attributable to shareholders 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.

j. **Stock-Based Employee Compensation:** The Company accounts for the cost of employee services rendered in exchange for share-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).

k. **Recently Issued Accounting Standards:** In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 is currently in the process of evaluating the impact of adoption of this ASU on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-10, "Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810,

Notes to consolidated financial information

Consolidation", which eliminates development stage entities from certain parts of US GAAP. This guidance permits a company to eliminate the following requirements for development stage companies:

1) present inception-to-date information on the statement of operations and members' equity and cash flows;
2) label the financial statements as those of a development stage entity; disclose a description of the development stage activities in which the entity is engaged; and
3) disclose a description of the development stage activities in which the entity is engaged; and
4) disclose the first year in which the entity is no longer in the development stage.

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 will be effective for periods beginning after December 15, 2015. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

E. Notes to Financial Information

1. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of:

	2014 US$'000	2013 US$'000
Prepaid expenses and other current assets:		
Operating lease(s) related deposits	26	13
Other	3	3
Prepaid expenses and other current assets	**29**	**16**

Notes to consolidated financial information

2. Property and equipment, net

	2014 US$'000	2013 US$'000
Lab Equipment	125	106
Office Equipment	4	4
Furniture and Fittings	126	126
Total	**255**	**236**
Less: Accumulated Depreciation	(173)	(150)
Property and equipment, net	**82**	**86**

Depreciation expense included within General and Administrative expenses aggregated to $24 thousand and $13 thousand for the year ended December 31, 2014 and 2013 respectively.

3. Variable Interest Entity

The Company owned 32.2% of Nirog as of December 31, 2014 and raised proceeds of $3,509 thousand in the period from sales of Nirog shares. Nirog is controlled at the board and management levels by the Company, which results 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. The Company has consolidated Nirog into the Company's financial statements since Nirog's incorporation under the VIE model within ASC Topic 810,"Consolidation".

The Company determined it was the primary beneficiary of Nirog and has consolidated Nirog into the Company's financial statements since its inception on September 23, 2009. As of September 23, 2009, Nirog's assets were of $180 thousand due to initial investments by the founding members. Verseon's portion of that initial investment was $112 thousand.

At the end of 2014 the assets and the liabilities of the VIE not associated with the Company were $nil. The following table shows the assets and liabilities of the VIE that are not associated with the Company:

	2014 US$'000	2013 US$'000
VIE Assets		
Cash	—	—
Total Assets	**—**	**—**
VIE Liabilities		
Accounts Payable	—	43
Long-Term Loan	—	517
Total Liabilities	**—**	**560**

Notes to consolidated financial information

4. Accrued Liabilities

	2014 US$'000	2013 US$'000
Interest Payable	495	2,871
Deferred Compensation	466	457
Legal Services	293	182
Professional Services - Audit	200	—
Vacation Accrual	168	141
Professional Services - Chemistry	149	247
Various Operating Accruals	330	249
Total Accrued Liabilities	**2,101**	**4,147**

5. Long-Term Debt

In September 2007, the Company completed the issuance of a $1.0 million in unsecured convertible note to Godrej Industries, a shareholder of the Company (referred to as "**Long-Term Convertible Note – 1**"), which carried a 13% interest rate. The original due date of the Long Term 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 Long-Term Convertible Note-1 (principal and interest) was converted on March 31, 2014 into 715,668 preferred Class B shares in the Corporation at a price per share of $2.92.

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 $1,019 thousand under the unsecured convertible note (referred to as "**Long-Term Convertible Notes – 2**"). The original due date of the Long-Term 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 Long-Term 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 shares at the rate of 100% of the Company's most recent sale of Class B Preferred shares. Under the terms of the Long-Term Convertible Note s- 2, the various holders were 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 Class B Preferred shares in the Corporation at a share price of $2.54.

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 "**Long-Term 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 Long Term Loans – 3 to adjust repayment terms and extend the repayment date to March 2016.

Notes to consolidated financial information

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 "**Long-Term 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 $451 thousand under the unsecured convertible note (referred to as "**Long-Term Convertible Notes – 5**"). 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 Common warrants, where the number of said warrants shall be determined by dividing 20% of the principal amount of the note with the Company's next equity financing share price. Long- Term Convertible Notes -5 were converted into Common Shares concurrently with the IPO as described in Note 15.

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

	Dec 31, 2014 US$'000	Dec 31, 2013 US$'000
Principal amount of Long-Term Convertible Note – 1	—	1,000
Principal amount of Long-Term Convertible Notes – 2	—	1,952
Principal amount of Long-Term Loans – 3	1,565	1,565
Principal amount of Long-Term Convertible Notes – 4	—	517
Principal amount of Long-Term Convertible Notes – 5	451	—
Total Principal amount of Long-Term Debt	2,016	5,034
Total Long-Term Debt	**2,016**	**5,034**
Interest amount outstanding	593	2,983
Total principal and interest outstanding	**2,609**	**8,017**

6. 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, 2014 and 2013 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, 2014, the Company had federal and state Net Operating Loss ("NOL") carry forwards of approximately $4,960 thousand and $5,435 thousand respectively which expire at various dates through 2034 if not utilized. At December 31, 2014 the Company had federal research credit carryforwards that totaled $512 thousand which expire at various dates through 2034 if not utilized. At December 31, 2014, the balance of gross uncertain tax benefits was $179 thousand. All of the unrecognized tax benefits would, if recognized, reduce the Company's annual effective tax rate. This would impact the timing of effective tax benefit should any of the uncertain tax positions be favorably settled in the future. At December 31, 2014 the Company had state research carryforwards that totaled $nil that may be carried forward until exhausted.

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

Notes to consolidated financial information

principally due to the effect of (i) stock based compensation expenses of $4,242 thousand (2013: $145 thousand) for which there is no associated income tax deduction; (ii) losses in the VIE 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:

	2014 US$'000	2013 US$'000
Deferred Tax Assets:		
Net Operating Loss Carry Forwards	2,013	1,929
R&D Credit Carry Forward	333	320
Depreciation and Amortization	5	5
Accruals and Reserves	255	1
Total Deferred Tax Assets	2,606	2,255
Less Valuation Allowance	(2,606)	(2,255)
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, 2014 and 2013.

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 2014 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.

7. 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:

	2014	2013
Weighted average shares – basic	30,738,451	24,271,967

Notes to consolidated financial information

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

	2014	2013
Net loss attributable to stockholders (US$'000)	(8,085)	(2,882)
Average outstanding shares		
Basic	30,738,451	24,271,967
Diluted *	30,738,451	24,271,967
Net loss per share		
Basic (US$)	(0.26)	(0.12)
Diluted (US$) *	(0.26)	(0.12)

** 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.*

8. 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.

All revenues are attributable to the United States of America.

9. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash and cash equivalents.

The Company does not have a customer concentration risk, as it has only incurred revenue in the fiscal year 2013 and that was from one customer and was a one-time event. By the end of 2013, the customer had paid all invoices to the Company.

All cash and cash equivalents are held in the United States as of December 31, 2014. The cash balances in non-interest bearing accounts held at financial institutions are fully insured by the Federal Deposit Insurance Corporation of America. At times, cash balances may exceed federally insured amounts and potentially subject the Company to a concentration of credit risk. Management believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the credit worthiness and financial viability of the respective financial institutions.

10. Related Party Transactions (see Note 5)

The Company had certain related party transactions which are explained below:

The Company has a convertible note agreement (described in Note 5 as Long-Term Convertible Note – 1) with Godrej Industries, a shareholder in the Company, in the principal amount of $1,000,000. The loan was converted into Class B preferred stock on March 31, 2014.

Notes to consolidated financial information

One of Nirog Therapeutics Board members, Mr. Sabeer Bhatia, has provided funds to the Company in the form of convertible notes, through a Trust. The table below reports the financial changes in the notes from the Sabeer Bhatia Trust. The convertible notes were part of Long Term Convertible Notes – 2 (described in Note 5) and converted into Class B Preferred Shares on March 31, 2014. The second set of convertible notes are the loans described in Note 5 as Long-Term 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, have provided funds to the Company in the form of convertible notes to help support its operations. These convertible notes were part of Long Term Convertible Notes – 2 (described in Note 5) and converted into Class B Preferred Shares on March 31, 2014.

The line item "Loan receivable from shareholders(s)" in the Stockholders' Equity section of the Balance Sheet refers to employees and consultants of the Company who purchased their shares through the issuance of promissory notes by the Company. In December 2014, the founders of the Company exercised options for a combined total of 47,000,000 shares of Class Z common shares at $0.25 per share for a total value of $11,750 thousand, exercised 45,270 of Class B warrants and 21,052 of Class A warrants for $115 thousand and $20 thousand, respectively. The purchases were financed through secured promissory notes issued by the Company in an amount totaling $11.89 million, which is recorded in the "Loan receivable from shareholders".

The table below reports the financial changes due to the related party transactions described above:

	2014 US$'000	2013 US$'000
Godrej Industries	—	1,000
Sabeer Bhatia Trust	—	1,213
Founders	—	222
Loan Receivable from Shareholder(s)	(14,133)	(62)

There are warrants associated with the aforementioned financial transactions. In December 2014 the founders exercised 45,270 of the warrants associated with said transactions. The following table provides the number of warrants associated with each of the related parties:

	2014	2013
Godrej Industries	85,587	85,587
Sabeer Bhatia Trust	210,130	202,060
Founders	4,921	50,191

11. Commitments and contingencies

Operating leases

Rental expense for operating leases amounted to $144 thousand and $116 thousand for the year ended December 31, 2014 and 2013, respectively. All operating leases during the year ended 2013 are in the case of the Lab lease cancellable with a 1 month prior notice before vacating and the Headquarter lease is cancellable at the end of the renewal period (July 31). The Headquarters lease renewals annually and runs from August 1 through July 31. In 2014 the Company moved its lab facilities and the lease is cancellable with a 3 months prior notice.

Notes to consolidated financial information

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

	2014 US$'000	2013 US$'000
Office lease for Headquarters	27	26
Office lease for the Laboratory	30	—
Total obligation	**57**	**26**

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

12. Stockholder's Equity

Common Stock
In November 2014, the shareholders approved an "Amended and Restated Certificate of Incorporation" ("Certificate"). The Certificate authorized the increase of the Company's common shares from 50,000,000 to 156,000,000 shares. The increase in the authorized shares specifically increased the number of authorized Class Z common shares from 35,000,000 to 141,000,000 shares. The common stock is 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 have a par value of $0.001 per share. As of December 31, 2014, and December 31, 2013 the Company had 15,000,000 of Class Y common outstanding and 58,944,641 and 2,417,643 of Class Z common outstanding, respectively.

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.

Preferred Stock
The Certificate authorized the increase of the Company's preferred shares 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 shares, Class C. The preferred stock is 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 share of these classes converts to two shares of Class Z common or its equivalent. As of December 31, 2014, and December 31, 2013, the Company had 6,830,102 and 6,809,050 of Class A preferred outstanding, 2,188,773 and 45,274 of Class B preferred outstanding and nil of the Class C preferred outstanding, 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 VIPL investors converted their shares into common Z shares, as described in Note 15.

Notes to consolidated financial information

13. Warrants

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 purchase 256,900 common Z shares for $64 thousand and issued preferred B warrants to purchase 170,174 preferred Class B shares for $432 thousand. The common Class Z warrants have a weighted average exercise price of $0.25 and the majority of the warrants expire in 2019. The preferred B warrants have 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 $148 thousand was recorded as of December 31, 2014 as stock based compensation expense that was determined using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 1.65%, a dividend yield of 0% and expected volatility of 75%.

In December 2014, 45,762 Class B Preferred Share warrants were exercised via promissory notes in the amount of $115 thousand and cash consideration of $1 thousand. In addition, 21,052 Class A Preferred Share 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 ending December 31, 2014 and 2013, see the following table:

	December 31, 2014	December 31, 2013
Expected Volatility (%)	75%	75%
Expected Dividend Yields (%)	0%	0%
Expected Risk Free Interest Rate (%)	1.65%	1.75%
Expected Life of Warrants (Years)	5	5

The following is a summary of the status of all of the Company's stock warrants issued related to long-term debt (Note 5) and third party contractors as of December 31, 2014 and December 31, 2013 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, 2012	**1,875,825**	**0.08**	**7.21**
Granted	3,226	0.23	4.68
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**1,879,051**	**0.08**	**6.21**
Granted	256,900	0.25	4.95
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**2,135,951**	**0.10**	**3.78**

Notes to consolidated financial information

	Number of Preferred A Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	**42,104**	**0.95**	**9.10**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**42,104**	**0.95**	**8.10**
Granted	—	—	—
Exercised	(21,052)	0.95	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**21,052**	**0.95**	**7.21**

	Number of Preferred B Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	**441,060**	**2.54**	**1.12**
Granted	36,068	2.54	4.60
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**477,128**	**2.54**	**0.46**
Granted	170,174	2.54	4.53
Exercised	(45,762)	2.54	
Cancelled	—	—	—
Exercisable at December 31, 2014	**601,540**	**2.54**	**2.55**

Nirog

For the year ending December 31, 2014, Nirog did not issue common Z warrants nor preferred A warrants, preferred B1 warrants or preferred B2 warrants. 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 have a weighted average exercise price of $0.90 and the majority expire during the calendar year 2019. The preferred C2 warrants have a weighted average exercise price of $1.00 and expire during the calendar year 2019.

The fair value of each share under the Preferred C1 warrants was $0.90 at the date of the grants and the fair value of each share under the Preferred C2 warrants was $1.00 at the date of the grants. An amount of $25 thousand was recorded as of December 31, 2014 as stock based compensation expense that was determined

Notes to consolidated financial information

using the Black-Scholes option pricing model with an expected life of 5 years, a risk free interest rate of 1.65%, a dividend yield of 0% and expected volatility of 75%.

For details of the variables used by Nirog in the Black-Scholes warrant pricing model for the years December 31, 2014 and 2013, see the following table:

	December 31, 2014	December 31, 2013
Expected Volatility (%)	75%	75%
Expected Dividend Yields (%)	0%	0%
Expected Risk Free Interest Rate (%)	1.65%	1.75%
Expected Life of Warrants (Years)	5	5

The following is a summary of the status of all of Nirog's unit warrants issued related to long-term debt (Note 5) and third party contractors as of December 31, 2014 and December 31, 2013 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, 2012	**750**	**0.07**	**1.47**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**750**	**0.07**	**0.47**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**750**	**0.07**	**0.47**

Notes to consolidated financial information

	Number of Preferred A Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	**105,104**	**0.33**	**1.58**
Granted	—	—	—
Exercised	(37,837)	0.33	—
Cancelled	(22,223)	0.33	—
Outstanding at December 31, 2013	**45,044**	**0.33**	**1.58**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**45,044**	**0.33**	**0.58**

	Number of Preferred B1 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	**97,500**	**0.50**	**4.24**
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**97,500**	**0.50**	**3.24**
Granted	—	—	—
Exercised	**(97,500)**	**0.50**	—
Cancelled	—	—	—
Exercisable at December 31, 2014	—	—	—

Notes to consolidated financial information

	Number of Preferred B2 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	**35,967**	**0.80**	**3.26**
Granted	55,572	0.80	4.34
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**91,539**	**0.80**	**3.52**
Granted	—	—	—
Exercised	(27,562)	0.80	—
Cancelled	(6,250)	0.80	—
Exercisable at December 31, 2014	**57,727**	**0.80**	**2.55**

	Number of Preferred C1 Warrants	Weighted-Average Exercise Price ($)	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2012	—	—	—
Granted	27,714	0.90	4.90
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	**27,714**	**0.90**	**4.90**
Granted	81,664	0.90	4.41
Exercised	(7,250)	0.90	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**102,128**	**0.90**	**4.12**

Notes to consolidated financial information

	Number of Preferred C2 Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2012	—	—	—
Granted	—	—	—
Exercised	—	—	—
Cancelled	—	—	—
Outstanding at December 31, 2013	—	—	—
Granted	5,250	1.00	4.60
Exercised	—	—	—
Cancelled	—	—	—
Exercisable at December 31, 2014	**5,250**	**1.00**	**4.35**

14. Stock Options and Stock Grants

Verseon

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.

The activity in the Company's option grants during the years 2013 and 2014, are set out in the table below.

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2012	**3,278,913**	**0.15**	**7.28**
Granted	124,300	0.25	9.46
Exercised	(56,500)	0.23	—
Cancelled	(36,400)	0.25	—
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	—
Exercisable at December 31, 2014	**948,728**	**0.09**	**5.78**

For the year ended December 31 2014, the Company granted 55,289,612 options to employees and to contractors of the Company with various vesting terms with a weighted average exercise price of $0.25 per share with terms of ten years. As of December 31, 2014, there were 948,728 stock options available for exercise. In 2014 the Company accepted full recourse promissory notes in the amount of $13,937 thousand for purchase of options.

Notes to consolidated financial information

An amount of $3,958 thousand was recorded in 2014 as stock based compensation expense that was determined using the Black-Scholes option pricing model with appropriate expected life for employees and consultants. The other inputs used in the Black- Sholes calculations were determined as follows: the risk free interest rate for the period in question was determined using the treasury constant maturity rate, a dividend yield of 0% and expected volatility of 75% for both employees and consultants.

For details of the variables used by the Company in the Black-Scholes option pricing model for the years December 31, 2014, and 2013, see the following table:

	December 31 2014	**December 31. 2013**
Expected Volatility (%)	75%	75%
Expected Dividend Yields (%)	0%	0%
Expected Risk Free Interest Rate (%)	1.1–2.0%	0.8–2.1%
Expected Life of Options (Years)	3-6	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. Currently, there are 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 2013 and 2014 are set out in the table below.

	Number of Options	**Weighted-Average Exercise Price ($)**	**Weighted-Average Remaining Life (Years)**
Outstanding at December 31, 2012	**120,000**	**0.07**	**8.99**
Granted	145,000	0.09	9.46
Exercised	(20,000)	0.08	—
Cancelled	—	—	—
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**
Exercisable at December 31, 2014	1,925,000	0.10	9.91

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 $136 thousand 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. The other inputs used in the Black- Sholes calculations were determined as follows: the risk free interest rate for the period in question was determined using the treasury constant maturity rate, a dividend yield of 0% and expected volatility of 75% for both employees and consultants. For details of the variables used by

Notes to consolidated financial information

Nirog in the Black-Scholes option pricing model for the he years December 31, 2014 and 2013, see the following table:

	December 31, 2014	December 31, 2013
Expected Volatility (%)	75%	75%
Expected Dividend Yields (%)	0%	0%
Expected Risk Free Interest Rate (%)	1.65–2.0%	2.1%
Expected Life of Options (Years)	5-6	6

15. **Subsequent Events**

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial information through to the date of this document. Except as described below, no other events have occurred that require adjustment to or disclosure in the financial information.

a) In April 2015, prior to admission of the Company's shares for trading on AIM, the Company's shareholders approved changes to the Company's share capitalization. The following is a list of the key changes to the Company's authorized share capital:

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

- 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 par value $0.001 per share, and the total number of shares of Preferred Stock that this Corporation is authorized to issue is 30,000,000, $0.001 par value per share.

b) 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 Common Shares is available for delivery pursuant to awards under the 2015 Plan. The 2015 Plan contains a provision that provides annual increases in the number of Common Shares available for delivery pursuant to awards on each 1 January beginning 1 January 2016, and ending on (and including) 1 January 2025. Such annual increase will equal 2 percent of the total shares of Common Shares outstanding on 31 December of the preceding calendar year; provided, that the Board can decide prior to the first day of any calendar year that there will be no increase, or a lesser increase, for such calendar year.

c) Verseon's common shares commenced trading on the AIM operated by the LSE on 7 May 2015 ("Admission"), following the placement of approximately 32.6 million new Common Shares at a price of 202 pence per share, raising gross proceeds for the Company of approximately US $100 million.

d) The following list of additional changes has occurred to the Company's issued equity, warrants, options and debt:

Notes to consolidated financial information

- From November 2014 through January 2015 the Company issued 6 percent convertible promissory notes (a portion of which, issued in 2014, is listed under Long Term Convertible Notes – 5 above) in the aggregate amount of $1,951 thousand. Pursuant to conversion of said convertible promissory notes 635,418 Common Shares were issued upon Admission. The notes have warrants attached which are exercisable at $0.25 per warrant share. For $1,000 thousand of the notes there is a fixed number of 30,000 Common Shares under warrant. For $500 thousand of the notes, 16,283 Common Shares are under warrant. For the residual $451 thousand of the notes, 29,371 Common Shares are under warrant.

- In January and February 2015, the Company issued 1,369,421 Class Z Common Shares, of which 1,324,921 related to the exercise of previously granted warrants. The Company accepted promissory notes in an aggregate principal amount of $100 thousand 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 Shares 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 percent 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 Class Z Common Shares related to the exercise of previously granted options were issued for an aggregate cash consideration of $7 thousand.

- In March and April 2015, the Company entered into modifications of certain agreements under Long Term Loans – 3 to adjust repayment terms and extend the repayment date to March 2016.

- On 24 April 2015, the Company and a VIPL investor, Peepul Capital Fund II LLC, entered into an agreement pursuant to which the Company issued 3,157,894 shares of Class Z Common Shares 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.

- Pursuant to share exchange agreements the Company had entered into during March and April 2015 with certain unitholders of Nirog, the company issued upon Admission, 5,025,738 Common Shares to Nirog unitholders in exchange for 12,859,188 Nirog units held by such Nirog unitholders. As a result of the transactions under the share exchange agreements, the Company increased its ownership of Nirog to 70.89 percent of the outstanding equity of Nirog.

- In May and June 2015, certain warrants issued in connection with Long-Term Convertible Notes 1 and 2 were exercised by warrant holders, pursuant to which 730,906 Common Shares were issued by the Company. The remaining 364,886 shares under warrants in connection with Long-Term Convertible Note 2 were cancelled.

- In May and June 2015, certain previously granted options were exercised by option holders, pursuant to which 197,568 Common Shares were issued by the Company.

- In June 2015 the Company issued to certain employees and consultants options to purchase an aggregate of 551,275 Common Shares at an exercise price of $3.36 per share. In addition, the Company issued to certain consultants warrants to purchase an aggregate of 791,105 Common Shares at an exercise price of $3.36 per share.