

VOLITIONRX LTD  
Form 10-Q  
August 10, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2017**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-36833**

**VOLITIONRX LIMITED**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**91-1949078**

(I.R.S. Employer  
Identification No.)

**1 Scotts Road**

**#24-05 Shaw Centre**

**Singapore 228208**

(Address of principal executive offices)

**+1 (646) 650-1351**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]

Accelerated filer [ ]

Non-accelerated filer [ ] (Do not check if a smaller reporting company)

Smaller reporting company [X]

Emerging growth company [ ]

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. [  ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [  ]  
Yes [X] No

As of August 9, 2017, there were 26,518,700 shares of the registrant's \$0.001 par value common stock issued and outstanding.

**VOLITIONRX LIMITED**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2017**

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**Use of Terms**

Except as otherwise indicated by the context, references in this report to “Company,” “VolitionRx,” “Volition,” “we,” “us” and “our” are references to VolitionRx Limited and its wholly-owned subsidiaries, Singapore Volition Pte. Ltd, Belgian Volition SPRL, Hypergenomics Pte Ltd., Volition America, Inc. and Volition Diagnostics UK Limited. Additionally, unless otherwise specified, all references to “United States Dollars” or “\$” refer to the legal currency of the United States of America.

Nucleosomics®, Nu.Q™ and HyperGenomics® and their respective logos are trademarks and/or service marks of VolitionRx. All other trademarks, service marks and trade names referred to in this report are the property of their respective owners.

**PART I - FINANCIAL INFORMATION**

**ITEM 1 . FINANCIAL STATEMENTS**

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**VOLITIONRX LIMITED**

## Condensed Consolidated Balance Sheets

(Expressed in United States Dollars, except share numbers)

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<b>\$</b>	<b>\$</b>
	(UNAUDITED)	
<b>ASSETS</b>		
Cash and cash equivalents	16,505,210	21,678,734
Prepaid expenses	299,290	165,927
Other current assets	146,982	166,887
Total Current Assets	16,951,482	22,011,548
Property and equipment, net	3,418,703	2,119,027
Intangible assets, net	599,139	602,193
Total Assets	20,969,324	24,732,768
 <b>LIABILITIES</b>		
Accounts payable	369,754	281,179
Accrued liabilities	1,434,065	1,439,275
Management and directors' fees payable	79,163	81,057
Current portion of long-term debt	138,037	30,655
Current portion of capital lease liabilities	130,936	119,016
Deferred grant income	49,436	45,510
Current portion of grant repayable	39,979	36,804
Total Current Liabilities	2,241,370	2,033,496
Long-term debt	1,064,515	432,027
Capital lease liabilities	900,693	889,810
Grant repayable	179,800	202,325
Total Liabilities	4,386,378	3,557,658

**STOCKHOLDERS' EQUITY**

Common Stock

Authorized: 100,000,000 shares of common stock, at \$0.001 par value

Issued and outstanding: 26,468,700 shares and 26,126,049 shares, respectively	26,469	26,126
Additional paid-in capital	64,415,602	62,287,252
Accumulated other comprehensive loss	(100,483)	(193,297)
Accumulated deficit	(47,758,642)	(40,944,971)
 Total Stockholders' Equity	 16,582,946	 21,175,110
 Total Liabilities and Stockholders' Equity	 20,969,324	 24,732,768

(The accompanying notes are an integral part of these condensed consolidated financial statements)



**VOLITIONRX LIMITED**

## Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(Expressed in United States Dollars, except share numbers)

	<b>For the three months ended June 30, 2017</b>	<b>For the three months ended June 30, 2016</b>	<b>For the six months ended June 30, 2017</b>	<b>For the six months ended June 30, 2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	—	—	—	—
Expenses				
General and administrative	258,657	166,056	502,843	394,251
Sales and marketing	152,642	128,722	301,235	160,602
Professional fees	339,872	424,631	662,465	871,939
Salaries and office administrative fees	983,350	506,691	1,777,109	829,117
Research and development	1,728,467	1,749,157	3,570,019	3,211,976
Total Operating Expenses	3,462,988	2,975,257	6,813,671	5,467,885
Net Operating Loss	(3,462,988)	(2,975,257)	(6,813,671)	(5,467,885)
Other Income				
Grants received	—	25,891	—	25,891
Total Other Income	—	25,891	—	25,891
Income tax expense	—	—	—	—
Net Loss	(3,462,988)	(2,949,366)	(6,813,671)	(5,441,994)
Other Comprehensive Income/(Loss)				
Foreign currency translation adjustments	61,309	(67,425)	92,814	(49,045)

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Total Other Comprehensive Income/(Loss)	61,309	(67,425)	92,814	(49,045)
Net Comprehensive Loss	(3,401,679)	(3,016,791)	(6,720,857)	(5,491,039)
Net Loss per Share – Basic and Diluted	(0.13)	(0.13)	(0.26)	(0.25)
Weighted Average Shares Outstanding – Basic and Diluted	26,383,228	23,412,262	26,137,241	21,346,835

(The accompanying notes are an integral part of these condensed consolidated financial statements)

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**VOLITIONRX LIMITED**

## Condensed Consolidated Statements of Cash Flows (Unaudited)

(Expressed in United States Dollars)

	<b>For the six months ended June 30, 2017 \$</b>	<b>For the six months ended June 30, 2016 \$</b>
<b>Operating Activities:</b>		
Net loss	(6,813,671)	(5,441,994)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	225,740	151,780
Loss on disposal of property and equipment	1,929	—
Stock based compensation	1,220,798	579,506
Warrants issued for services	28,482	(112,615)
Non-operating income – grants received	—	(25,891)
Changes in operating assets and liabilities:		
Prepaid expenses	(131,526)	(57,362)
Other current assets	31,560	(68,253)
Accounts payable and accrued liabilities	(46,685)	416,362
<b>Net Cash Used In Operating Activities</b>	<b>(5,483,373)</b>	<b>(4,558,467)</b>
<b>Investing Activities:</b>		
Purchases of property and equipment	(1,234,892)	(68,382)
<b>Net Cash Used in Investing Activities</b>	<b>(1,234,892)</b>	<b>(68,382)</b>
<b>Financing Activities:</b>		
Net proceeds from issuance of common shares	879,412	13,313,795
Proceeds from debt payable	664,573	—
Grants received	—	25,891
Grants repaid	(38,487)	(36,135)

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Payments on capital lease obligations	(60,874)	(41,358)
Net Cash Provided By Financing Activities	1,444,624	13,262,193
Effect of foreign exchange on cash	100,117	(51,056)
(Decrease)/Increase in Cash	(5,173,524)	8,584,288
Cash and cash equivalents – Beginning of Period	21,678,734	5,916,006
Cash and cash equivalents – End of Period	16,505,210	14,500,294
Supplemental Disclosures of Cash Flow Information:		
Interest paid	32,639	6,897
Income tax paid	–	–
Non Cash Investing and Financing Activities:		
Common stock issued on cashless exercises of stock options	–	21

(The accompanying notes are an integral part of these condensed consolidated financial statements)

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 1 - Condensed Financial Statements**

The accompanying financial statements have been prepared by VolitionRx without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at June 30, 2017, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K, for the fiscal year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 10, 2017. The results of operations for the periods ended June 30, 2017 and 2016 are not necessarily indicative of the operating results for the full years.

**Note 2 - Going Concern**

The Company's financial statements are prepared using U.S. GAAP applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred losses since inception of \$47,758,642, has negative cash flows from operations, and currently has no revenues, which creates substantial doubt about its ability to continue as a going concern.

The future of the Company as an operating business will depend on its ability to obtain sufficient capital contributions, financing and/or generate revenues as may be required to sustain its operations. Management plans to address the above as needed by, (a) securing additional grant funds, (b) obtaining additional financing through debt or equity financing and (c) developing and commercializing its products on an accelerated timeline. Management continues to exercise tight cost controls to conserve cash.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the

Company is unable to continue as a going concern. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

### **Note 3 - Summary of Significant Accounting Policies**

#### Basis of Presentation

The financial statements of the Company have been prepared in accordance with U.S. GAAP and are expressed in United States Dollars. The Company's fiscal year end is December 31.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also regularly evaluates estimates and assumptions related to deferred income tax asset valuation allowances.

The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 3 - Summary of Significant Accounting Policies (continued)**

Principles of Consolidation

The accompanying condensed consolidated financial statements for the period ended June 30, 2017 include the accounts of the Company and its wholly-owned subsidiaries, Singapore Volition Pte. Limited, Belgian Volition SPRL (“Belgian Volition”), Hypergenomics Pte. Limited, Volition America, Inc., which was formed on February 3, 2017 (“Volition America”), and Volition Diagnostics UK Limited (“Volition Diagnostics”). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. At June 30, 2017 and December 31, 2016, the Company had \$16,505,210 and \$21,678,734, respectively, in cash and cash equivalents. At June 30, 2017 and December 31, 2016, the Company had approximately \$14,599,241 and \$17,154,377, respectively, in its domestic accounts in excess of Federal Deposit Insurance Corporation insured limits. At June 30, 2017 and December 31, 2016, the Company had approximately \$1,079,122 and \$2,401,894, respectively, in its foreign accounts in excess of the Belgian Deposit Guarantee insured limits. At June 30, 2017 and December 31, 2016, the Company had approximately \$256,233 and \$1,719,937, respectively, in its foreign accounts in excess of the Singapore Deposit Insurance Scheme. At June 30, 2017 and December 31, 2016, the Company had approximately \$84,777 and \$nil, respectively, in its foreign accounts in excess of the UK Deposit Protection Scheme.

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with Accounting Standards Codification (“ASC”) 260, “Earnings Per Share,” which requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is

used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. As of June 30, 2017, 1,048,192 dilutive warrants and options and 779,901 potentially dilutive warrants and options were excluded from the diluted EPS calculation as their effect is anti-dilutive.

#### Foreign Currency Translation

The Company's functional currencies are the Euro, the United States Dollar and British Pounds Sterling and its reporting currency is the United States Dollar. Management has adopted ASC 830-20, "Foreign Currency Matters – Foreign Currency Transactions". All assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. For revenues and expenses, the weighted average exchange rate for the period is used. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in other comprehensive loss.

#### Reclassification

Certain balances in previously issued financial statements have been reclassified to be consistent with the current period presentation.

#### Recent Accounting Pronouncements

Management has considered all recent accounting pronouncements issued since the last audit of our consolidated financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's consolidated financial statements. However, the following pronouncement has been adopted by the Company:

In March 2016, the FASB Issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718)". The amendments in this update simplify aspects of accounting for share-based payment transactions. An entity can now make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. The amendments in this update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016.



**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 3 - Summary of Significant Accounting Policies (continued)**

## Property and Equipment

Property and equipment is stated at cost and is amortized on a straight-line basis, at the following rates:

Computer hardware and software	3 years
Laboratory equipment	5 years
Equipment held under capital lease	5 years
Office furniture and equipment	5 years
Buildings	30 years
Building improvements	5 to 15 years
Land	Not amortized

**Note 4 - Property and Equipment**

The Company's property and equipment consist of the following amounts as of June 30, 2017 and December 31, 2016:

	Cost	Accumulated Depreciation	June 30, 2017 Net Carrying Value
	\$	\$	\$
Computer hardware and software	194,432	88,384	106,048
Laboratory equipment	769,802	223,818	545,984
Equipment held under capital lease	652,815	263,936	388,879
Office furniture and equipment	176,859	17,708	159,151
Buildings	1,497,873	16,626	1,481,247

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Building improvements	661,059	15,047	646,012
Land	91,382	-	91,382
	4,044,222	625,519	3,418,703

	Cost	Accumulated Depreciation	December 31, 2016 Net Carrying Value
	\$	\$	\$
Computer hardware and software	157,002	68,229	88,773
Laboratory equipment	313,655	151,541	162,114
Equipment held under capital lease	578,830	183,296	395,534
Office furniture and equipment	32,932	23,361	9,571
Buildings	1,378,911	-	1,378,911
Building improvements	-	-	-
Land	84,124	-	84,124
	2,545,454	426,427	2,119,027

During the six month period ended June 30, 2017 and the six month period ended June 30, 2016, the Company recognized \$183,323 and \$108,235 respectively, in depreciation expense.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 5 - Intangible Assets**

The Company's intangible assets consist of intellectual property and patents, mainly acquired in the acquisition of Belgian Volition (formerly ValiBio SA). The patents and intellectual property are being amortized over the assets' estimated useful lives, which range from 8 to 20 years.

	Cost	Accumulated Amortization	June 30, 2017 Net Carrying Value
	\$	\$	\$
Patents	1,164,515	565,376	599,139
	1,164,515	565,376	599,139

	Cost	Accumulated Amortization	December 31, 2016 Net Carrying Value
	\$	\$	\$
Patents	1,085,133	482,940	602,193
	1,085,133	482,940	602,193

During the six month period ended June 30, 2017, and the six month period ended June 30, 2016, the Company recognized \$42,417 and \$43,545, respectively, in amortization expense.

The Company amortizes the long-lived assets on a straight line basis with terms ranging from 8 to 20 years. The annual estimated amortization schedule over the next five years is as follows:

2017 - remaining	\$ 44,428
2018	\$ 88,856
2019	\$ 88,856
2020	\$ 88,856
2021	\$ 88,856

The Company reviews its long lived assets on an annual basis, to ensure that their carrying value does not exceed their fair market value. The Company carried out such a review in accordance with ASC 360 as of December 31, 2016. The result of this review confirmed that the fair value of the patents exceeded their carrying value as of December 31, 2016.

#### **Note 6 - Related Party Transactions**

The Company has agreements with related parties for consultancy services, stock options and warrants. See Notes 8 (a), 8(b) and 9(b), for further details concerning these agreements.

**Note 7 - Common Stock****Issuances Upon Warrant Exercises**

On January 26, 2017, 2,000 warrants were exercised at a price of \$2.40 per share, for net cash proceeds to the Company of \$4,800. As a result, a total of 2,000 shares of common stock were issued.

From March 13, 2017 through April 3, 2017, 27,500 warrants were exercised at a price of \$2.20 per share, for net cash proceeds to the Company of \$60,500. As a result, a total of 27,500 shares of common stock were issued.

From April 3, 2017 through May 9, 2017, 313,151 warrants were exercised at a price of \$2.60 per share, for net cash proceeds to the Company of \$814,193. As a result, a total of 313,151 shares of common stock were issued. Of this issuance, 163,499 shares of common stock were issued to related parties, for net cash proceeds to the Company of \$425,097.

**Note 8 – Warrants and Options****a) Warrants**

See Note 7.

The following table summarizes the changes in warrants outstanding of the Company during the six month period ended June 30, 2017:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
Outstanding at December 31, 2016	2,162,638	2.40
Granted	-	-
Exercised	(342,651)	(2.57)
Expired	(28,307)	(2.60)

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Outstanding at June 30, 2017	1,791,680	2.36
Exercisable at June 30, 2017	1,641,680	2.35

On February 14, 2017, the Company modified the performance criteria for a vesting milestone on an employee warrant agreement, as a result the Company re-measured warrants held by an employee, to purchase 25,000 shares of common stock at an exercise price of \$2.47 per share. These warrants vest on achievement of certain business objectives and expire 3 years from the date of vesting. The Company has calculated the estimated fair market value of these warrants using the Black-Scholes Option Pricing model and the following assumptions: term: 0.5 years, stock price: \$4.52, exercise price: \$2.47, 55.65% volatility, 0.66% risk free rate.

On May 10, 2017, 28,307 warrants expired.

**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 8 – Warrants and Options (continued)**

Below is a table summarizing the warrants issued and outstanding as of June 30, 2017, which have a weighted average exercise price of \$2.36 per share and an aggregate weighted average remaining contractual life of 1.71 years.

Date Issued	Number Outstanding	Number Exercisable	Exercise Price (\$)	Contractual Life (Years)	Weighted	Expiration Date	Proceeds to Company if Exercised (\$)
					Average Remaining Contractual Life (Years)		
03/20/13	150,000	-	2.47	4.0 to 6.0	0.28	06/30/20 to 12/31/21	370,500
06/10/13	29,750	29,750	2.00	5.0	0.02	06/10/18	59,500
08/07/13	45,000	45,000	2.40	4.0	0.01	08/07/17	108,000
11/25/13	456,063	456,063	2.40	5.0	0.36	11/25/18	1,094,551
12/31/13	64,392	64,392	2.40	5.0	0.05	12/31/18	154,541
02/26/14	953,475	953,475	2.20	5.0	0.88	02/26/19	2,097,645
09/05/14	10,000	10,000	2.40	3.0	0.01	09/05/17	24,000
09/26/14	24,000	24,000	3.00	3.0	0.01	09/26/17	72,000
11/17/14	19,000	19,000	3.75	3.0	0.01	11/17/17	71,250
11/14/16	40,000	40,000	4.53	4.0	0.08	11/14/20	181,200
	<b>1,791,680</b>	<b>1,641,680</b>			<b>1.71</b>		<b>4,233,187</b>

Total remaining unrecognized compensation cost related to non-vested warrants is approximately \$48,891 and is expected to be recognized over a period of 2.0 years. As of June 30, 2017, the total intrinsic value of warrants was \$2,152,950.

**b) Options**

The following table summarizes the changes in options outstanding of the Company during the six month period ended June 30, 2017:

	<b>Number of</b>	<b>Weighted</b>
	<b>Options</b>	<b>Average</b>
		<b>Exercise Price (\$)</b>
Outstanding at December 31, 2016	2,384,300	3.75
Granted	861,000	4.99
Exercised	-	-
Expired	(131,000)	(4.17)
Outstanding at June 30, 2017	3,114,300	4.07
Exercisable at June 30, 2017	2,253,300	3.72

Effective January 1, 2017, the Company granted stock options to purchase 50,000 shares of common stock. These options vest on January 1, 2018 and expire 5 years after the vesting date, with an exercise price of \$4.80 per share. The Company has calculated the estimated fair market value of these options at \$157,890, using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price \$4.57, exercise price \$4.80, 80.70% volatility, 2.26% risk free rate.

Effective February 13, 2017, the Company granted stock options to purchase 25,000 shares of common stock. These options vest on February 13, 2018 and expire 5 years after the vesting date, with an exercise price of \$5.00 per share. The Company has calculated the estimated fair market value of these options at \$76,773, using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price \$4.52, exercise price \$5.00, 80.17% volatility, 2.24% risk free rate.

On March 1, 2017, stock options to purchase 5,000 shares of common stock expired unexercised.



**VOLITIONRX LIMITED**

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(\$ expressed in United States Dollars)

**Note 8 – Warrants and Options (continued)**

On March 30, 2017, the Company granted stock options to purchase 686,000 shares of common stock. These options vest on March 30, 2018 and expire five years after their vesting date, with an exercise price of \$5.00 per share. The Company has calculated the estimated fair market value of these options at \$1,898,322, using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price \$4.18, exercise price \$5.00, 79.41% volatility, 2.25% risk free rate.

Effective April 10, 2017, the Company granted stock options to purchase 100,000 shares of common stock. These options vest on April 10, 2018 and expire 5 years after the vesting date, with an exercise price of \$5.00 per share. The Company has calculated the estimated fair market value of these options at \$258,077, using the Black-Scholes Option Pricing model and the following assumptions: term 6 years, stock price \$3.96, exercise price \$5.00, 79.33% volatility, 2.18% risk free rate.

On May 25, 2017, stock options to purchase 101,000 shares of common stock expired unexercised.

On May 31, 2017, stock options to purchase 25,000 shares of common stock expired unexercised.

Below is a table summarizing the options issued and outstanding as of June 30, 2017, all of which were issued pursuant to the 2011 Equity Incentive Plan (for option issuances prior to 2016) or the 2015 Stock Incentive Plan (for option issuances commencing in 2016) and which have a weighted average exercise price of \$4.07 per share and an aggregate weighted average remaining contractual life of 3.75 years.

Date Issued	Number Outstanding	Number Exercisable	Exercise Price (\$)	Contractual Life (Years)	Weighted Average Remaining Contractual	Expiration Date	Proceeds to Company if Exercised (\$)

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				Life			
				(Years)			
11/25/11	303,000	303,000	4.00-5.00	6.0-7.0	0.09	11/25/17-11/25/18	1,414,000
09/01/12	15,000	15,000	5.31-6.31	5.0-6.0	0.00	09/01/17-09/01/18	89,650
03/20/13	37,000	37,000	2.35-4.35	4.5-7.0	0.02	09/20/17-03/20/20	123,950
09/02/13	16,300	16,300	2.35-4.35	4.5-7.0	0.01	03/02/18-09/02/20	54,605
05/16/14	25,000	25,000	3.00-5.00	3.5-6.0	0.01	11/16/17-05/16/20	100,000
			2.50 and				
08/18/14	645,000	645,000	3.00	4.5 and 5.5	0.44	02/18/19-02/18/20	1,773,750
05/18/15	20,000	20,000	3.80	4.5	0.01	11/18/19	76,000
07/23/15	317,000	317,000	4.00	4.5	0.26	01/23/20	1,268,000
08/17/15	75,000	75,000	3.75	5.0	0.08	08/17/20	281,250
04/15/16	775,000	775,000	4.00	6.0	1.19	04/15/22	3,100,000
06/23/16	15,000	15,000	4.00	6.0	0.02	06/23/22	